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# ANNUAL REPORT 2022



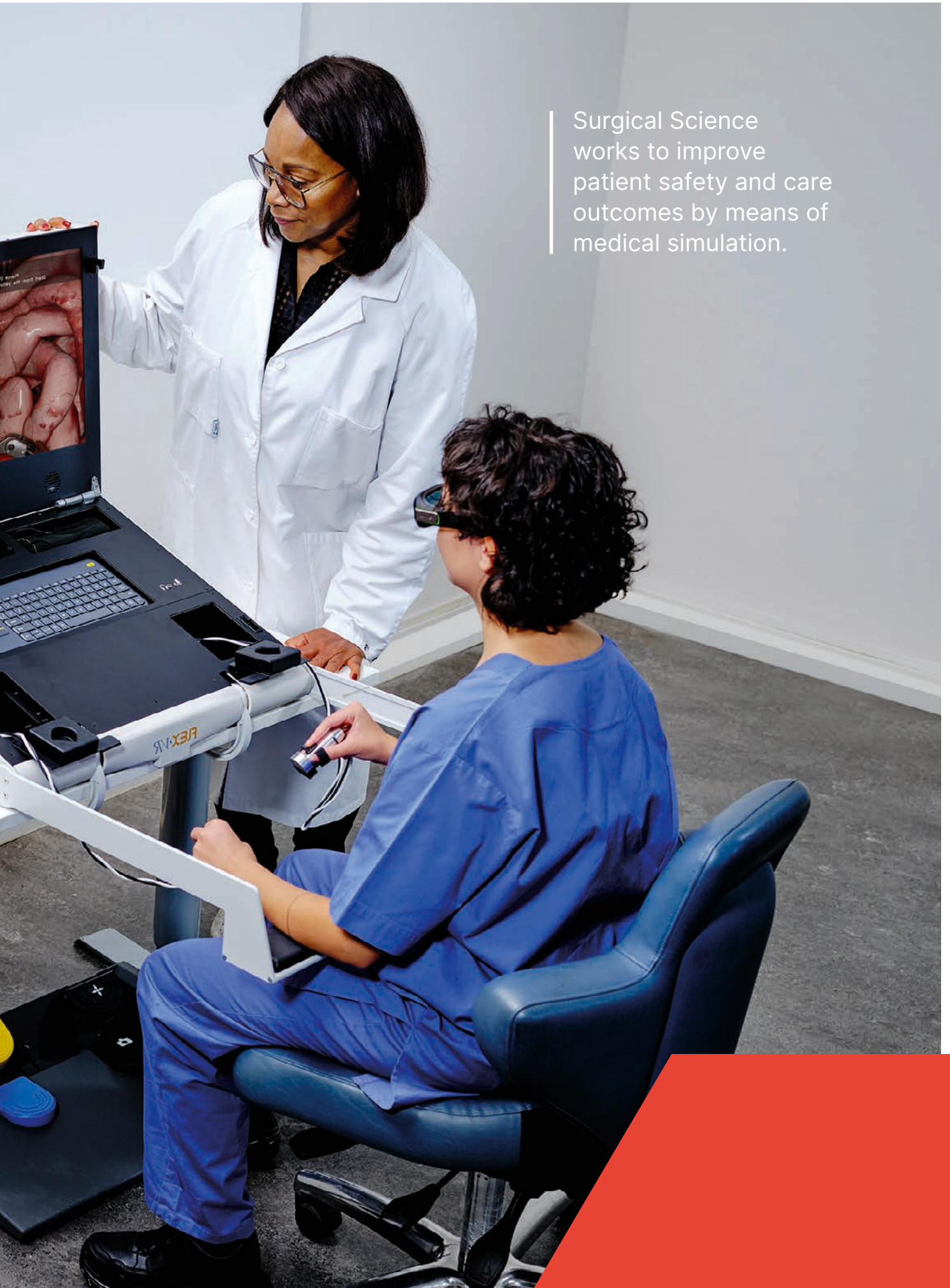
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Throughout the Annual Report, the corresponding value for the preceding year is stated in parentheses, unless otherwise stated.





Surgical Science works to improve patient safety and care outcomes by means of medical simulation.

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# THE YEAR IN BRIEF



## An amazing year for Surgical Science

Read more on page 8



## Strong growth

Read more on page 51



## New core values developed and launched

Read more on page 25



## New financial targets

Read more on page 14

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## Significant events in 2022

### New financial targets

In connection with the acquisition of Symbionix, it was also announced that Surgical Science's financial targets would be revised and communicated when the integration process had begun and the review was complete. The new targets were announced on January 25, 2022. See also page 14.

### Strong growth

For Surgical Science, 2022 was a very strong year. Sales for comparable units increased by 34 percent, the adjusted EBIT margin was 23 percent and net cash balances at the end of the year were SEK 434 million. See more on pages 8 and 51.

### Important strategic order in the US

At the end of May, Surgical Science announced that its US operations had secured an order valued at USD 6.7 million from a major US hospital chain. The order was for a larger number of products including simulators for training

endoscopy, laparoscopy and ultrasound. The final deliveries within the order were made in the fourth quarter. See also page 28.

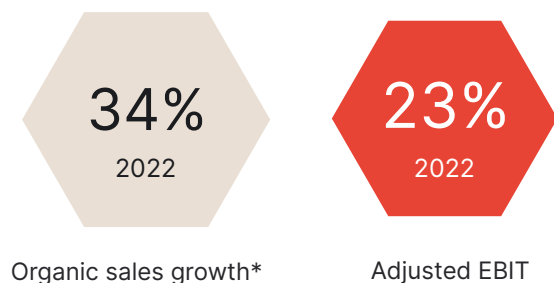
### Integration process

Following the acquisitions of Mimic and Symbionix in 2021, Surgical Science's organization has grown in size many times over, with teams being present in Sweden, Israel and the US, as well as in a number of additional countries. The organization also continued to grow in 2022. Read more on page 20.

### Work with the Group's core values

In 2022 Surgical Science's core values and Code of Conduct were launched. All employees were involved in developing the core values and also worked on the significance of the concepts within their own teams. Read more about the core values and the Code of Conduct on pages 23 and 25.

## Growth and profitability

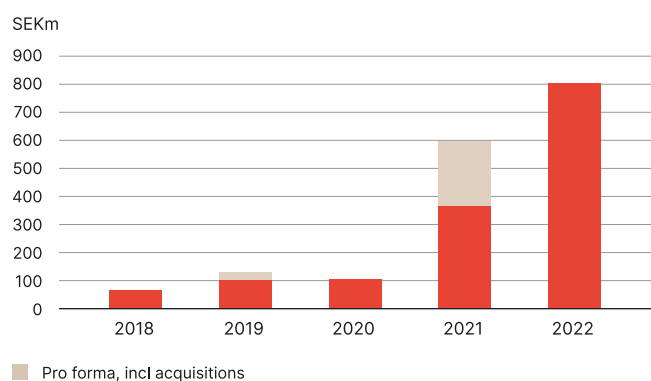


## Sales and earnings, SEK million

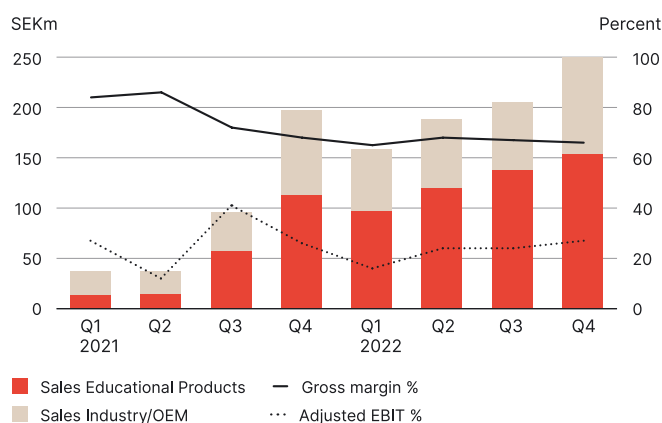
803      163

Sales                      EBIT

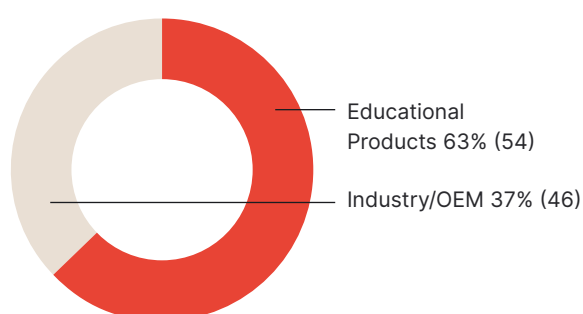
## Annual sales



## Sales and margins



## Sales in 2022 (2021) by business area



## Key figures

	2022	2021
Sales, SEK million	802.5	366.8
Operating profit (EBIT), SEK million	162.5	56.5
Adjusted EBIT, SEK million	186.0	97.2
Profit after financial items, SEK million	208.2	65.8
Net profit, SEK million	188.0	86.2
No. employees at end of year	243	209
Equity/assets ratio, %	91.1	90.1
Earnings per share, SEK	3.70	2.03
Shareholders' equity per share, SEK	83.39	70.57
Share price on the balance sheet date, SEK	164.70	281.50
Market cap. on balance sheet date, SEK million	8,367.0	14,300.5

For definitions, see page 50.

\* Comparable units, against pro forma 2021

# SURGICAL SCIENCE IN BRIEF

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 development of virtual reality simulators for evidence-based training. These simulators allow surgeons and other medical specialists to practice and improve their technical skills and instrument handling before entering the clinical environment. In parallel with its

own products, Surgical Science works with simulation solutions for medical device companies that develop instruments for clinical use, such as robotic surgery.

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

Founded

1999

Sales in approximately

60 countries

Employees

243

Sales in 2022

SEK 803 million

 Surgical Science's offices



Broad product portfolio



Web-based Learning Management System



>8,000 simulators in >90 countries



>150 simulated procedures



>400 validation studies



# AN AMAZING YEAR FOR SURGICAL SCIENCE

In 2022, Surgical Science's sales grew by 34 percent – this being achieved in parallel with the integration of the acquisitions of 2021 into a global organization. Profitability was favorable with an operating margin of about 20 percent and strong cash flow resulted in our cash position increasing by SEK 117 million over the year. One year into our journey towards achieving our long-term financial targets for 2026 – SEK 1.5 billion in sales and an adjusted EBIT margin of 40 percent – we are in an excellent position to reach these. Building a company is about motivation and team spirit – 2022 was a year of business focus and integration, building the organization for the future.

Educational Products started the year very well with sales of slightly less than SEK 100 million in the first quarter. The business area then grew to new record levels each quarter, ending the year with sales of SEK 150 million for the fourth quarter and with total annual sales of SEK 508 million for 2022. It was an achievement by our global delivery organization to ramp up production to match this increase in simulator sales. With the increase in the installed base of simulators, our aftermarket organization offering service/support agreements has also been able to continue growing its operations. This represents somewhat of a backbone in our customer relations and are also a profitable business for us as a company.

The highlight of the year was the company's single largest individual order to date of USD 6.7m, which was announced in May 2022. This order to a leading US hospital chain provides key recognition of Surgical Science's attractiveness as a strategic partner when large players decide to work with simulation at an overarching level. In our global niche segment of medical simulation, unexpected and significant sales declines also occurred. One such market was Russia where, prior to 2022, we had extensive sales for several years, which was abruptly interrupted by the war in Ukraine.

One of the more painful and challenging tasks of merging Sionix with Surgical Science was consolidating the worldwide distributor network. In many markets, we had two good distributors, but were forced to choose one. Business relationships that, in some instances, had

spanned a decade were jeopardized overnight. But we rose to the challenge by focusing on the future and selecting the partner best able to meet our customers' needs in each country. Of all the integration processes that the acquisition of Sionix necessitated, the distributor network was a high-priority concern that we focused on in the autumn of 2021. With the annual accounts for 2022 in hand, we can conclude that one plus one added up to more than two and that we successfully achieved economies of scale in growing Educational Products.

Industry/OEM, in which we work with medical device companies to produce customized product-specific simulation, had favorable development in 2022. Robotic surgery companies are the key customer group for the business area. We currently have 10-15 customers with Surgical Science's simulation software embedded in their proprietary hardware. Given the considerable demand for robotic surgery from surgeons and patients alike, market penetration, expressed in terms of total procedures performed relative to the procedures that can currently be performed using robotic surgery, is expected to grow strongly from the current level of about 3-4 percent globally. The need for training increases with the increased use of robotic surgery. This is reflected in Surgical Science's license income which was SEK 184 million in 2022. Most customers are at an early stage of commercialization and have yet to launch their products. Our view is that simulation can outgrow the market as a whole as we are continuously expanding our content for specific customers in terms of, for example, advanced instrumentation and procedural simulation.



In Industry/OEM we also work with areas other than robotic surgery. There are substantial opportunities to contribute to patient safety and business benefit within vascular surgery, endoscopy and ultrasound, to mention just a few examples. Many of these solutions require both hardware and software, as well as service/support from Surgical Science. This is more similar to the business model in Educational Products, although the customer group is different. As digitalization takes hold, we believe there will be more areas in which we can license simulation technology built directly into medical device companies' own products. This increases the value of our IP and will generate opportunities to also earn future license revenues outside the area of robotic surgery. During the year, we implemented a strategy focusing on major global key customers where Surgical Science can serve as a simulation partner in multiple areas. To implement this strategy, we expanded the Industry/OEM sales organization in 2022, and now have a team that we expect will generate strong sales growth over the upcoming years.

A little over a year ago, we communicated new financial targets. We had then left 2021 with annual sales, pro forma, of SEK 600 million. With sales of slightly more than SEK 800 million in 2022, we have taken a major step towards our target of SEK 1.5 billion in sales in 2026. Robotic surgery, our most important niche in Industry/OEM, is experiencing favorable momentum and we feel confident that our assumptions regarding licensing revenues going forward are correct. We expect a progressive trend in these revenues rather than linear growth. To date, Educational Products, which in 2022 significantly surpassed its stated target of an average 10-15 percent annual growth over the period, has exceeded expectations. Even if growth were to be at the lower end of the range for that area for much of the period remaining until 2026, we would still meet our targets.

If sales develop as planned, we will reach our profitability target of 40 percent adjusted EBIT for 2026. From the adjusted EBIT margin for 2022 of 23 percent, the gross margin needs to increase from the current level of 66 percent. This will mainly be achieved by increasing the proportion of license revenue over the period, while operating costs are decreasing in relation to sales. We believe the impact on the operations will be most evident in our sales costs (17 percent of sales for the 2022 full year) and, to some extent, in our administration costs (8 percent of sales in 2022). While we believe that research and development costs (22 percent of sales in 2022) will also decrease as a percentage of sales, it is extremely important that we

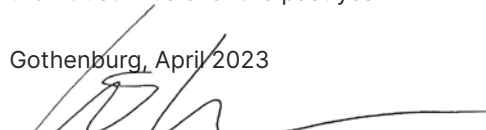


Growing as Surgical Science did in 2022, while also merging companies into a global organization, is an incredibly stimulating thing to do.

continue to invest long-term in continued technological leadership to build the simulation solutions of the future.

While growing as Surgical Science did in 2022 and also merging companies to form a global organization is incredibly exciting, it is also challenging and a lot of hard work. Our shared values of respect, curiosity and perseverance bring the Surgical Science team together in a manner of which we can all be proud. Being able to contribute to a better world while also conducting business that contributes to shareholder value is a privilege. I am proud of having the honor to lead this amazingly committed organization of currently 240 people, and I am grateful for the long-term perspective that our supportive Board of Directors has taken in building up the company. A balance sheet with no loan financing and slightly more than SEK 430 million in the bank account both inspires self-confidence and provides room for action. We are now moving into 2023 in positive spirit and thank our shareholders for their trust in us over the past year.

Gothenburg, April 2023

  
Gisle Hennermark, CEO

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# TWO BUSINESS AREAS WITH MAJOR SYNERGIES



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## EDUCATIONAL PRODUCTS

### OFFERING

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

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## INDUSTRY/OEM

### OFFERING

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

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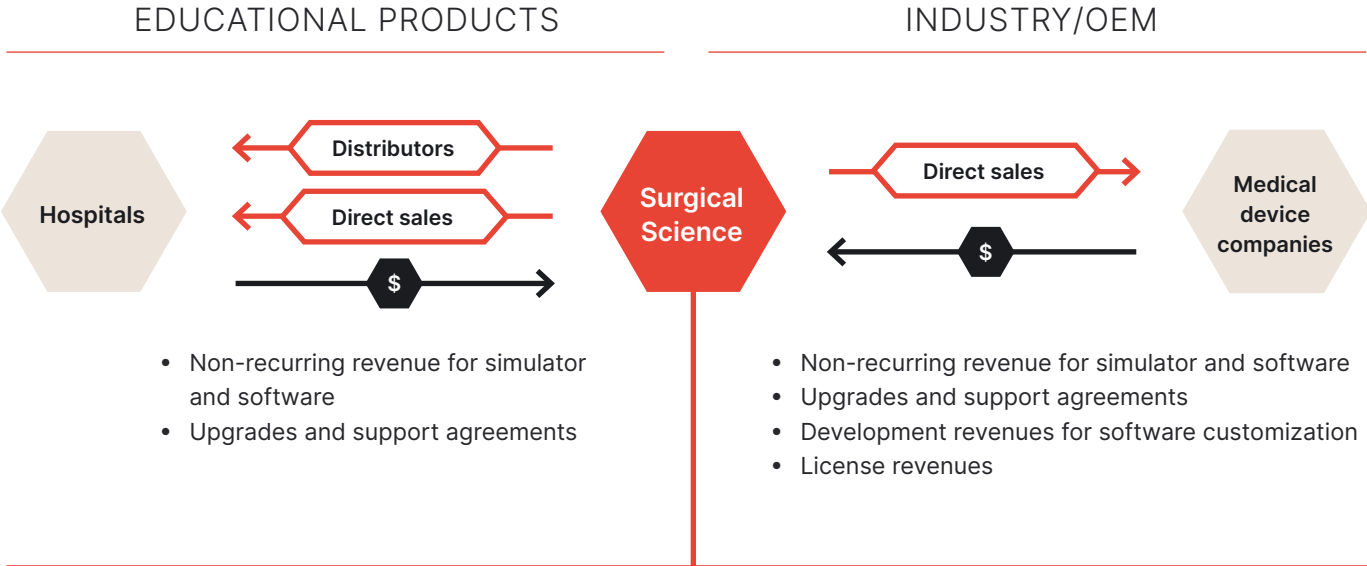
### Surgical Science offers software services and products in the areas of

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

Specialists with the market's widest range of simulators for training of medical procedures and examinations.



Sales channels and revenue streams



**COMMON INTELLECTUAL PROPERTY RIGHTS**

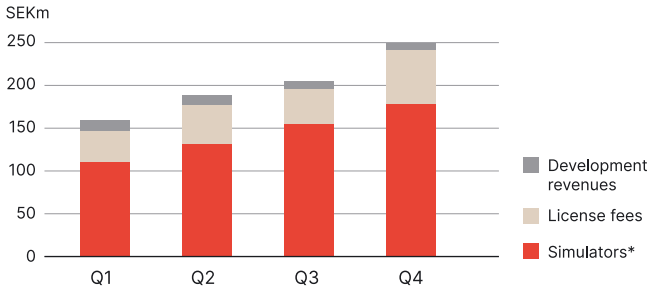
More than 20 years of expertise in medical simulation

**SHARED DEVELOPMENT ORGANIZATION**

Scalability and efficiency

**KNOWLEDGE EXCHANGE**

Between industry and academia



Sales in 2022 by revenue stream. Read more about how the different revenue streams affect the gross margin on page 52.

\* Hardware and software, as well as upgrade and support agreements.



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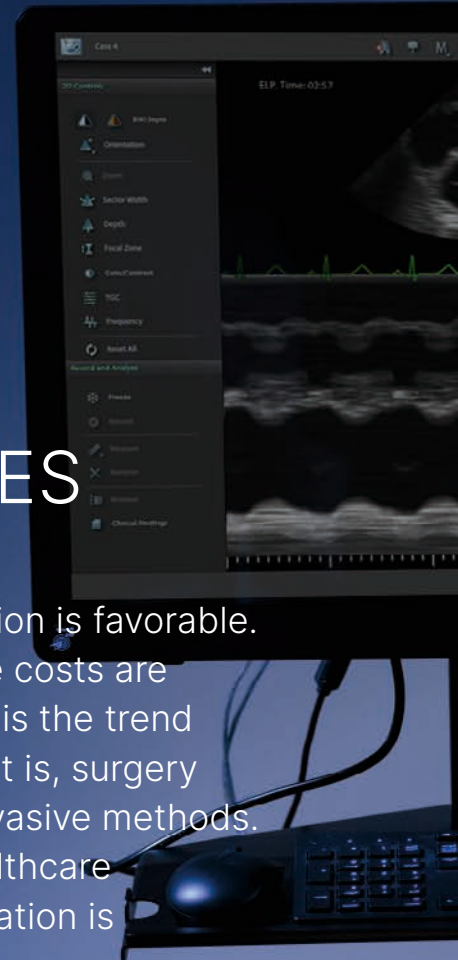
# BUSINESS MODEL, TARGETS AND STRATEGIES

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

## Operations

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

work is conducted in the Industry/OEM business area. In 2019, Surgical Science acquired the company SenseGraphics (founded in 2004), which has worked with medical simulation sales to medical device companies for many years. In early 2021, Mimic Technologies was acquired, a US-based company with operations in both Educational Products and Industry/OEM and that has worked in the area of robotic surgery for almost 20 years. The acquisition of Symbionix, with principal operations in Tel Aviv, Israel was completed in August 2021. Symbionix is active in simulation for training of surgeons and other medical specialists in a wide range of areas and was founded in 1998.





Surgical Science works with medical simulation in a number of areas including laparoscopy, endoscopy, vascular surgery, ultrasound and robotic surgery.

### Vision

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

### Financial targets

Following the acquisition of Symbionix, the Board of Directors adopted new financial targets that were announced in January 2022.

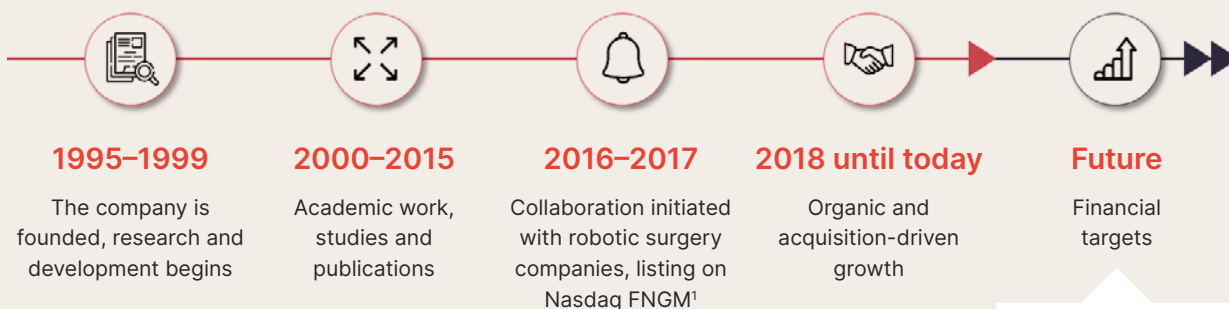
The target is for Surgical Science to generate sales of SEK 1,500 million in 2026. Achieving this target may entail supplementary acquisitions. The Educational Products business area is expected to grow by an average 10-15 percent annually over the period. With an extended and broadened

product portfolio, the products will have different growth rates. Surgical Science offers certain niche products to be able to submit complete tenders, although these are sold individually to a lesser extent. The Industry/OEM business area is expected to experience increasing growth during the period as robotic surgery products containing technology from Surgical Science are launched onto the market. During the period, other application areas are also expected to be digitalized, leading, alongside expanded areas of use for simulation, to increasing revenues.

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

### History – from research to commercial phase and growth

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



### Focused, long-term growth strategy through acquisitions



#### SenseGraphics

- Customer base
- Software developers

#### Mimic

- Customer base
- Complementary technology

#### Symbionix

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

#### 2026:

Sales, SEK million  
**1,500**

Adjusted EBIT margin  
**40%**

1. First North Growth Market, Stockholm

### Value-driving factors

Underlying growth in the market for medical simulation is favorable. An increased focus on patient safety and healthcare costs are strong driving forces. A surgical error can have serious complications, in terms of the patient’s suffering and in terms of the high cost to healthcare and society. In the US, for example, errors in healthcare are the third most-common cause of death\*. Consequently, investments aimed at reducing errors, and thus healthcare costs, can be justified from several points of view. The largest market for medical simulation is the US, followed by Europe and Asia. Over the next few years, growth is expected to be strongest in countries where driving forces include economic development, an increased focus on patient safety and a large population, such as China and India. The market for robot-assisted surgery is expected to grow faster than other parts of the market.

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

Technological development and digitalization in healthcare represents another key driving factor in which simulation is becoming an increasingly critical component. There is considerable faith in medical simulation today, with state-of-the-art systems often having been validated in scientific studies. When manufacturers of medical devices develop, undergo the regulatory approval process, market and

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

install advanced new instruments such as surgical robots, simulation is a matter of course in increasing efficiency and reducing costs in a manner that is safe for patients.

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

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

Around 60 percent of the world’s surgical robots are installed in the US – so the potential for growth is extensive. Now that challengers, such as CMR Surgical, Medcaroid and Medtronic have begun to launch their surgical robots, Surgical Science believes that competition will accelerate the implementation of new technologies.

### Macro trends



**Increased focus on patient safety**



**Transformation from open surgery to minimally invasive surgery**



**Digitalization of healthcare**

\* Source: [www.toerrishumanfilm.com](http://www.toerrishumanfilm.com)

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

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

**Business model**  
**Educational Products**

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

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

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

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

Surgical Science's product sales may fluctuate between different quarters, with the fourth quarter of the year generally being the strongest. This is because many major hospitals use the calendar year as their budget year and hold off on purchases until they can see what funds remain in the budget towards the end of the year.

**Industry/OEM**

In this area, the business model partly comprises development fees for adapting Surgical Science's software to the medical device company's platform/hardware and subsequently license revenues. License revenues may be charged per unit or on a recurring basis, linked to the installed base or use of the software, for example. In addition to being able to generate long-term cash flows, these projects entail Surgical Science itself learning and gaining

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





Sales of Surgical Science's simulators are partly conducted through distributors, and partly with its own sales people directly to the end customer.



new experiences, enabling it to further develop its own software, as the company strives to retain the copyright for all adaptations. This is a way of focusing on the part of the value chain where the company has its strongest advantage, rather than working with the customer's hardware, distribution, end-customer support, etc. In this case, Surgical Science is therefore a component supplier of simulation software that is embedded in the client's products.

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

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.

## Strategies

Surgical Science will continue to develop its proprietary educational products as the obvious choices for customers in a world where training and certification are mandatory. From the outset, Surgical Science has worked closely with leading university hospitals in developing the company's products. Surgical Science's simulators have also been validated in a number of published studies demonstrating that the knowledge acquired by the physician through training with the company's products also transfers to the clinical environment. Surgical Science advocates mandatory simulations in surgeon training and for future physicians to be certified before performing the first intervention on a human patient.

Besides developing proprietary products, a strategic priority is to work with simulation solutions for medical device

**Surgical Science has an organization where a large portion of its employees are the world's leading software developers in medical simulation.**

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

One of the macro trends in healthcare driving this development is digitalization, which allows simulation software to be applied directly in medical device products without separate hardware. Using VR simulations in robot-assisted surgery, for example, is also an obvious choice and no supplier in this area will be able to be without a simulation solution. 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 surgeon training solutions when granting approval for the clinical use of, for example, new surgical robots.

## Patents and trademarks

Surgical Science holds a number of patents, in a number of countries. The company's patents provide protection for certain software as well as hardware.

Surgical Science currently has a number of approved trademark registrations worldwide for its product names.

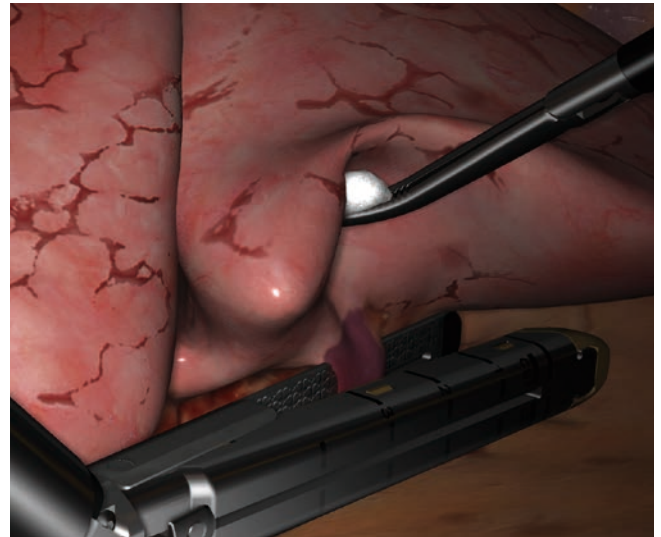
## Objectives for 2023

Surgical Science's overarching objectives for 2023 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 Industry/OEM key customers.
- Grow sales in Educational Products by at least 10 percent and continue to expand the product portfolio through further product launches.
- Improve cost of goods sold by streamlining production and purchasing to achieve a positive effect on the gross margin.
- Be prepared to make further acquisitions when the time is right.

One of the objectives for 2023 is to continue expanding the value content for existing customers in robotic surgery who license the company's technology.

Surgical Science has an organization where a large portion of its employees are the world's leading software developers in 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 with continuing to launch new applications for its own products in Educational Products. To remain a world leader in realistic real-time simulations of medical procedures, improving the core technology is critical. In 2023, Surgical Science will invest more than ever in this area.



In connection with lung cancer, for example, a lobectomy (removal of one of the lobes of the lungs) can be performed. The picture shows a type of instrument used in such cases and the use of which can be trained in a simulator.

### Fulfillment of objectives for 2022

In 2022, Surgical Science's overarching objectives were to:

Objective	Target fulfillment
1 Continue expanding the value content for existing customers in Industry/OEM who license the company's technology.	✓
2 Expand the sales organization within Industry/OEM and take advantage of opportunities in additional application areas.	✓
3 Achieve the growth target for Educational Products	✓
4 and improve the gross margin.	✗
5 Continue to expand the product portfolio with additional product launches.	✓
6 Be prepared to make further acquisitions when the time is right.	✓

# A SUSTAINABLE ORGANIZATION

Surgical Science works actively to be an attractive workplace and sets targets to generate a high degree of employee engagement and a good working environment. The employees constitute an important asset for the company’s competitiveness and profitability and it is of the utmost importance that it can attract personnel with appropriate skills and provide employees with opportunities for further development.

### A global organization

Surgical Science’s head office is in Gothenburg, Sweden. Operations are also located in Tel Aviv, Israel as well as in Stockholm, Sweden and Seattle and Cleveland, US. There are also employees in software development and sales in Germany, the UK, Poland, France, China and Costa Rica. The organization comprises various functions that collaborate to advance the work globally. The company strives to have an organization that is as flat as possible, characterized by expertise, entrepreneurial spirit, goal-orientation and rapid decision-making paths.

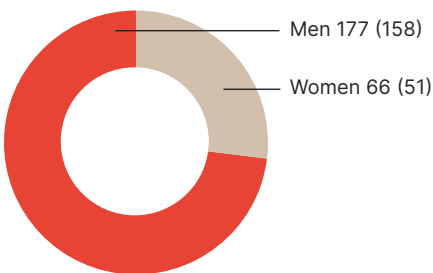
In 2022, the number of employees at Surgical Science increased by 16 percent through new recruitment, particularly of software developers, sales staff and support functions. At the end of 2022, there were 243 employees (209).

Surgical Science has an operational structure in which the various functions within the Group collaborate globally.

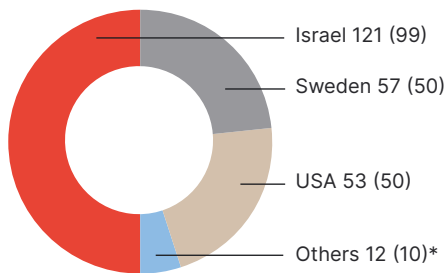
### Committed employees

Surgical Science is a knowledge-intensive company, in which employees and their specific skills are a key asset for long-term competitiveness and profitability. Efforts to be an attractive employer and a sustainable workplace characterized by commitment and well-being are in focus for the company’s continued success. Surgical Science’s operations focusing on patient safety provide opportunities to attract external talent and retain the company’s

Employees 2022 (2021)

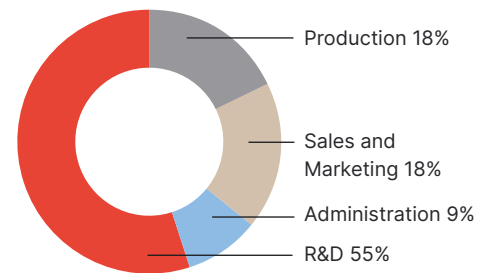


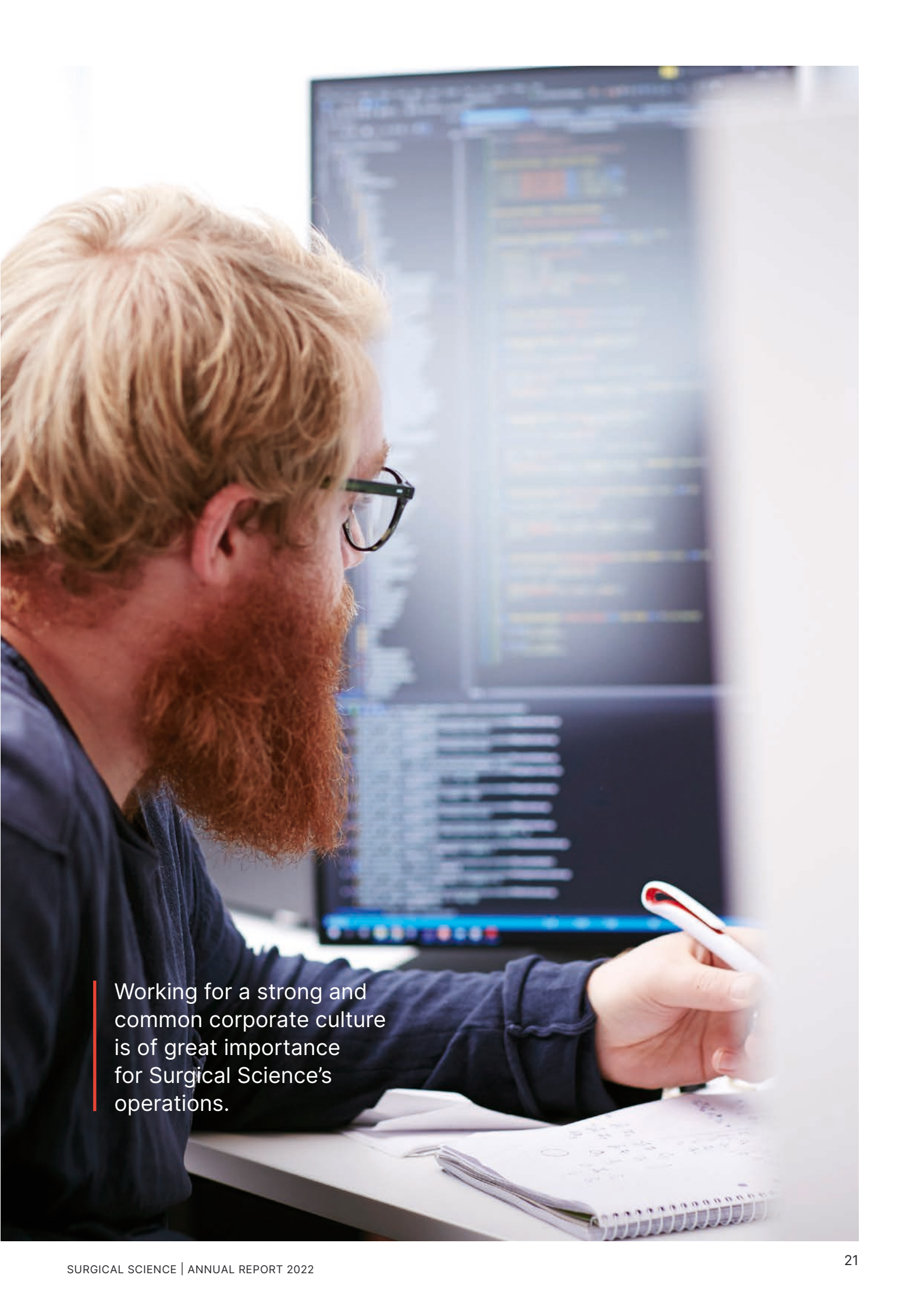
Distribution of employees by country in 2022 (2021)



\* Other countries: China, Germany, France, Poland, UK, Greece and Costa Rica

Employees by function 2022

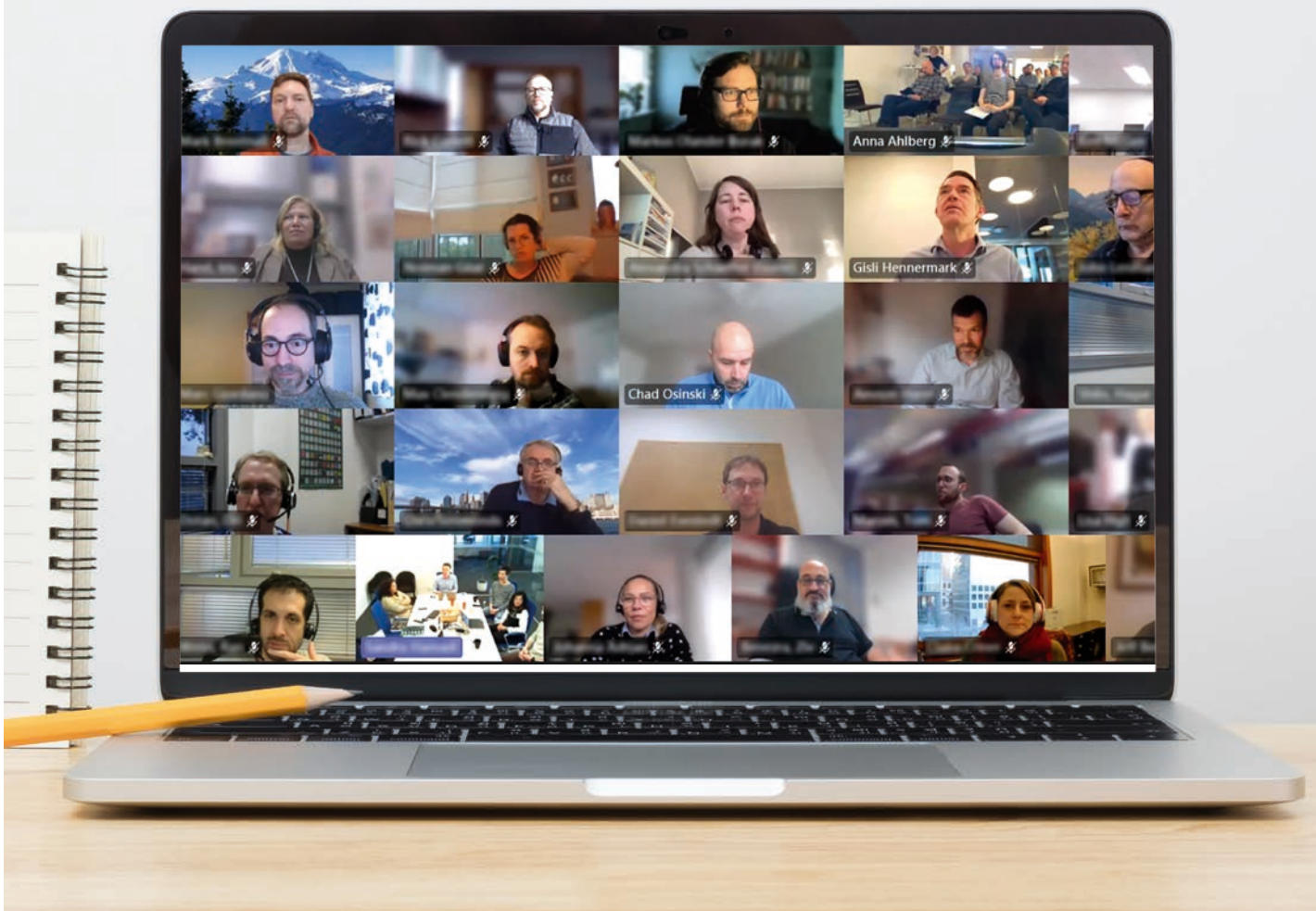




Working for a strong and common corporate culture is of great importance for Surgical Science's operations.

At least once a quarter, “All hands” meetings are held for all employees in the Group.

At these meetings, various projects are presented and discussed, and the company’s most recent interim report is reviewed, etc. The CEO and company management, who are responsible for these meetings, ensure that the company’s core values are discussed and permeate the communications.



employees as their work contributes to a purpose that generates value for society.

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

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

Surgical Science currently has two warrants programs open, see more on page 75. The intention is to propose to the Annual General Meeting broad annual programs through which employees can accumulate their warrants holdings.

### Implementation of a new HR strategy

In 2022, Surgical Science developed a global HR strategy in which considerable emphasis is placed on the commitment of managers and employees, as well as on simplicity contributing to business value.

Examples of focus areas for attracting talented people and for engaging, retaining and motivating internal talent include:

- continuing to build a strong corporate culture through the company's core values
- designing and implementing Surgical Science's leadership development program
- developing the performance management process, focusing on goal setting, well-being and individual development
- aligning and coordinating the organizational structure through a job architecture which includes position assessment
- implementing a global HR system

**Surgical Science developed a global HR strategy in 2022. One of the areas of focus is to continue building a strong corporate culture through the company's core values.**

To assess and further develop Surgical Science as a workplace, employee satisfaction will be reviewed in 2023 by means of an employee survey.

### A healthy and safe workplace

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

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

In 2022, the process continued of integrating the acquired companies, this playing an important part in maintaining good health and security among employees. Considerable focus has been devoted to building a healthy shared social and organizational work environment.

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

**Surgical Science's Code of Conduct describes the company's core values and commitments, both in the workplace and in terms of the business operations.**

### **Strong and shared corporate culture**

Fostering a strong and shared corporate culture is of great importance to the operations to achieve a consistently high level of employee commitment, facilitating continued deliveries of high-quality, innovative products for increased patient safety. In 2022, the core values Respect, Curiosity and Perseverance were launched, with the core value of respect, for example, underlining the importance of Surgical Science being a workplace offering all individuals equal opportunities in a corporate culture free from discrimination and harassment. The core values shall guide employees in how they should act and make decisions, both on a daily basis and in long-term planning.

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

Implementing the values is also a significant step in the continued process of integrating the previous acquisitions. During the year, the company's various teams held workshops to discuss the importance of the values for the individual and the organization and how they can be

incorporated in the daily work. In 2023, the application and observance of the values will be a highly useful and effective tool in implementing the cultural process in different procedures and in different parts of the organization.

Quarterly "All hands" meetings are held at which all employees have the opportunity to participate. The CEO and company management, who are responsible for these meetings, ensure that the values are discussed and permeate the communications.

### **Enhancing efficiency through digitalization**

As part of the strong growth of Surgical Science's operations and organization, several digitalization projects have been initiated, including in the HR arena. These will remain in focus over the upcoming years to streamline work flows and collaboration, which will be even more important in a global perspective. In 2022, implementation of a global HR system began, simplifying a global approach and follow-up of data.

### **Code of Conduct**

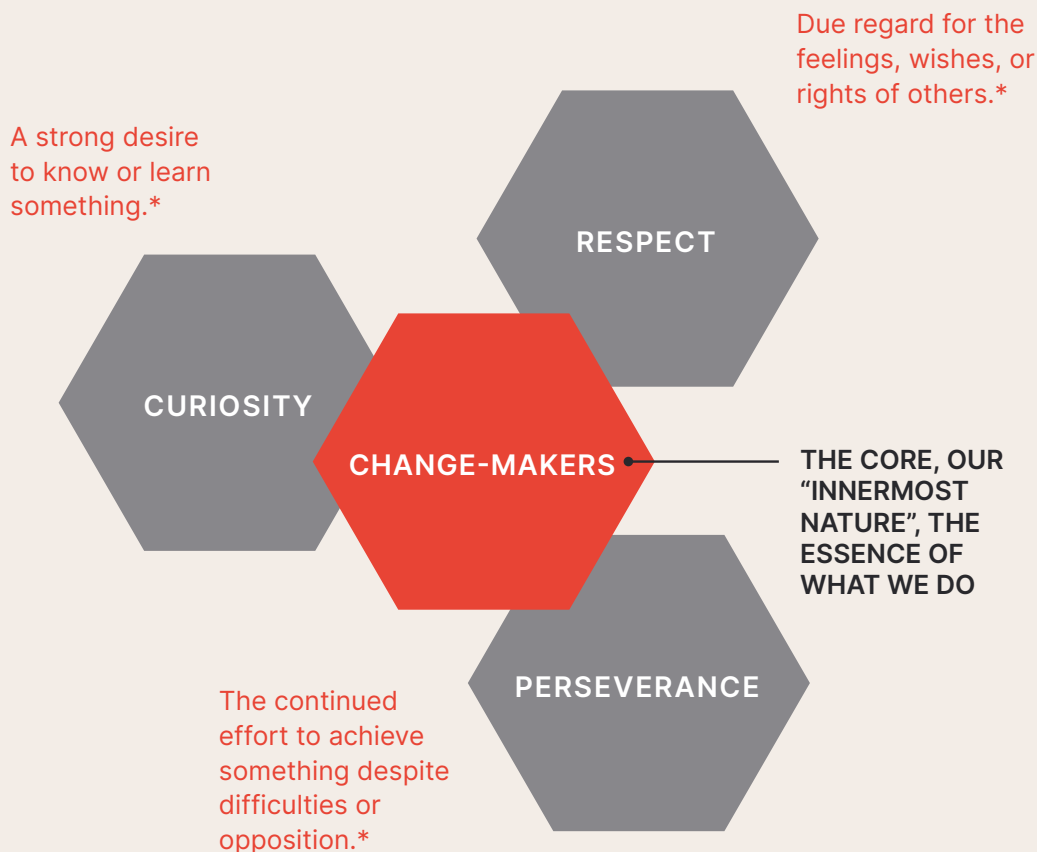
Surgical Science's Code of Conduct lays the foundation for how the company views and will work on issues including business relations, the working environment and environmental considerations. The Code of Conduct contains important principles and guidelines for decision-making in the daily operations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

All new employees are informed about the Code of Conduct and, in connection with Surgical Science implementing a global HR system, the Code of Conduct shall be signed digitally in that system as of 2023.



## Surgical Science's Book of values

The core of our business is the people and how we act. Our values are our guidelines for decision making and everything we do, and the essence describes our higher purpose. Together, they unite us as a global organisation. The values and their stories are found in our Book of values.



### CHANGE-MAKERS

We are driven by the urge to bring value to the world, our environment, and our customers. Our purpose, our sole reason to exist, is to provide medical professionals with the opportunity to train before entering the clinical environment. We are giving them the means to improve patient care.

As change-makers, we are making a difference. Always with a focus on the customer and their patients.

Our success is derived from creating solutions with a real impact on patient safety and ultimately save lives.

### RESPECT

We are a company with colleagues across the world, collaborating to address medical professionals within all cultures. Our daily routines are influenced by differences in attitudes and language, but also affected by being performed in different time-zones. As every position in the company is important, trust and respect for our different roles and backgrounds is what brings the company together. No matter where we are, geographically or in the organization, esteem makes us feel welcomed, included, and comfortable at work.

### CURIOSITY

Innovation adds value to our customers, and curiosity is at the heart of innovation. At Surgical Science, empowerment ensures us the space and freedom to develop interesting solutions. It brings something new and unique. Knowing that co-workers have one's back provides a freedom that pushes us to innovate, and to look for new markets, new audiences, and new ideas. Curiosity creates new possibilities to health-care and patient safety.

### PERSEVERANCE

Devotion defines us. Our line of business brings meaning; the products we deliver save lives. But product development takes time. Even if we are aiming at getting things done without a lot of bureaucracy, our success is dependent on patience and a sense of sticking-to-it. But perseverance presupposes passion as well. Doing the job happily and with focus, also through temporary frustration. Keeping an eye on the target.

\* Definitions by Oxford Languages



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## EDUCATIONAL PRODUCTS BUSINESS AREA

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



In Educational Products, Surgical Science sells simulators to hospitals for the generic training of technical skills in a number of areas.

### Overarching objectives

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

Surgical Science’s goal in the Educational Products business area is to grow sales by an average 10-15 percent annually up until 2026. With an extended and broadened product portfolio, the products in the area will have different growth rates. Surgical Science offers certain niche products to be able to submit complete tenders, although these are sold individually to a lesser extent.

### Significant events in 2022

- Sales for the year amounted to SEK 507.9 million (197.4). Symbionix is included in the comparison figure as of August 24, 2021.
- Several markets showed a favorable sales trend. The operations in the US experienced a very strong year, and countries in South America and Asia (mainly China) also performed well. At the same time, Russia, which has historically been a very strong market, disappeared in 2022.
- In May, it was announced that Surgical Science’s US operations had received an order from a major US hospital chain for USD 6.7 million. The order was for a larger number of products including simulators for training endoscopy, laparoscopy and ultrasound. The entire order was delivered in 2022, with the revenue also being recognized that year.
- Several product innovations were launched in terms of both hardware and software, including new ultrasound simulation specifically for paediatrics (children),

simulations of intravenous treatments, such as inserting a central venous catheter and a new camera with extended functionality for laparoscopy simulators.

### Products

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

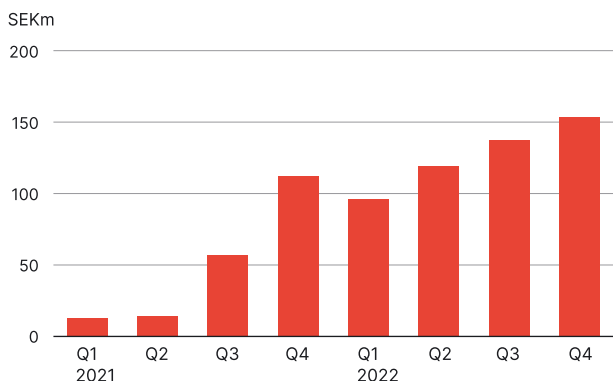
The company’s products in this area are sold under the Symbionix brand. The company’s website [www.surgical-science.com](http://www.surgical-science.com) has further presentations of the product range.

### Validated products

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

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

### Sales in Educational Products



The sales trend in Educational Products has been highly favorable, with the reported figures showing that the business area grew by 157 percent in 2022\*.

\* Incl. acquisitions, not pro forma.

### Customers and revenue model

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

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

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

### Market

The global market for medical simulation enjoys favorable underlying growth. The largest market for medical simulation is the US, followed by Europe and Asia. Over the next few years, growth is expected to be strongest in countries where driving forces include economic development, an increased focus on patient safety and a large population, such as China and India.

Underlying growth is favorable in the global simulation market. Surgical Science sells its products globally, both directly and through distributors.

The pandemic demonstrated clearly the problem of training on patients. The decline in planned surgery exacerbated needs for other kinds of training, in some markets leading to increased demand for simulators.

### Marketing and sales

Sales of Surgical Science's simulators are conducted globally through distributors, and partly, with its own sales people directly to end customers. Surgical Science conducts its own sales operations in the US and Sweden, among others. A large part of the sales work takes place through various congresses. Surgical Science also conducts sales through some 60 distributors worldwide. More than 95 percent of the company's sales are to customers outside Sweden. The US is currently Surgical Science's largest individual market in this area.

### Product overview

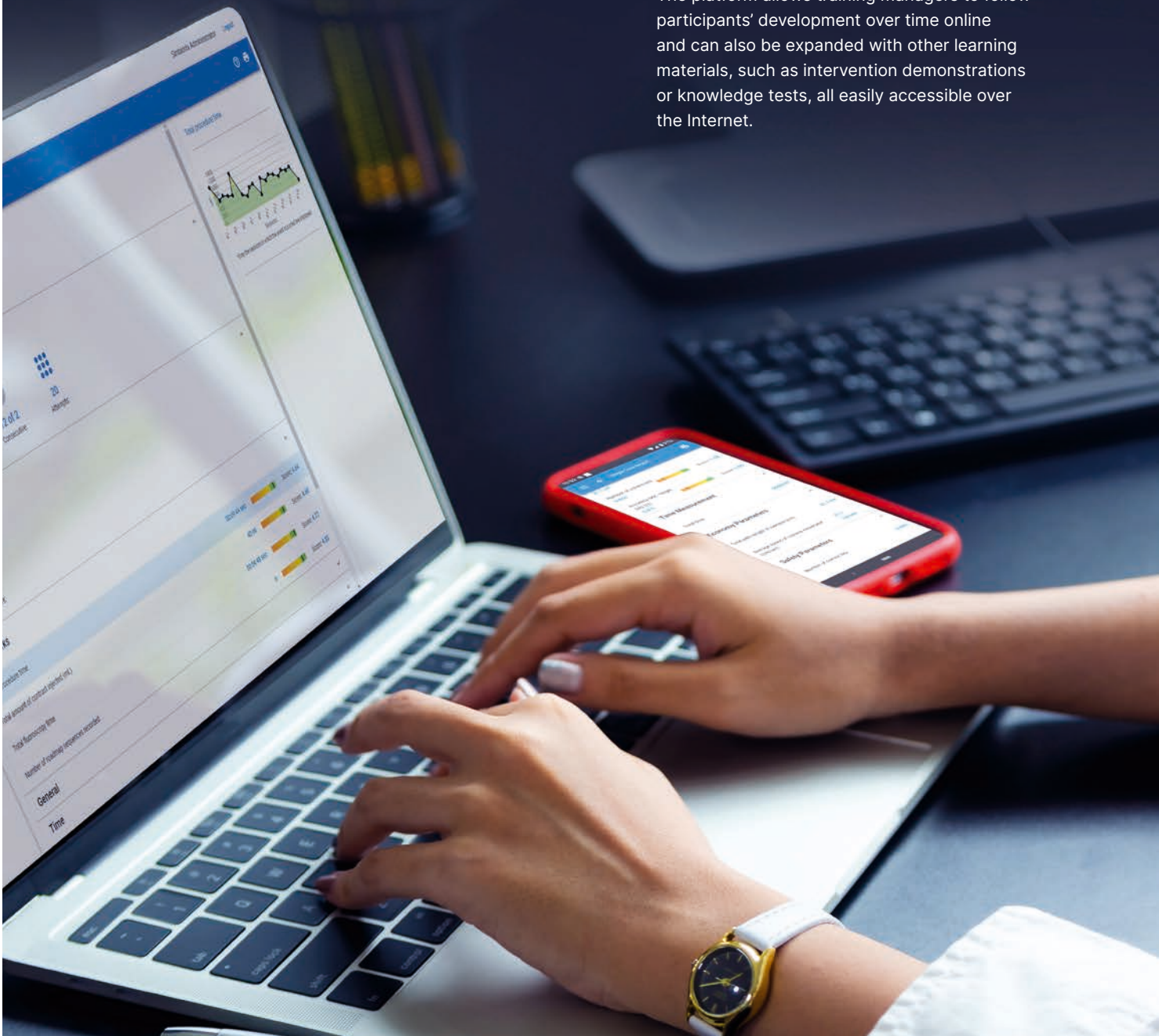
Medical area	Simulators
◆ General surgery	LapSim, LapSim ST, Lap Sim Essence, LAP Mentor, TeamSim, Simball Box
◆ Imaging	Ultrasound Mentor, PERC Mentor Suite
◆ Robotic surgery	RobotiX Mentor, FlexVR
◆ Gastroenterology	ENDO Mentor Suite, EndoSim, GI Mentor
◆ Orthopedic surgery	ARTHRO Mentor
◆ Pulmonology	BRONCH Mentor, BRONCH Express
◆ Obstetrics and Gynecology	PELVIC Mentor
◆ Urology	URO Mentor
◆ Vascular surgery	ANGIO Mentor
◆ Pain Medicine	SPINE Mentor



## MentorLearn Cloud: A comprehensive, web-based Learning Management System

MentorLearn Cloud is a web-based Learning Management System (LMS) specializing in simulation-based training. The system effectively integrates all simulators and training content into a comprehensive ecosystem. MentorLearn is a user-friendly system that makes it easy to manage course participants and other administrative tasks with a wide range of courses and advanced debriefing reports.

The platform allows training managers to follow participants' development over time online and can also be expanded with other learning materials, such as intervention demonstrations or knowledge tests, all easily accessible over the Internet.



Following the acquisition of Simbionix, both companies' distributor networks have been merged, which Surgical Science judges to be an important success factor in the sales process.

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

### Competitors

Several companies provide products for medical simulation. CAE is a Canadian company that primarily provides simulator systems for aviation, military and industrial applications. The CAE Healthcare division provides a broad portfolio of training and simulator systems in the areas orthopedics, ultrasound and vascular surgery. Virtamed is a Swiss company that competes in the areas of orthopedics, urology and laparoscopy. In the area of vascular surgery, Surgical Science also competes with Swedish company Mentice and, in ultrasound, with UK company Intelligent Ultrasound.

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

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

### Product development

The software Surgical Science uses in its simulation tools has mainly been developed in-house and is owned by the company, a marginal part of the software has been provided to the company on license. The software has been further developed and refined over a period of more than 20 years in collaboration with surgeons and other specialists who continuously test new functions to ensure realism. Surgical Science works continuously to develop new simulation modules for further interventions and examinations

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

and to improve the functionality of existing modules. An important part of product development is the development of training programs that measure physicians' skills. In collaboration with the profession, certification courses have been developed on which the user must attain a certain level to pass.

### Purchasing, production and distribution

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

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

### Objectives for 2023

In 2023, Surgical Science's objectives for the Educational Products business area are to:

- Grow sales by at least 10 percent. The growth target shall be achieved through a continued local presence, increased efficiency in sales efforts and by continuing to expand the product portfolio through further product launches.
- Improve cost of goods sold by streamlining production and purchasing to achieve a positive effect on the gross margin.
- Increase the number of customers connected to the cloud-based software.

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## GROWING DEMAND FOR SIMULATORS IN EDUCATIONAL PRODUCTS

Technological development is rapid in the healthcare and medical industry. With new opportunities for more effective practical training, demand increases and the market for simulators in medical education expands. We spoke with Chad Osinski, Director of Sales for Educational Products in the US, about market trends there.

### **Simulator training is an important part of the educational program.**

"In the US, simulator training has become an important part of many medical training programs. A large number of our simulators have been installed in the US. Trends and market indicators show that the demand for simulators for practical training will continue to increase. The reason is that medical programs seek to implement additional technological solutions to improve the quality of their education. We work closely with physicians on an ongoing basis to develop new educational materials to implement in our existing products" Chad Osinski says.

### **Our medical simulators' success**

Chad Osinski explains that simulator training has become standard for many specializations in medical training programs. "Our greatest successes have been with ENDO Mentor, LapSim/LAP Mentor, Ultrasound Mentor and ANGIO Mentor. These are our products in the areas of endoscopy, laparoscopy, ultrasound and vascular surgery. Sales of our other products also continue to increase, reflecting increasing demand for simulators because they foster conditions for effective and practical applied training".

Surgical Science's product and development teams are dedicated to delivering world class products. This makes it possible for Surgical Science's sales department to offer some of the best simulation products in the market. By delivering the most



*Chad Osinski, Director of Sales for Educational Products in the US*

effective training methods, Surgical Science is well positioned to continue driving growth and delivering value.

"In 2022, we installed more than 170 new products in the US and we also delivered new software to many of our existing customers" Chad Osinski says.

### **Surgical Science's products have a positive impact on the lives of patients and healthcare professionals**

As healthcare continues to develop and demand for practical training increases, the market for simulators in medical education is stable and continues to grow. Chad Osinski concludes by sharing his view of the market and Surgical Science's current position: "We are well positioned to meet demand. We have a positive impact on the lives of patients and healthcare professionals."



## Distributor meetings

Once a year, Surgical Science arranges a meeting for its distributors to review product news and undergo technical training, among other things. In 2022, the meeting was

held in Dubai and, in early 2023, in Stockholm, with roughly 100 participants from more than 40 countries.

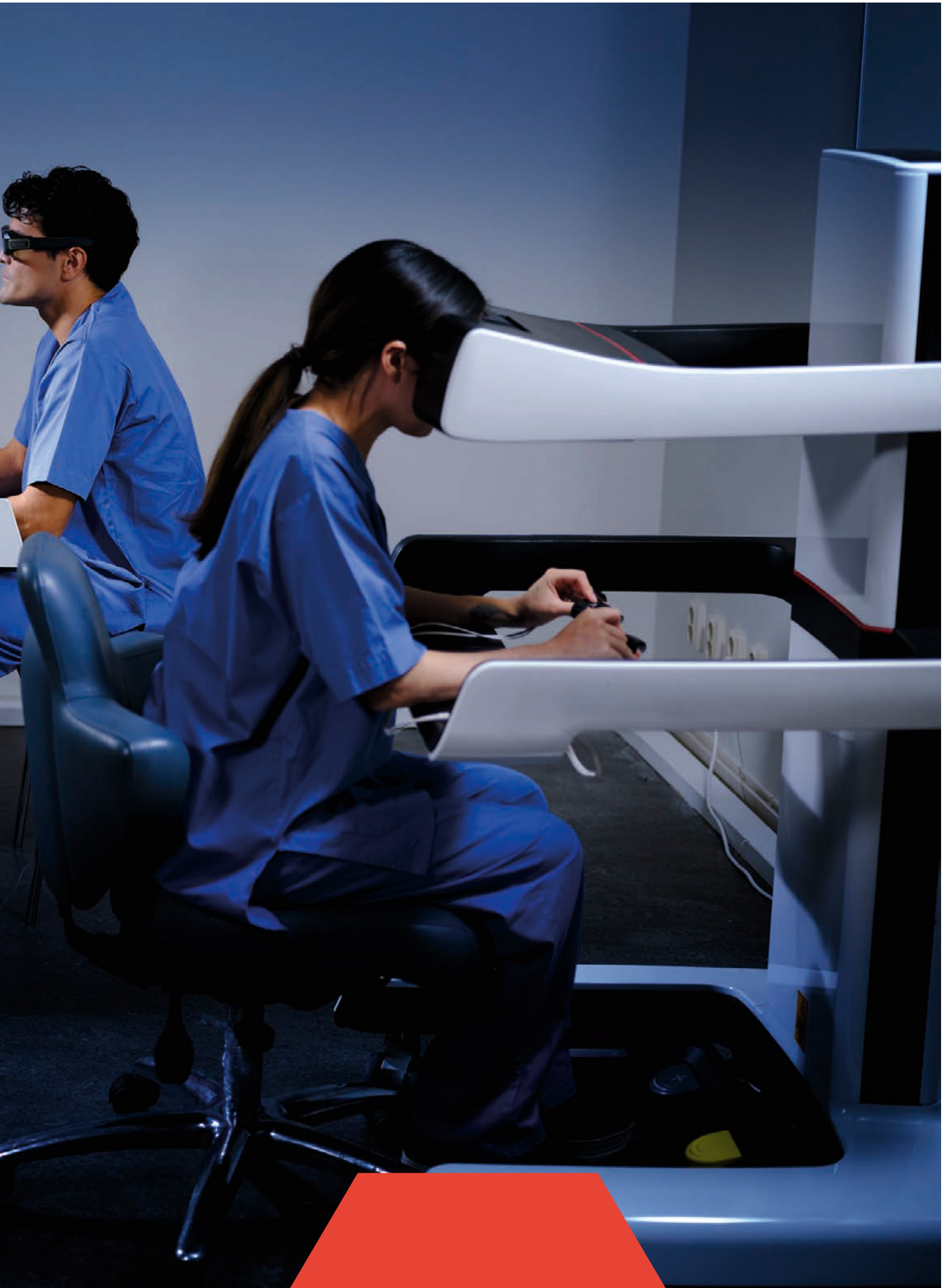




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## INDUSTRY/OEM BUSINESS AREA

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



### Overarching objectives

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

The target is for Surgical Science to generate sales of SEK 1,500 million in 2026. Achieving this target may entail supplementary acquisitions.

The Industry/OEM business area is expected to experience increasing growth during the period as robotic surgery products containing technology from Surgical Science are launched onto the market. During the period, other application areas are also expected to be digitalized, leading, alongside expanded areas of use for simulation, to increasing revenues.

### Significant events in 2022

- Sales for the year amounted to SEK 294.6 million (169.4). Symbionix is included in the comparison figure as of August 24, 2021.
- Niclas Olsson was appointed as the business area's new manager, with the organization also being strengthened through several recruitments in sales. A strategy review was conducted and the new organization has commenced implementation with an increased focus on offering multiple products to major key customers.
- Approvals from regulatory authorities have made it possible for Surgical Science customers, such as Medtronic, CMR Surgical and Medcaroid, to start selling their surgical robots in new markets and/or expanding their areas of use.
- Several new products aimed specifically at industrial customers have been launched, such as a new portable version of the vascular simulator.

### Background and customers

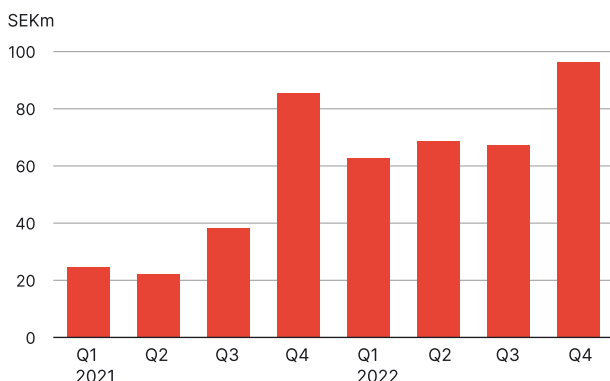
As a result of the more than 20 years of research and development behind the world's most advanced, computer-based medical training simulations, Surgical Science's software resources can be applied beyond the proprietary products. In Industry/OEM, the company addresses medical device companies requiring medical simulation for educational and marketing purposes, as well as for product development. Interest in using simulation in product development increases as product development time and costs decrease. In the development and introduction of new products and methods, the need for training is substantial for several reasons:

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

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

In recent years, it has become more difficult for salespeople from medical device companies to book meetings with physicians. One differentiation is to have highly-trained sales people able to contribute knowledge of products and

### Sales in Industry/OEM



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

procedures and who are therefore considered a resource for physicians. This makes internal training of the sales force important, with simulator training being a time-efficient way of accomplishing this.

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

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

Surgical Science is also working on a couple of projects outside its direct product areas. HelpMeSee is a non-profit organization that aims to eradicate cataracts in developing countries in Asia, Africa and Latin America using simulation. In many of these countries, there is only about one eye surgeon per million inhabitants. Through simulation, HelpMeSee aims to train 30,000 specialists to be able to restore vision through cost-effective and safe cataract



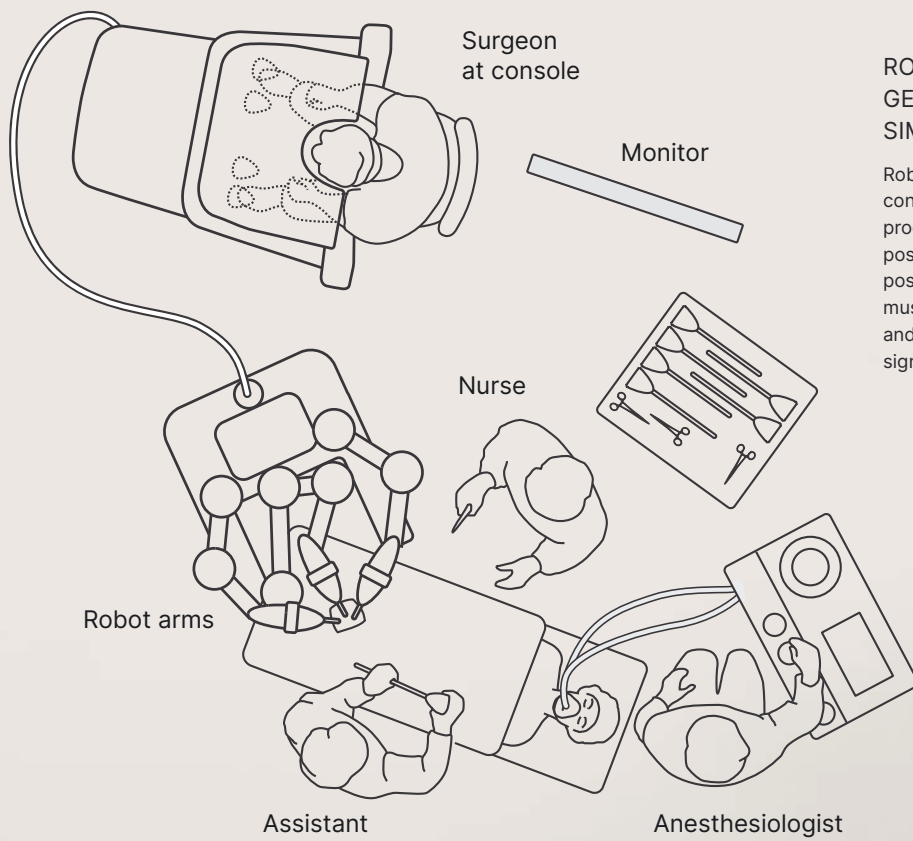
surgery. Here, Surgical Science is a partner in the development of the most advanced simulation software available in the area of ophthalmology in order for HelpMeSee to achieve its objective.

**Robot-assisted surgery**

The development of robot-assisted surgery (or robot surgery) began in the 1990s and today this is a rapidly growing area. Contrary to what the name suggests, robotic surgery does not mean that a robot performs the operation independently, making its own decisions. Robot-assisted surgery involves a surgeon controlling a robot that performs surgical procedures. During the operation, the

**Selection of customers**





**ROBOT-ASSISTED SURGERY  
GENERATES A NEED FOR  
SIMULATOR TRAINING**

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



surgeon sits at a control unit where his/her hand movements are translated into controlled movements of the surgical robot. The surgeon and control console may be in the operating room, an adjacent room, or potentially somewhere else entirely.

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

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

### Market for surgical robots

The market for surgical robots is currently dominated by American Intuitive and its da Vinci system. The system has its origins in research linked to the US military. Intuitive was founded in 1995 and the first version of da Vinci was launched in 1999. The company was listed on Nasdaq in 2000. Since its inception, Intuitive has been very successful and today it has an installed base of about 7,500 systems worldwide. Thanks to advanced technology and a strong patent portfolio, Intuitive has taken a leading position and today holds a dominant position.

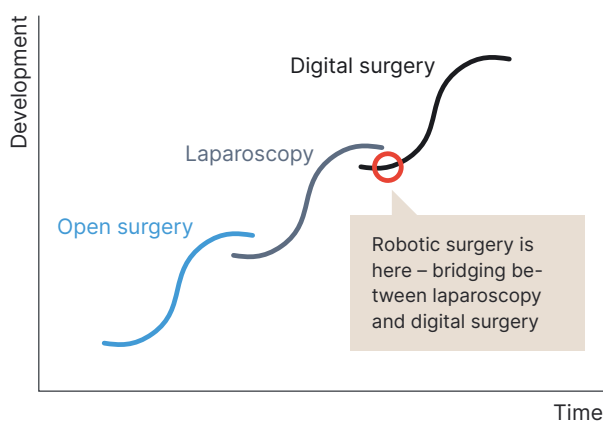
Several of Intuitive’s key patents expired in 2017, opening up the market for other players. A number of major industrial players have just launched surgical robots or are about to. One of the largest challengers to Intuitive is Medtronic, which presented its Hugo RAS in 2019. In connection with the presentation, Medtronic emphasized its strong belief in the area of robot surgery and explained that only 2-3 percent of interventions possible with current robot technology are performed with that method. The vast majority of the market, which is also growing strongly, remains to be penetrated. Other major challengers to market leader Intuitive include Johnson & Johnson, whose subsidiary Auris Health is working on the development of its surgical robot Ottava. Another company is CMR Surgical, which launched its surgical robot Versius in 2020. In 2020, Japanese company Medcaroid also received approval in Japan for its surgical robot. Medcaroid is owned by Kawasaki and Sysmex, two companies with extensive know-how in the area, as well as significant resources.

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

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

The market for robot-assisted surgery is expected to develop rapidly over the upcoming years, with several new players entering the market. At the same time, systems will become more advanced with an increased element of artificial intelligence providing decision support for the surgeon.

### At the forefront of technology



Surgical Science is well positioned to be able to capitalize on healthcare’s digitalization trend.

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

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

### Payment model

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

Whether simulation is included in the purchase of a product or constitutes a supplement may also vary depending on the strategy chosen by the manufacturer of the surgical robot. Surgical Science retains the full copyright to its software.

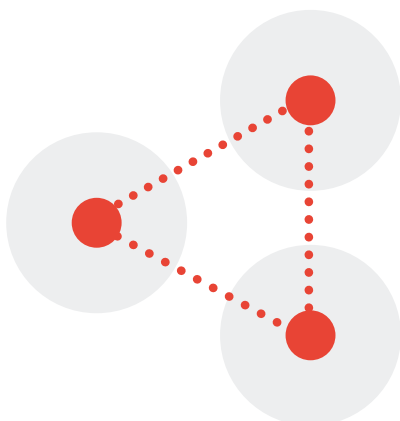
### Competitors

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

### Objectives for 2023

In 2023, Surgical Science's objectives for the Industry/OEM business area are to:

- Continue expanding the value content for existing customers in robotic surgery who license the company's technology.
- Establish broader collaborations in several product areas with major Industry/OEM key customers.
- As part of the new strategy developed in the autumn of 2022, launch a Key Account Management concept for the company's global key customers to deepen partnerships, accelerate development projects and deliver maximum customer value.
- Expand the company's physical presence in the fast-growing APAC region (Asia Pacific) through dedicated resources and partnerships.



Surgical Science has established itself as the “operating system” for simulation in robotic surgery.



## TECHNOLOGICAL DEVELOPMENT GENERATES A NEED FOR A KNOWLEDGE BOOST

Surgical Science facilitates a more secure and more efficient use of new technologies in medical and health care. We spoke to Niclas Olsson, business area manager for the Industry/OEM business area, about what the market looks like for the company's tailored simulation solutions for MedTech companies.



Niclas Olsson, Executive VP Industry/OEM

### Need for knowledge boost as MedTech companies develop new technologies

New technologies in the field of medical technology are being developed incredibly fast. This entails physicians and other healthcare personnel needing further training to perform safe operations with new technologies, for example. To make the transfer of knowledge as safe as possible, it is better to practice your skills in a simulated environment than on a patient.

### Why MedTech companies are working with Surgical Science in their simulation projects

With the help of Surgical Science's MentorLearn (Learning Management System) MedTech companies have a unique opportunity to follow the development of healthcare staff undergoing continued training. Companies can measure in detail to discern what the opportunities for improvement may be. They can also generate specific course or implementation plans for a particular hospital or, alternatively, for a specific discipline such as robotic surgery.

"Surgical Science is both a knowledge provider and a partner that contributes to increased cost efficiency", Niclas Olsson explains. "Although MedTech companies

have sizable development departments, simulation technology is a niche area of expertise and we work hard to retain our technology-leading position and invest heavily in this regard. Developing the kind of simulation which we provide takes time and we also have the strength of numerous published studies having been conducted using our products. This generates a credibility that we take with us when working with MedTech companies."

### Global maturity of the industry

Although MedTech companies are established in different geographical regions, they differ only marginally in their perspective on simulation. Today, professional healthcare is global and physicians have often been trained in different countries than where they now work. Smaller, local MedTech companies are expected to provide qualified simulations similar to those offered by global players, which benefits Surgical Science.

"One trend we are witnessing is that of a head-mounted display (VR goggles) being used to recreate the environment where the specific procedure is performed, not just the specific procedure," says Niclas Olsson. "We are in the fortunate situation of being able to offer something for practically every major MedTech-company", he continues. "Our strategy is to present new technologies, new ideas to existing customers and to generate a commitment to developing the future together."

"Today, we are just at the beginning of the digitalization phase in healthcare. It's an exciting time to be involved in and our team within Industry/OEM has grown strongly in 2022 to be able to meet the need for customized simulation solutions."





# SUSTAINABILITY

Surgical Science has an important assignment in accepting the challenge presented by healthcare to reduce healthcare injuries in a patient safe way. Surgical Science achieves this with unique products and simulation solutions where surgeons and other medical specialists can practice before operating on patients. For Surgical Science, continuously working on improvements to its core technology is essential in maintaining the high quality of its products.

## Computer based simulations for medical training increase patient safety

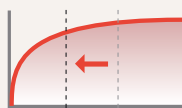
An increased focus on patient safety and healthcare costs is a strong driving force in medical simulation. Surgical errors can have serious consequences, in terms of the patient's suffering and in terms of the high cost to healthcare and society. Computer based simulations are an important factor in increasing efficiency and lowering costs in a patient safe way. Studies have found training with simulation to shorten the learning curve and to make it nine times more likely that a procedure will be performed successfully.

## Results of simulation training

	<b>Standardized objective assessment</b>
	<b>Improved skills</b>
	<b>Increased self-confidence</b>
	<b>Fewer clinical errors</b>

## Advantages of simulation in medical training

Simulation prepares physicians without risk for patients



Shortens the learning curve<sup>1</sup>



Training without risks for patients<sup>2</sup>

29%

Faster when performing first procedure on humans<sup>3</sup>

5X

Less likely to make errors<sup>3</sup>

9X

More likely to complete a successful procedure<sup>3</sup>

1. Christian Larsen – Effect of VR training – British Med J 2009;  
 2. Brown et al – VR appendectomy learning curve trajectory – J lapendo adv surg techn 2019;  
 3. Agha RA, Fowler AJ. The role and validity of surgical simulation. Int Surg. 2015

### Quality system

Surgical Science’s quality management system is the basis for the company’s certifications and ensures that the company delivers high quality products. The production unit in Israel is ISO certified, with additional certifications expected to be completed in 2023. The products are CE labeled for the approved area of use and instructions are included to ensure correct use. The company’s production units in Seattle and Gothenburg apply local quality management systems with local staff assuring quality.

### Environmental policy

As a global company with the objective of improving the healthcare industry, the health of the environment and its preservation is also an obvious and essential element for Surgical Science. The company has, as such, committed to complying with the directive on the restricted use of certain hazardous substances in electronics and electronic equipment (the RoHS directive), which limits the use of defined hazardous materials in the manufacture of various types of electronics and electronic equipment. Surgical Science intends to limit the use of hazardous substances in electronic components used in the company’s products by only working with suppliers who comply with the directive.

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

Surgical Science strives to minimize its negative impact on the environment and to reduce its footprint by complying with the Waste from Electrical and Electronic Equipment Directive (the WEEE Directive), which states targets for the collection, recycling and recovery of electrical goods. Waste from customers, standard materials used in production as well as, old, obsolete parts are sorted for collection by local contractors. Contracts and relationships have been established with certified local waste management operators, a controlled process with waste being reported and regularly traced.

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

### Surgical Science’s sustainability work is based on the UN’s 17 global goals for sustainable development.



# THE SHARE

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

## Share structure

The share capital in Surgical Science Sweden AB (publ) amounted to SEK 2,540,062 (2,540,062) on December 31, 2022, divided between 50,801,236 (50,801,236) shares with a quota value of SEK 0.05 (0.05) each.

All shares have equal voting rights and have an equal right to a share in Surgical Science's assets and earnings.

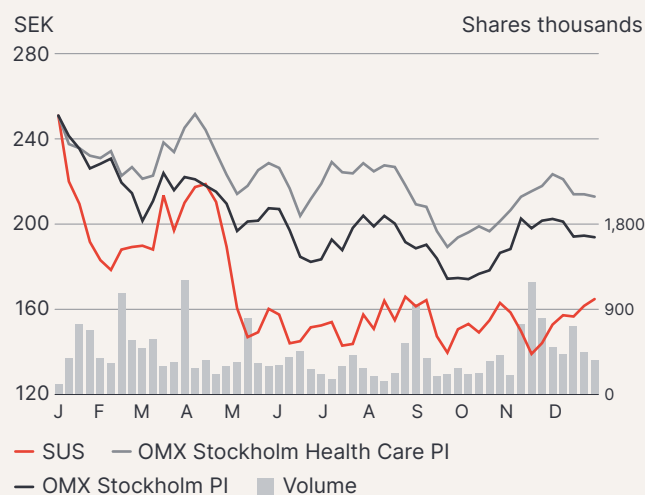
## New warrants program for all personnel introduced during the year.

The number of outstanding warrants on December 31, 2022 was 425,000 (300,000), meaning that the number of shares on full exercise of the warrants would be 51,226,236 (51,026,236).

## Share price trend and turnover

On December 31, 2022, the last price paid per share was SEK 164.70 (281.50), meaning an decrease of 41 percent since the end of the preceding year (increase 201 percent) and 2,253 percent (3,921) since the listing on June 19, 2017, where the issue price was SEK 7.00. Nasdaq Stockholm's OMXSPI index decreased by 25 percent (increased 35) during the year. At the end of 2022, Surgical Science's market capitalization was SEK 8,367.0 million (14,300.5) based on the latest price paid. The highest price paid during the year was SEK 285.50 (333.50), which was

## Share price trend and turnover 2022



## Surgical Science's ten largest shareholders

Shareholder	Number of shares	Shares and votes, %
Marknadspotential AB	7,906,075	15.6
Semelin Kapitalförvaltning AB	6,044,616	11.9
Swedbank Robur Fonder	4,352,588	8.6
Handelsbanken Fonder	3,951,399	7.8
Capital Group	3,271,137	6.4
Fjärde AP-fonden	3,082,600	6.1
TIN Fonder	3,046,977	6.0
Landsnora Software AB	2,188,370	4.3
Berenberg Funds	1,864,856	3.7
Montanaro	1,575,787	3.1
Other shareholders	13,516,831	26.5
<b>Total</b>	<b>50,801,236</b>	<b>100.0</b>

Source: Euroclear Sweden's share register as of 31 December 2022.

noted on January 3 (November 18). The lowest price paid during the year was SEK 132.00 (86.50), which was noted on July 19 (January 12).

The number of Surgical Science shares traded on Nasdaq First North Growth Market during the year amounted to 22,845,650 (14,065,216) for a total value of SEK 3,869.1 million (3,022.8). The total number of trades amounted to 274,106 (185,716). The number of shares traded corresponds to 45 percent (28) of the number of shares outstanding at the end of the year.

### Ownership structure

At the end of the year, there were 7,427 shareholders (6,911) in Surgical Science. Of these, 95 percent (95) held 1,000 shares or fewer. The ten largest shareholders accounted for 73 percent (74) of the shares. The proportion of ownership registered at addresses outside Sweden was approximately 29 percent (29).

### Dividend policy and dividends

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

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

For the 2022 financial year, the Board of Directors and the CEO propose that no dividend be paid, corresponding to SEK 0.00/share.

### Warrants program

#### 2020\_23

Surgical Science's Annual General Meeting on May 6, 2020 resolved to establish an incentive program for company employees. The incentive program allowed company employees to acquire warrants for a premium of SEK 6.60 each. Each warrant 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 initial 300,000 warrants in the program, 225,000 were subscribed for. The remaining 75,000 warrants were canceled in May 2022. Fully exercised, the incentive program will increase Surgical Science's share capital by SEK 11,250 and the number of

### Shareholder statistics

Size class	Number of shares	Number of shareholders	Shares and votes, %
1 – 500	573,544	6,667	1.1
501 – 1,000	293,205	393	0.6
1,001 – 5,000	518,280	241	1.0
5,001 – 50,000	1,180,066	79	2.3
50,001 – 200,000	2,185,274	21	4.3
200,001 –	46,050,867	26	90.7
<b>Total</b>	<b>50,801,236</b>	<b>7,427</b>	<b>100.0</b>

Source: Euroclear Sweden's share register as of 31 December 2022.

### Per share data

	2022	2021
Average number of shares	50,801,236	42,488,247
Average number of shares*	50,913,936	42,669,282
Number of shares at end of year	50,801,236	50,801,236
Number of shares at end of year*	50,910,759	51,010,413
Shareholders' equity per share, SEK	83.39	70.57
Shareholders' equity per share*, SEK	83.21	70.28
Earnings per share, SEK	3.70	2.03
Earnings per share*, SEK	3.69	2.02

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

shares by 225,000, corresponding to the dilution of the total number of shares and votes by about 0.4 percent.

### 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 – July 10, 2025. The company subsidizes the warrants program, with participants receiving warrants as a benefit. Participants are required to pay tax on this benefit, with the premium being calculated at SEK 28.74 per warrant.

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

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 2022, the program burdened profit by SEK 2.4 million, of which SEK 0.4 million pertains to

social security contributions on the Swedish participants' premiums, which were provided free of charge. The remainder of the cost, SEK 2.0 million, is attributable to the calculation of IFRS2. The amount comprises the entire IFRS2 cost for the Swedish portion of the program (SEK 1.3 million), the remainder is attributable to Israel and the US and is distributed across the term of the program until July 2025.

### Taxable value and current information

Real-time share data can be obtained at [www.surgical-science.com](http://www.surgical-science.com). Press releases, interim reports and Annual Reports are also available on the website, as well as an opportunity to subscribe to these by e-mail.

### Persons discharging managerial responsibilities

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

### Analyst

The following analysts publish ongoing analyses of Surgical Science:

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

### Investing activities

A number of video presentations have been posted on the company website under Investors/Presentations. A video recording of the capital markets day that Surgical Science held on February 23, 2023 can also be found there.





In 2022, Surgical Science participated in a large number of investor presentations at, for example Danske Bank, Pareto, Handelsbanken, SEB, Carnegie and DNB. A large number of individual meetings were also held with shareholders and potential investors. The picture is from the DNB Nordic Healthcare conference in Oslo on December 15, 2022.



On February 23, 2023, Surgical Science held its first capital markets day, in Stockholm. The Year-end Report for 2022 was published on the same day and was presented at the event. Also on the agenda were speeches by Dr Mark Slack, CMO and co-founder of CMR Surgical, as well as by Dr Henrik Falconer, Chief Physician and Section Head for Gynecological Cancer at Karolinska University Hospital, as well as Board member at Surgical Science.

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# FINANCIAL REPORT





## CONSOLIDATED INCOME STATEMENTS BY QUARTER

SEK thousands	Oct – Dec 2022	Jul – Sep 2022	Apr – Jun 2022	Jan – Mar 2022	Oct – Dec 2021	Jul – Sep 2021	Apr – Jun 2021	Jan – Mar 2021
Net sales	250,108	205,079	188,216	159,137	197,694	95,319	36,562	37,203
Cost of goods sold	-85,859	-67,743	-61,055	-56,366	-63,354	-26,410	-5,032	-6,040
<b>Gross profit</b>	<b>164,249</b>	<b>137,336</b>	<b>127,161</b>	<b>102,771</b>	<b>134,340</b>	<b>68,909</b>	<b>31,530</b>	<b>31,163</b>
Sales costs	-41,430	-33,691	-33,954	-29,148	-40,688	-16,272	-12,362	-10,595
Administration costs	-16,345	-16,840	-15,268	-15,198	-16,077	-31,842	-7,230	-10,894
Research and development costs	-46,598	-44,096	-42,090	-40,002	-33,045	-14,378	-9,470	-8,814
Other operating income and costs	1,343	0	2,743	1,595	-51	1,154	-238	1,383
<b>Operating profit</b>	<b>61,218</b>	<b>42,709</b>	<b>38,592</b>	<b>20,018</b>	<b>44,479</b>	<b>7,571</b>	<b>2,230</b>	<b>2,243</b>
Financial income and costs	65,769	-9,030	-8,990	-2,113	15,949	-4,699	2,268	-4,237
<b>Profit/loss after financial items</b>	<b>126,987</b>	<b>33,679</b>	<b>29,602</b>	<b>17,905</b>	<b>60,428</b>	<b>2,872</b>	<b>4,498</b>	<b>-1,994</b>
Taxes	-10,467	-5,176	-3,130	-1,426	6,465	11,496	-1,035	3,518
<b>Net profit</b>	<b>116,520</b>	<b>28,503</b>	<b>26,472</b>	<b>16,479</b>	<b>66,893</b>	<b>14,368</b>	<b>3,463</b>	<b>1,524</b>
<b>Attributable to</b>								
Parent Company shareholders	116,520	28,503	26,472	16,479	66,893	14,368	3,463	1,524
Earnings per share, SEK	2.29	0.56	0.52	0.32	1.32	0.33	0.09	0.04
Earnings per share, SEK*	2.29	0.56	0.52	0.32	1.32	0.32	0.09	0.04
Average number of shares outstanding	50,801,236	50,801,236	50,801,236	50,801,236	50,801,236	44,093,249	37,944,236	37,120,492
Average number of shares outstanding*	50,899,171	50,904,414	50,912,107	50,972,916	51,008,175	44,288,101	38,058,730	37,200,475
Number of shares outstanding at end of period	50,801,236	50,801,236	50,801,236	50,801,236	50,801,236	50,801,236	37,944,236	37,944,236
Number of shares outstanding at end of period*	50,910,759	50,900,327	50,901,538	50,977,120	51,010,413	50,994,903	38,090,143	38,022,523

\* After dilution. See page 45-46 for information regarding warrant programs.

## KEY FIGURES AND DEFINITIONS

### Group

	2022	2021	2020	2019	2018
Net sales (SEK million)	802.5	366.8	104.8	101.5	65.7
Net sales growth, %	118.8	250.0	3.2	54.5	14.6
Adjusted EBIT (SEK million)	186.0	68.7	24.4	17.4	-4.1
Adjusted EBIT margin, %	23.2	18.7	23.2	17.1	-6.2
EBITDA (SEK million)	214.1	90.0	37.0	30.4	6.1
EBITDA margin, %	26.7	24.5	35.3	29.9	9.2
Operating profit/loss (SEK million)	162.5	56.5	20.0	15.2	-4.1
Operating margin, %	20.3	15.4	19.1	15.0	-6.2
Profit margin, %	23.4	23.5	14.9	12.4	-6.9
Balance sheet total (SEK million)	4,649.6	3,978.1	472.3	456.2	99.7
Equity/assets ratio, %	91.1	90.1	90.4	88.0	79.7
Number of shares at end of year	50,801,236	50,801,236	34,494,760	33,621,760	24,319,440
Number of shares at end of year*	50,910,759	51,010,413	34,521,049	34,515,695	24,865,580
Average number of shares	50,801,236	42,488,247	34,370,387	28,195,405	24,319,440
Average number of shares*	50,913,936	42,669,282	34,370,387	29,048,680	24,675,390
Number of warrants outstanding	425,000	300,000	300,000	1,000,000	1,000,000
Maximum dilution, %	0.8	0.6	0.9	2.9	3.9
Earnings per share (SEK)	3.70	2.03	0.45	0.45	-0.19
Earnings per share* (SEK)	3.69	2.02	0.45	0.43	-0.19
Shareholders' equity per share (SEK)	83.39	70.57	12.38	11.95	3.26
Dividend per share (SEK)	0.00**	0.00	0.00	0.00	0.00
Average number of employees	227	121	57	45	33

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

\*\* Proposal by the Board of Directors to the 2023 Annual General Meeting.

### Definitions

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

#### 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.

#### Average number of shares

The weighted average number of shares outstanding during the year.

#### Average number of shares after dilution

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

#### 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.

#### Earnings per share

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

#### Earnings per share after dilution

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

#### 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/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.

#### Net sales growth

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

#### Operating margin

Operating profit as a percentage of net sales. Over time, this key figure provides a picture of the company's earnings trend.

#### Operating profit

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

#### Profit margin

Profit for the year as a percentage of net sales. Over time, this key figure provides a picture of the company's earnings trend.

#### Shareholders' equity per share

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

## ADMINISTRATION REPORT

The Board of Directors and the CEO of Surgical Science Sweden AB (publ) Corp. Reg. No. 556544-8783, hereby present the Annual Report and Consolidated Financial Statements for the 2022 financial year.

### Operations

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

At the end of the year, there were 243 (209) employees, of whom 66 (51) were women and 177 (158) men. Of these, 57 (50) were employed in Sweden, 121 (99) in Israel, 53 (50) in the US and the remaining 12 (10) people in China, Germany, France, Poland, the UK, Greece and Costa Rica. For further information on the organization, see page 70.

### Vision

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

## Significant events during the year

### New financial targets

In connection with the acquisition of Symbionix, it was also announced that Surgical Science's financial targets would be revised and communicated when the integration process had begun and the review was complete. The new targets were announced on January 25, 2022. The sales target is for sales to amount to SEK 1,500 million in 2026. Achieving this target may entail supplementary acquisitions. The Educational Products business area is expected to grow by an average 10-15 percent annually over the period. The Industry/OEM business area is expected to experience increasing growth over the period.

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

## Financial comments

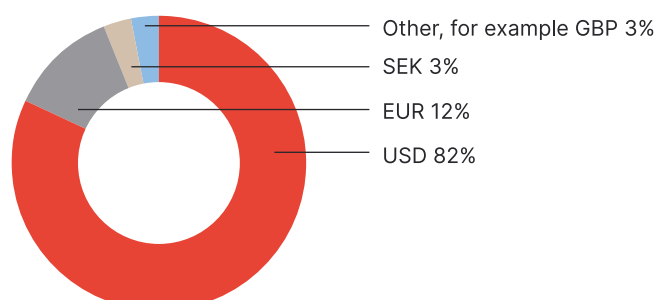
### Investments

Gross investments in the Group's tangible fixed assets during the year amounted to SEK 9.4 million (3.9). Gross investments in intangible assets amounted to SEK 25.2 million (2,881.0), of which SEK 22.8 million (10.5) is attributable to capitalized development costs. For 2021, an outflow of SEK 2,870.5 million was attributable to the acquisitions of Mimic Technologies and Symbionix.

### Net sales

Net sales for 2022 amounted to SEK 802.5 million (366.8), an increase of 119 percent compared with the preceding year. Calculated in local currencies, sales increased by 97 percent. In percentage terms, Surgical Science's revenues are distributed between the stated currencies roughly as follows:

*Distribution of currencies – Revenue*



Pro forma, the Group's sales for 2021 amounted to SEK 597.0 million, corresponding to an increase of 34 percent for comparable units. Taking exchange rate fluctuations into account, sales increased by 21 percent.

Of the sales for the year, SEK 507.9 million (197.4) consisted of sales within the Educational Products business area and SEK 294.6 million (169.4) of sales within the Industry/OEM business area.

Within Educational Products, several markets showed good sales. The operations in the US experienced a very strong year, and countries in South America and Asia (mainly China) also performed well. At the end of May, Surgical Science announced that its US operations received an order valued at USD 6.7 million from a major US hospital chain. The order was for a larger number of products including simulators for training endoscopy, laparoscopy and ultrasound. The plan was for the products to be delivered over the ensuing six months from the time of the order, with most of the revenue also being recognized during that time. USD 2.1 million was recognized as revenue for the second quarter, and USD 3.9 million for the third quarter. The final deliveries within the order were completed in the fourth quarter, with the remaining USD 0.7 million being recognized as revenue.

Within Industry/OEM, the largest source of income, SEK 184.5 million, consisted of license revenues deriving from a number of customers. The customers who have just started selling the products from which Surgical Science earns licensing income, buy these licenses in packages. This means that sales vary more between periods initially. The area also includes sales of proprietary simulators to OEM customers, mainly in the vascular and laparoscopy areas. Development income is also included, which is obtained when Surgical Science works to adapt the company's software to the customer's hardware platform, primarily in the field of robotic surgery.

For revenues per segment, see Note 2 on page 69.

### Costs and results

The cost of goods sold amounted to SEK 271.0 million (100.8), corresponding to a gross margin of 66 percent (73). The gross margin is affected by the distribution of revenues, as the different revenue streams, "proprietary simulators containing hardware", "development revenues" and "license revenues", have different gross margins. A higher share of license revenues means a generally higher gross margin. An explanation for the decrease in the gross margin following the acquisition of Simbionix has been provided in previous interim reports and in the 2021 Annual Report.

Sales costs amounted to SEK 138.2 million (79.9), corresponding to 17 percent (22) of sales. Sales costs include amortizations of surplus values classified as customer contracts in connection with acquisitions, see also below under amortization.

Administration costs amounted to SEK 63.7 million (66.0), corresponding to 8 percent (18) of sales. The previous year's figure includes non-recurring costs attributable to the acquisitions of Mimic Technologies and Simbionix of SEK 28.5 million. Costs attributable to the integration of IT systems following the acquisition of Simbionix amounted to SEK 6.0 million (0.2), with SEK 5.6 million (0.7) in investment.

Research and development costs for the year amounted to SEK 172.8 million (65.7), corresponding to 22 percent (18) of sales. Over the year, SEK 22.8 million (10.8) of the development costs were capitalized as an intangible asset. Research and development costs include amortizations of surplus values classified as technology in connection with acquisitions, see also below under amortization.

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

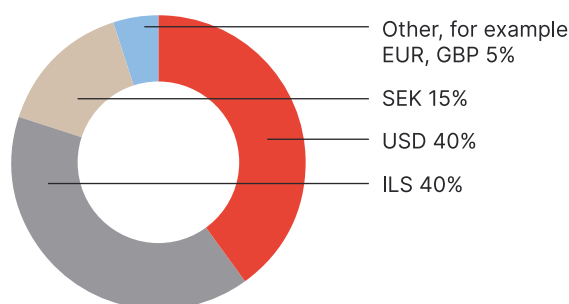
Over the year, with the harmonization of the Group's way of reporting different cost types, certain payroll expenses, for 2022 compared with 2021, were reclassified from sales costs to research and development costs. The amount totaled SEK 20.0 million.

The warrants program that was approved by the Annual General Meeting in May 2022 burdened profit by SEK 2.4 million, of which SEK 0.4 million pertains to social security contributions on the Swedish participants' premiums, which were received free of charge. This cost is included on the relevant line in the income statement, based on the function in which the recipient of the premium is employed. The remainder of the cost, SEK 2.0 million, is attributable to the calculation of IFRS2 and is posted under Other operating costs. The amount comprises the entire IFRS2 cost for the Swedish portion of the program (SEK 1.3 million), the remainder is attributable to Israel and the US and is distributed across the term of the program until July 2025.

Other operating income and costs consist predominantly of exchange rate changes on external receivables and liabilities in foreign currency.

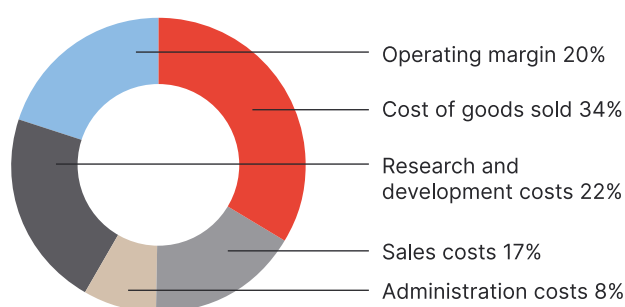
In percentage terms, Surgical Science's costs are distributed between the stated currencies roughly as follows:

#### Distribution of currencies – Costs



Operating profit for 2022 amounted to SEK 162.5 million (56.5), corresponding to an operating margin of 20 percent (15).

#### Costs/margin as share of sales\*



\* Other revenue/costs -1%

Depreciation and amortization burdened profit by SEK 51.6 million (33.5) in total. Depreciation and amortization burdened the cost of goods sold by SEK 1.5 million (0.9), sales costs by SEK 17.5 million (11.3), administration costs by SEK 16.6 million (11.7) and research and development costs by SEK 15.9 million (9.6). Sales costs include amortization of SEK 15.5 million (9.8) on those parts of the company's acquisitions that are classified as customer contracts, while research and development costs include amortization of SEK 8.0 million (2.4) on those parts of the company's acquisitions that are classified as technology. Depreciation attributable to the application of IFRS 16 amounts to SEK 15.0 million (7.9), this being included in its entirety under administration costs.

Adjusted EBIT amounted to SEK 186.0 million (68.7), corresponding to a margin of 23 percent (19).

EBITDA amounted to SEK 214.1 million (90.0), corresponding to a margin of 27 percent (25). All margin measures for the previous year include acquisition costs of SEK 28.5 million.

In addition to an initial purchase consideration, the acquisition of Mimic Technologies also included a deferred contingent consideration linked to certain sales outcomes in 2021, 2022 and 2023. The maximum deferred contingent consideration totaled USD 15.6 million (approximately SEK 130 million on the acquisition date). For 2021, the outcome of the deferred contingent consideration amounted to SEK 3.1 million (USD 340 thousand). As of December 31, 2022, the deferred contingent consideration for 2022 has been calculated at SEK 0 million. The liability for 2022, of SEK 57.1 million, was fully recognized as income in net financial items. The remainder of the deferred contingent consideration for 2023, is included in the balance sheet as a current liability (USD 7.8 m, SEK 81.6 m). This items is recalculated quarterly at the exchange rate on the balance sheet date. As Surgical Science has no loan financing, other net financial items consist mainly of revaluations of internal loan receivables from the subsidiaries in foreign currencies, and the effect of IFRS 16.

Net profit for 2022 amounted to SEK 188.0 million (86.2). The tax expense for the year of SEK 20.2 million (positive tax receivable 20.4) consists of estimated tax on profit for the year and the change in deferred tax assets. In Sweden, Israel and the US alike, tax-loss carry-forwards from previous years exist that can be applied, to some extent affecting the tax expense for the year.

#### Cash flow

For 2022, cash flow from operating activities amounted to an inflow of SEK 129.5 million, compared with an inflow of SEK 39.1 million for 2021. Cash flow from changes in working capital amounted to an outflow of SEK 65.6 million (46.7). On the asset side, accounts receivable and inventories have increased, with this being offset to some extent by an increase in current liabilities on the liabilities side.

In general, accounts receivable are at their highest towards the end of the year – sales tending to be high then and also being generated at the end of the period. The structure of the company's accounts receivable is favorable with no increased risk being detected in terms of customers' payment capacity. As the Group has a strong financial position with favorable cash flow, longer credit terms can be used as a means of competition in certain procurement procedures.

Cash flow from investing activities amounted to an outflow of SEK 34.5 million (2,732.6), mainly comprising investments in development costs related to the company's software. For 2021, an outflow of SEK 2,718.2 million was attributable to the acquisitions of Mimic Technologies and Symbionix.

Cash flow from financing activities amounted to an inflow of SEK 17.1 million (2,922.5), where an inflow of SEK 4.9 million

(outflow 7.6) was attributable to changes in lease liabilities in accordance with IFRS 16 and an inflow of SEK 12.2 million (outflow 24.2) was attributable to changes in non-current liabilities, such as increases in pension liabilities and prepaid revenues (e.g. prepaid support agreements). The figure for the preceding year included the new share issues in the amount of SEK 3,039.1 million, conducted in connection with the acquisitions of Mimic Technologies and Symbionix.

### Financial standing

As of December 31, 2022, the Group's cash and cash equivalents amounted to SEK 433.7 million, shareholders' equity was SEK 4,236.5 million and the equity/assets ratio was 91 percent. As of December 31, 2021, the Group's cash and cash equivalents amounted to SEK 316.7 million, shareholders' equity was SEK 3,585.1 million and the equity/assets ratio was 90 percent. As of December 31, 2022 shareholders' equity per share amounted to SEK 83.39 (70.57).

### Parent Company

The Parent Company, Surgical Science Sweden AB, holds shares in the subsidiaries, and Surgical Sciences' Gothenburg-based Swedish operations are conducted directly within the Parent Company. 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 revaluations of internal loan receivables from the subsidiaries and the revaluation the deferred contingent consideration (recognized in liabilities) attributable to the acquisition of Mimic Technologies.

The portion of the provision for the deferred contingent consideration for the acquisition of Mimic Technologies (corresponding to SEK 57.1 million) not payable for 2022 was, in the Parent Company, booked against shares in subsidiaries. In the Group, this is reversed against net financial items, see comments above.

As the Parent Company has tax-loss carry-forwards to be utilized, the tax expense in the profit for the year comprises the reversal of the deferred tax asset.

### Research and development

The software Surgical Science uses in its simulation tools has mainly been developed in-house and is owned by the company, a marginal part of the software has been provided to the company on license. The software has been further developed and refined over a period of more than 20 years in collaboration with physicians who continuously test the system and new functions to ensure realism. Surgical Science

works continuously to develop new simulation modules for further medical interventions and to improve the functionality of existing modules. An important part of product development is the development of training programs that measure physicians' skills. In collaboration with physicians, certification courses have been developed on which the user must attain a certain level to pass.

### Seasonal effects

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

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.

### Material risks and uncertainty factors

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

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

**Market risk** – Surgical Science's sales are affected by the willingness of the company's customers to invest. Within Educational Products, customers are mainly university hospitals and training centers and, within Industry/OEM, customers are mainly larger medical device companies, which in turn sell to healthcare. The willingness to invest in healthcare is affected by a number of factors including political decisions and trends in the area. A reduced willingness to invest in healthcare can make it difficult for Surgical Science to sell its products and services. Surgical Science mainly operates in areas at the forefront of developments in healthcare, such

as laparoscopy and robotic surgery, where robotic surgery in particular is growing rapidly and is predicted to continue growing at a high rate.

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

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

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

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

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

When Surgical Science acquires companies with operations similar to, or complementing, its own, the risks are associated with existing development projects failing to meet

expectations, patents, technologies, products and know-how not having the protections that could reasonably be expected and that the acquired companies' sales fail to develop in a manner justifying the purchase consideration paid at the time of the acquisition, which could result in the company having to recognize impairment in the goodwill attributable to the acquisitions.

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

## Outlook

Surgical Science's strategy is to have two separate business areas. Educational Products focuses on customers in education and training, who use the company's in-house-developed simulators to increase patient safety through effective, generic training, the results of which can be measured objectively. Customers validate the simulators over many years through clinical studies. The other business area, Industry/OEM, mainly makes use of Surgical Science's software resources, which allow medical device companies to integrate product-specific 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. In robotic surgery, the principal business model involves a development fee for customization/integration with the customer's products and then a software license per unit alternatively based on the installed base or on usage. Surgical Science retains full copyright on its product.

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

The overarching objectives for Surgical Science in 2022 were to:

- Continue expanding the value content for existing customers in Industry/OEM who license the company's technology.
- Expand the sales organization within Industry/OEM and take advantage of opportunities in additional application areas.
- Achieve the growth target in Educational Products and improve the gross margin. Continue to expand the product portfolio with additional product launches.
- Be prepared to make further acquisitions when the time is right.

Surgical Science has an organization where a large portion of its employees are the world's leading software developers in 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 with continuing to launch new applications for its own products in Educational Products. To remain a world leader in realistic real-time simulations of medical procedures, improving the core technology is critical. In 2022, Surgical Science invested more than ever in this area.

Additional acquisitions are part of the plan when the right pieces of the puzzle can be obtained at the right price. In 2022, Surgical Science continued to integrate the companies acquired in 2021, building a strong company with common global functions.

### Corporate governance

Surgical Science is a Swedish public limited company governed by the Annual General Meeting of shareholders, the Board of Directors, the CEO and other senior executives of the company. The company complies with current rules and regulations in accordance with the Swedish Companies Act, the Articles of Association and the Board of Directors' rules of procedure.

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

### General Shareholder Meetings

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

### Annual General Meeting 2022

The Annual General Meeting of Surgical Science was held on May 12, 2022. The Meeting re-elected ordinary Board Members Roland Bengtsson, Jan Bengtsson, Thomas Eklund, Tommy Forsell, Henrik Falconer and Elisabeth Hansson. Roland Bengtsson was re-elected as the Chairman of the Board. The Annual General Meeting approved total Board fees of SEK 1,050,000 for the period until the next Annual General Meeting. The Chairman of the Board, Roland Bengtsson is to receive SEK 300,000 and the other Board Members SEK 150,000 each.

The Meeting also resolved to approve the Board's proposal to establish a long-term incentive program for Group employees. The program encompassed 200,000 warrants, corresponding to a dilution of 0.39 percent, see further Note 18.

The Board of Directors was authorized, for the period up until the next Annual General Meeting, to determine, on one or more occasions, to implement new share issues corresponding to a maximum of 10 percent of the company's share capital.

The Board of Directors' proposal for the disposal of the profit for the year was approved. No dividend was paid for the 2021 financial year.

### Annual General Meeting 2023

The Annual General Meeting of Surgical Science AB (publ) will be held on May 17, 2023.

Shareholders wishing to participate in the proceedings of the Annual General Meeting must be entered in the share register maintained by Euroclear Sweden on May 9, 2023 and shall notify the company of their intention to participate at the Annual General Meeting no later than May 11, 2023 or to cast their vote in advance, by May 11, 2023 at the latest.



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 AB (publ), Att.: Chairman of the Board, Drakegatan 7A, SE-412 50 Gothenburg, Sweden 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.

### Nomination Committee

The following people have been appointed to be part of Surgical Science's Nomination Committee for the 2023 Annual General Meeting:

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

The Nomination Committee was appointed in accordance with the principles adopted by Surgical Science's Annual General Meeting on May 6, 2020. The shareholders having appointed members of the Nomination Committee represented slightly more than 32 percent of all shares in the company as of September 30, 2022.

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.

### Audit Committee

Surgical Science's Board of Directors has not established an Audit Committee. As the company's shares are traded on the Nasdaq First North Growth Market, which is a multilateral trading platform and not a regulated market, the company is not obliged to establish an Audit Committee.

### Remuneration Committee

Surgical Science's Board of Directors has not established a specific Remuneration Committee. The complete Board of Directors prepares matters including remunerations and other terms of employment for the company's CEO and senior executives.

### The Group

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

### Proposed appropriation of profits

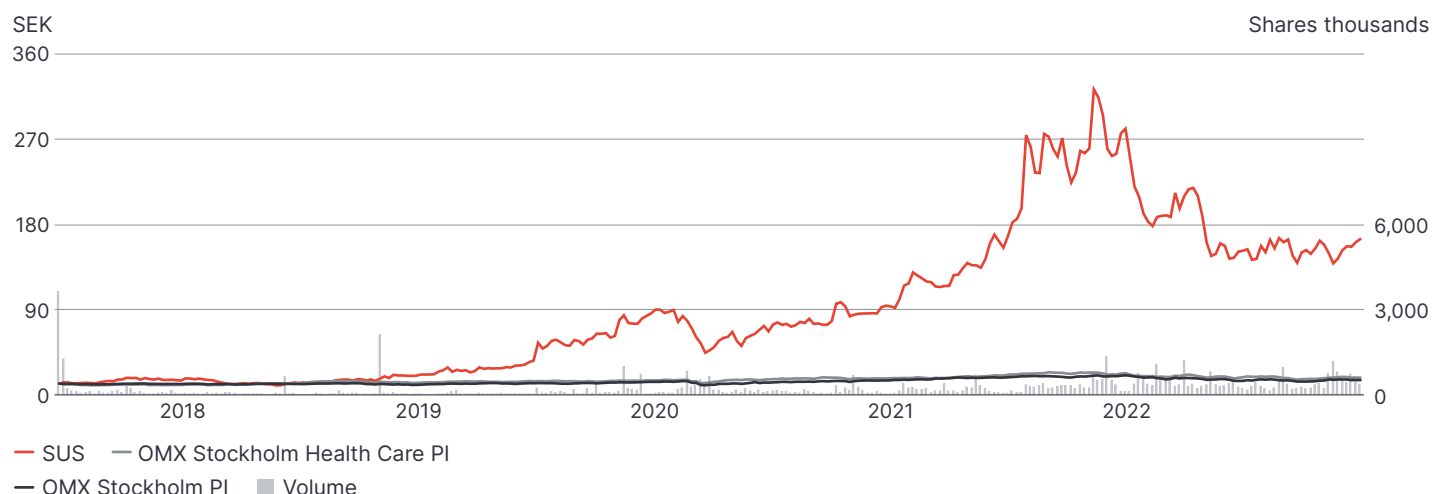
The Board of Directors and CEO propose that the available funds of SEK 3,345,402,463 be disposed of as follows:

To be carried forward: SEK 3,345,402,463

The financial statements were approved for issuance by the Parent Company's Board of Directors on April 14, 2023.

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

## Share price trend and turnover since IPO



## CONSOLIDATED INCOME STATEMENTS

SEK thousands	Note	2022	2021
Net sales	2	802,540	366,778
Cost of goods sold		-271,023	-100,836
<b>Gross profit</b>		<b>531,517</b>	<b>265,942</b>
Sales costs		-138,223	-79,917
Administration costs		-63,652	-66,043
Research and development costs		-172,786	-65,707
Other operating income and costs		5,681	2,248
<b>Operating profit</b>	3, 4, 5, 6, 9, 10	<b>162,537</b>	<b>56,523</b>
Financial income	7	65,120	32,228
Financial costs	7	-19,484	-22,947
<b>Profit after financial items</b>		<b>208,173</b>	<b>65,804</b>
Taxes	8	-20,199	20,444
<b>Profit for the year</b>		<b>187,974</b>	<b>86,248</b>
<b>Profit for the year attributable to:</b>			
Parent Company shareholders		187,974	86,248
Earnings per share, SEK	18	3.70	2.03
Earnings per share, SEK*	18	3.69	2.02

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

## CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

SEK thousands	Note	2022	2021
<b>Profit for the year</b>		<b>187,974</b>	<b>86,248</b>
<b>Other comprehensive income</b>			
<i>Items that have been or that may be reclassified to profit/loss for the year</i>			
Translation differences for the year on translation of foreign operations	8	461,391	117,592
<b>Other comprehensive income for the year</b>	17	<b>461,391</b>	<b>117,592</b>
<b>Comprehensive income for the year</b>		<b>649,365</b>	<b>203,840</b>
<b>Comprehensive income for the year attributable to:</b>			
Parent Company shareholders		649,365	203,840

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousands	Note	Dec 31, 2022	Dec 31, 2021
<b>ASSETS</b>	21, 22		
<b>Fixed assets</b>			
<b>Intangible assets</b>	9		
Capitalized costs for product development		42,887	28,070
Patents, trademarks, concessions		59,939	51,880
Customer contracts		125,690	125,753
Technology		70,593	68,327
Goodwill		3,444,289	3,019,238
Other intangible assets		1,912	-
<b>Tangible fixed assets</b>	10		
Equipment		51,357	38,393
<b>Financial fixed assets</b>			
Deferred tax assets	8	22,158	24,597
Other financial fixed assets		4,367	4,966
<b>Total fixed assets</b>		<b>3,823,192</b>	<b>3,361,224</b>
<b>Current assets</b>			
<b>Inventories</b>	12	134,883	113,107
<b>Current receivables</b>			
Accounts receivable	14	176,311	110,645
Tax assets		2,264	16,953
Other receivables		15,534	5,363
Prepaid costs and accrued income	15	63,646	54,161
<b>Cash and cash equivalents</b>	16	433,733	316,680
<b>Total current assets</b>		<b>826,371</b>	<b>616,909</b>
<b>TOTAL ASSETS</b>		<b>4,649,563</b>	<b>3,978,133</b>
SEK thousands	Note	Dec 31, 2022	Dec 31, 2021
<b>SHAREHOLDERS' EQUITY</b>	17, 18		
Share capital		2,540	2,540
Other capital contributions		3,378,985	3,378,985
Provisions		581,135	117,732
Profit and loss carried forward, incl. profit for the year		273,791	85,817
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>4,236,451</b>	<b>3,585,074</b>
<b>LIABILITIES</b>	21, 22		
<b>Non-current liabilities</b>			
Deferred tax liabilities	8	51,507	48,506
Other non-current liabilities	19	55,697	112,176
<b>Total non-current liabilities</b>		<b>107,204</b>	<b>160,682</b>
<b>Current liabilities</b>			
Accounts payable		65,691	34,368
Tax liabilities		13,897	5,485
Other current liabilities		111,402	71,390
Accrued costs and prepaid revenues	20	114,918	121,134
<b>Total current liabilities</b>		<b>305,908</b>	<b>232,377</b>
<b>TOTAL LIABILITIES</b>		<b>413,111</b>	<b>393,059</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>4,649,563</b>	<b>3,978,133</b>

## CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY

SEK thousands	Attributable to Parent Company shareholders				Total shareholders' equity
	Share capital	Other capital contributions	Provisions	Profit/loss carried forward, incl. profit for the year	
<b>Opening balance, January 1, 2021</b>	<b>1,725</b>	<b>425,615</b>	<b>140</b>	<b>-431</b>	<b>427,049</b>
Profit for the year				86,248	86,248
Other comprehensive income for the year			117,592		117,592
Cash issues	807	3,021,555			3,022,362
Private placement	8	16,683			16,691
Issue costs		-84,868			-84,868
<b>Closing balance, December 31, 2021</b>	<b>2,540</b>	<b>3,378,985</b>	<b>117,732</b>	<b>85,817</b>	<b>3,585,074</b>
<b>Opening balance, January 1, 2022</b>	<b>2,540</b>	<b>3,378,985</b>	<b>117,732</b>	<b>85,817</b>	<b>3,585,074</b>
Profit for the year				187,974	187,974
Other comprehensive income for the year			461,391		461,391
Warrants program			2,012		2,012
<b>Closing balance, December 31, 2022</b>	<b>2,540</b>	<b>3,378,985</b>	<b>581,135</b>	<b>273,791</b>	<b>4,236,451</b>

# CONSOLIDATED CASH FLOW STATEMENTS

SEK thousands	Note	2022	2021
<b>Operating activities</b>			
Profit before financial items		162,537	56,523
Adjustments for non-cash items:			
<i>Exchange rate differences</i>		-11,085	-591
<i>Amortization and depreciation</i>		51,585	33,517
Interest paid/received		536	-254
Tax paid		-8,477	-3,425
<b>Cash flow from operating activities before changes in working capital</b>		<b>195,096</b>	<b>85,770</b>
<b>Changes in working capital</b>			
Increase (-)/Decrease (+) in inventories		-21,720	6,459
Increase (-)/Decrease (+) in operating receivables		-70,760	-84,573
Increase (+)/Decrease (-) in operating liabilities		26,871	31,427
<b>Cash flow from changes in working capital</b>		<b>-65,609</b>	<b>-46,687</b>
<b>Cash flow from operating activities</b>		<b>129,487</b>	<b>39,083</b>
<b>Investing activities</b>			
Investments in tangible fixed assets		-9,352	-3,871
Investments in intangible fixed assets		-25,196	-10,506
Investment in business		-	-2,718,237
<b>Cash flow from investing activities</b>		<b>-34,548</b>	<b>-2,732,614</b>
<b>Financing activities</b>			
Changes in non-current liabilities		12,194	-24,169
Changes in lease liabilities		4,899	-7,553
New share issues		-	3,039,053
Cost of new share issues		-	-84,868
<b>Cash flow from financing activities</b>		<b>17,093</b>	<b>2,922,463</b>
<b>Cash flow for the year</b>		<b>112,032</b>	<b>228,932</b>
Cash and cash equivalents, January 1		316,680	87,157
Exchange-rate difference in cash and cash equivalents		5,021	591
<b>Cash and cash equivalents, December 31</b>	16	<b>433,733</b>	<b>316,680</b>

## PARENT COMPANY INCOME STATEMENTS

SEK thousands	Note	2022	2021
Net sales		87,015	89,626
Cost of goods sold		-28,562	-18,315
<b>Gross profit</b>		<b>58,453</b>	<b>71,311</b>
Sales costs		-30,375	-18,658
Administration costs		-26,653	-17,371
Research and development costs		-19,935	-15,508
Other operating income and costs		796	1,758
<b>Operating profit/loss</b>	3, 4, 6, 9, 10	<b>-17,714</b>	<b>21,532</b>
<b><i>Profit/loss from financial items</i></b>			
Interest income and similar profit/loss items		16,282	3,648
Impairment of shares in subsidiaries		-480	-32,950
Interest costs and similar items		-18,283	-10,943
<b>Profit/loss after financial items</b>		<b>-20,195</b>	<b>-18,713</b>
Appropriations (Group contributions)		40,118	42,720
Tax on profit for the year	8	-4,388	5,572
<b>Profit for the year</b>		<b>15,535</b>	<b>29,579</b>

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

## PARENT COMPANY BALANCE SHEETS

SEK thousands	Note	Dec 31, 2022	Dec 31, 2021
<b>ASSETS</b>	21, 22		
<b>Fixed assets</b>			
<b>Intangible fixed assets</b>	9		
Capitalized costs for product development		20,494	22,416
Patents, trademarks, concessions		3	73
Other intangible fixed assets		1,022	-
<b>Tangible fixed assets</b>	10		
Equipment		2,023	2,155
<b>Financial fixed assets</b>			
Participations in Group companies	11	3,188,957	3,234,685
Deferred tax assets	8	7,844	12,232
<b>Total fixed assets</b>		<b>3,220,343</b>	<b>3,271,561</b>
<b>Current assets</b>			
<b>Inventories</b>	12	12,172	9,530
<b>Current receivables</b>			
Accounts receivable	14	19,039	15,496
Receivables from Group companies	13	41,122	86,549
Tax assets		399	1,461
Other receivables		1,161	511
Prepaid costs and accrued income	15	3,159	15,799
<b>Cash and bank balances</b>	16	234,887	143,203
<b>Total current assets</b>		<b>311,939</b>	<b>272,549</b>
<b>TOTAL ASSETS</b>		<b>3,532,282</b>	<b>3,544,110</b>
SEK thousands	Note	Dec 31, 2022	Dec 31, 2021
<b>SHAREHOLDERS' EQUITY</b>	17, 18		
<b>Restricted shareholders' equity</b>			
Share capital		2,540	2,540
Share premium reserve		41,095	41,095
Development expenditure fund		20,494	25,482
<b>Non-restricted shareholders' equity</b>	25		
Share premium reserve		3,317,457	3,317,457
Profit/loss carried forward		12,411	-24,167
Profit for the year		15,535	29,579
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>3,409,532</b>	<b>3,391,986</b>
<b>LIABILITIES</b>	21, 22		
<b>Non-current provisions</b>	23	-	70,686
<b>Non-current liabilities</b>	19	150	450
<b>Current provisions</b>	23	81,576	52,553
<b>Current liabilities</b>			
Accounts payable		6,548	3,108
Liabilities to Group companies	13	12,637	1,735
Other current liabilities		1,839	2,974
Accrued costs and prepaid revenues	20	20,000	20,619
<b>Total current liabilities</b>		<b>41,024</b>	<b>28,436</b>
<b>TOTAL LIABILITIES</b>		<b>122,750</b>	<b>152,124</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>3,532,282</b>	<b>3,544,110</b>

## PARENT COMPANY CHANGES IN SHAREHOLDERS' EQUITY

SEK thousands	Restricted shareholders' equity			Non-restricted shareholders' equity			Total shareholders' equity
	Share capital	Share premium reserve	Development expenditure fund	Share premium reserve	Profit/loss carried forward	Profit/loss for the year	
<b>Opening balance, January 1, 2021</b>	<b>1,725</b>	<b>41,095</b>	<b>19,707</b>	<b>364,087</b>	<b>-3,749</b>	<b>-14,643</b>	<b>408,222</b>
Disposal of profit brought forward					-14,643	14,643	-
Development expenditure fund			5,775		-5,775		-
Cash issues	807			3,021,555			3,022,362
Private placement	8			16,683			16,691
Issue costs				-84,868			-84,868
Profit for the year						29,579	29,579
<b>Closing balance, December 31, 2021</b>	<b>2,540</b>	<b>41,095</b>	<b>25,482</b>	<b>3,317,457</b>	<b>-24,167</b>	<b>29,579</b>	<b>3,391,986</b>
<b>Opening balance, January 1, 2022</b>	<b>2,540</b>	<b>41,095</b>	<b>25,482</b>	<b>3,317,457</b>	<b>-24,167</b>	<b>29,579</b>	<b>408,222</b>
Disposal of profit brought forward					29,579	-29,579	-
Development expenditure fund			-4,988		4,988		-
Warrants program					2,011		2,011
Profit for the year						15,535	15,535
<b>Closing balance, December 31, 2022</b>	<b>2,540</b>	<b>41,095</b>	<b>20,494</b>	<b>3,317,457</b>	<b>12,411</b>	<b>15,535</b>	<b>3,409,532</b>



## PARENT COMPANY CASH FLOW STATEMENTS

SEK thousands	Note	2022	2021
<b>Operating activities</b>			
Profit/loss before financial items		-17,714	21,532
Adjustments for non-cash items:			
<i>Exchange rate differences</i>		5,279	965
<i>Amortization and depreciation</i>		7,718	8,325
Interest paid/received		531	-1
Tax paid		-	-
<b>Cash flow from operating activities before changes in working capital</b>		<b>-4,186</b>	<b>30,821</b>
<b>Changes in working capital</b>			
Increase (-)/Decrease (+) in inventories		-2,642	2,458
Increase (-)/Decrease (+) in operating receivables		48,785	-75,551
Increase (+)/Decrease (-) in operating liabilities		11,121	12,927
<b>Cash flow from changes in working capital</b>		<b>57,264</b>	<b>-60,166</b>
<b>Cash flow from operating activities</b>		<b>53,078</b>	<b>-29,345</b>
<b>Investing activities</b>			
Acquisitions of subsidiaries		-	-2,787,389
Investments in tangible fixed assets		-682	-941
Investments in intangible fixed assets		-5,934	-7,879
<b>Cash flow from investing activities</b>		<b>-6,616</b>	<b>-2,796,209</b>
<b>Financing activities</b>			
Changes in non-current liabilities		3,910	-300
New share issues		-	3,039,053
Cost of new share issues		-	-84,868
Group contributions		40,266	-
<b>Cash flow from financing activities</b>		<b>44,176</b>	<b>2,953,885</b>
<b>Cash flow for the year</b>		<b>90,638</b>	<b>128,331</b>
Cash and cash equivalents, January 1		143,203	14,849
Exchange-rate difference in cash and cash equivalents		1,046	23
<b>Cash and cash equivalents, December 31</b>	16	<b>234,887</b>	<b>143,203</b>

# NOTES TO THE FINANCIAL STATEMENTS

Notes to the 2022 Financial Statements for the Surgical Science Group and its Parent Company, Surgical Science Sweden AB (publ), corporate identity number 556544-8783, with registered offices at Drakegatan 7A, SE-412 50 Gothenburg, Sweden. The Parent Company's shares are registered on Nasdaq First North Growth Market.

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## NOTE 1 ACCOUNTING POLICIES

### Compliance with standards and legislation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) as adopted by the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 "Supplementary Accounting Rules for Groups" has been applied.

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

### Basis of valuation applied in the preparation of the financial statements

Assets and liabilities are reported at historical cost with the exception of certain financial assets and liabilities, which are reported at fair value.

### Functional currency and reporting currency

The Parent Company's functional currency is the Swedish krona (SEK), which also constitutes the reporting currency for the Parent Company and the Group. This means that the financial statements are presented in SEK. All amounts are rounded off to the nearest SEK thousand unless otherwise stated.

### Assumptions applied in preparing the Parent Company's financial statements and the consolidated financial statements

Preparing reports in accordance with IFRS requires applying certain key estimates for accounting purposes. In addition, management is required to make certain estimates in its application of the Group's accounting policies. The areas involving substantial estimation – complex areas or areas in which assumptions and estimates are of material significance for the consolidated accounts – are stated in Note 28.

### Amended accounting policies due to new or amended IFRS

No new or amended standards that came into effect on January 1, 2022 have had any impact on these financial statements. The adopted updates and amendments coming into effect as of January 1, 2023 or later will have no effect on future financial reports.

### Classification, etc.

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

### Consolidation principles

The Consolidated Financial Statements include the Parent Company, Surgical Science Sweden AB (publ), and the subsidiaries that are under a controlling influence of the Parent Company. All subsidiaries are wholly owned.

Subsidiaries are reported in accordance with the acquisition method, meaning that, in the acquisition analysis, the acquired assets and liabilities identified are recognized at their fair value on the acquisition date. The difference between the cost of the shares in a subsidiary and the fair value of the acquired assets, assumed liabilities and contingent liabilities constitutes consolidated goodwill. Transaction expenditures that arise, except expenditures attributable to the issue of equity instruments or debt instruments, are recognized directly in profit or loss as they are incurred.

Intra-Group receivables and liabilities, income and costs, as well as unrealized gains or losses arising from intra-Group transactions between Group companies are eliminated in full when preparing the consolidated accounts.

### Foreign currency

Transactions in foreign currencies are translated into the functional currency at the exchange rate in effect on the transaction date. Monetary assets and liabilities in foreign currencies are translated into the functional currency at the exchange rate in effect on the balance sheet date. Exchange rate differences arising on translation are recognized in the Income Statement. Non-monetary assets and liabilities recognized at their historical cost are included at the exchange rate in effect on the transaction date. Non-monetary assets and liabilities recognized at fair value are translated to the functional currency at the exchange rate in effect at the time of the fair value assessment. The change in the exchange rate is then reported in the same way as other changes in the value of the asset or liability.

The functional currency is the currency in the primary economic environments where the companies within the Group conduct their operations. The companies included in the Group are the Parent Company and its subsidiaries. The Parent Company's functional and reporting currency is the Swedish krona (SEK). The Group's reporting currency is the Swedish krona (SEK).

Assets and liabilities in foreign operations, including goodwill and other Group-related surplus values, are converted to Swedish kronor at the prevailing exchange rate on the balance sheet date. Income and costs in a foreign company are translated into Swedish kronor at an average rate representing an approximation of the rates prevailing on the respective transaction dates. Translation differences arising in connection with currency translation by foreign operations are recognized in the Statement of Comprehensive Income.

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

Currency	Average exchange rate		Exchange rate on balance sheet date	
	2022	2021	Dec 31, 2022	Dec 31, 2021
EUR	10.6317	10.1449	11.1283	10.2269
USD	10.1245	8.5815	10.4371	9.0437
ILS	2.9967	2.7071	2.9600	2.9079

Source: Riksbank (Swedish central bank), X-rates

## Income

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

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

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

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

Surgical Science has identified its contracts on the basis of the five-step model in IFRS 15, making the assessment that one and the same contract may include several distinct commitments that are often attributable to several different periods. A contract may, for example, include both hardware and software, installation, training and a service agreement extending over several years. The vast majority of sales, however, comprise products and services clearly representing separate performance commitments.

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

Approximately 14 percent (11) of Surgical Sciences' sales in 2022 were paid in advance. Additionally, a 30-day credit period is generally applied.

## Segment reporting

Operating segments are presented from the perspective of management, meaning that they are presented in the same manner as in internal accounting. Identifying reportable segments begins with how reports are submitted to the internal reporting structure and how these are followed up by the highest executive decision-maker. The Group has identified the Group's CEO as its highest executive decision-maker. In the internal reporting to the CEO, in part, business areas and, in part, geographical segments are applied, with revenues being broken down between: Europe, North and South America, Asia, and Other, as well as by revenue stream, with revenues being further broken down between simulators, development revenues and license revenues. See Note 2 for further information.

## Government subsidies

Government subsidies are reported when the company has met the terms associated with those subsidies and it can be safely determined that the subsidies will be received. Subsidies received are reported as prepaid income in the Balance Sheet, while in the Income Statement they are reported in the same period as the costs covered. Government subsidies are reported in relation to the hours worked on relevant projects for the development division.

## Leases

### Lessees

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

### Lessors

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

## Financial income and costs

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

## Financial instruments

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

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, at fair value through Other comprehensive income and at fair value via the Income Statement. The classification of financial assets in accordance with IFRS 9 is generally based on the company's business model for its management of financial assets and the nature of the contractual cash flows deriving from each financial asset. Surgical Science only holds financial assets measured at amortized cost and, on the asset side, these comprise accounts receivable, other receivables and other non-current holdings of securities. Liabilities include accounts payable and other liabilities measured at amortized costs, as well as liabilities for contingent purchase considerations measured at fair value.

A financial asset, or a part thereof, is removed from the Balance Sheet when the contractual rights to receive cash flows from that asset cease or have been transferred and the Group either transfers, to all intents and purposes, all of the risks and benefits associated with ownership, or neither transfers nor retains, to all intents and purposes, all of the risks and benefits associated with ownership, but no longer retains control of the asset. A financial liability is removed from the Balance Sheet when it is extinguished, that is, when the stated contractual commitments have been met, canceled or terminated.

## Accounts receivable and other receivables

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

## Cash and cash equivalents

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

**Accounts payable**

Accounts payable are initially reported at fair value and thereafter at amortized cost applying the effective interest method.

**Intangible fixed assets**

The items reported in the Consolidated Statement of Financial Position are goodwill, customer contracts, technology, capitalized costs for product development, patents, trademarks and concessions.

**Goodwill**

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

**Customer contracts**

In the Consolidated Statement of Financial Position, customer contracts are recognized at cost less accumulated amortization and impairment.

**Technology**

In the Consolidated Statement of Financial Position, technology is recognized at cost less accumulated amortization and impairment.

**Capitalized costs for product development**

Research costs refer to expenditure on research aimed at obtaining new scientific or technical knowledge. Development costs refer to expenditure in applying research results or other knowledge to achieve new or improved products or processes.

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

In the Consolidated Statement of Financial Position, capitalized development expenditure is recognized at cost less accumulated amortization and impairment.

**Additional costs**

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

**Amortization**

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

Capitalized costs for product development	5 years
Patents, trademarks, concessions	5 years
Customer contracts and technology	10 years

**Tangible fixed assets**

Tangible fixed assets are recognized as an asset in the Balance Sheet if it is likely that the future economic benefits will accrue to the company and the cost of the asset can be reliably estimated.

All tangible fixed assets are reported at cost with deductions for depreciation. The cost includes costs that can be attributed directly to the acquisition of the asset. Additional costs are added to the asset's carrying amount or reported as a separate asset (depending on which is deemed more appropriate) only when it is probable that the future economic advantages associated with

the asset will benefit the Group and the asset's value can be reliably measured. All other forms of repairs and maintenance are expensed in the Income Statement in the period in which they are incurred.

**Depreciation**

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

Equipment	5 years
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Each asset's residual value and useful life are assessed annually.

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

**Inventories**

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

**Impairment**

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

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

**Earnings per share**

The calculation of earnings per share is based on the profit for the year for the Group which is attributable to the Parent Company's shareholders and on the weighted average number of outstanding shares during the year before and after dilution.

**Pensions**

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

**Shareholders' equity**

Transaction costs directly attributable to issues of new shares or warrants are reported under Shareholders' equity as a deduction from the issue proceeds, net of tax.

**Warrants program**

Share-based incentive programs are reported in accordance with IFRS 2. There are two outstanding warrant programs aimed at the company's employees, in one of which employees wishing to participate have paid a premium corresponding to the market value of the warrant calculated applying the Black & Scholes formula. Since market value has been paid, there is no effect from this warrants program on the company's profit for the period, nor on its financial position. There is also a stock options program in which participants received the warrants as a benefit. This warrants program will require payment of social security contributions and costs in accordance with the accounting rules in IFRS 2. A description of the warrant programs can be found under Note 18.

**Income tax**

Current tax costs are calculated based on the tax rules adopted as per the balance sheet date or adopted in practice in the countries where the Parent Company and its subsidiaries are active and generate taxable revenues. Management regularly evaluates the claims made in self-assessments regarding situations in which applicable tax rules are subject to interpretation and makes, where deemed appropriate, provisions for amounts that will likely have to be paid to the tax authority.

For all temporary differences between the tax base and carrying amounts of assets and liabilities in the consolidated accounts, deferred tax is reported in full in accordance with the balance sheet method. Deferred income tax is estimated applying tax rates (and tax laws), adopted or announced as of the balance sheet date, and expected to apply when the deferred tax receivable is realized or the deferred tax liability is settled.

Deferred tax is calculated on temporary differences arising from participations in subsidiaries, except where the time at which the temporary difference is reversed can be controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

Total tax comprises current and deferred tax.

Taxes are recognized in the Income Statement unless the underlying transaction is recognized directly in Other comprehensive income, in which case the related tax effect is also recognized in Other comprehensive income. Current tax is the tax payable or receivable for the current year, which includes adjustment of current tax attributable to preceding periods. Deferred tax is calculated using the balance-sheet method, starting from temporary differences between the recognized and taxable values of assets and liabilities. The amounts are calculated based on how the temporary differences are expected to be settled and applying the tax rates and regulations adopted or planned as of the balance sheet date. Temporary differences are not taken into account in consolidated goodwill, nor are differences attributable to investments in subsidiaries not expected to be taxed within the foreseeable future. In the consolidated accounts, untaxed reserves are apportioned between deferred tax liabilities and shareholders' equity.

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

**Contingent liabilities**

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

**Parent Company's accounting policies**

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

Recommendations indicate the exceptions and the supplements to be made to the IFRS.

The differences between the accounting policies applied by the Group and those applied by the Parent Company are as follows. The Parent Company's accounting policies, as stated below, have been applied consistently to all periods presented in the Parent Company's financial statements. The principles are unchanged compared with the preceding year.

**Classification and presentation**

For the Parent Company, the term Balance Sheet is used, while for the Group, the term Statement of Financial Position is used. Compared with the consolidated accounts, the differences in the Parent Company's Income Statement and Balance Sheet mainly involve shareholders' equity.

**Internally generated fixed intangible assets**

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

**Subsidiaries**

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

**Financial assets and liabilities**

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

**Income tax**

In the Parent Company, untaxed reserves are reported inclusive of deferred tax liabilities. In the consolidated accounts, however, untaxed reserves are divided between deferred tax liabilities and shareholders' equity.

**Group contributions**

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

**Leased assets**

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

**NOTE 2 OPERATING SEGMENTS**

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

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

**By business area**

	2022	2021
Educational Products	507,949	197,408
Industry/OEM	294,591	169,370
<b>Net sales</b>	<b>802,540</b>	<b>366,778</b>

**By geographic area**

	2022	2021
Europe	130,856	96,347
North and South America	504,949	221,274
Asia	140,788	44,000
Other	25,947	5,157
<b>Net sales</b>	<b>802,540</b>	<b>366,778</b>

**By revenue stream**

	2022	2021
Simulators, hardware and software*	576,620	N/A
Development revenue	41,371	N/A
License revenue	184,549	N/A
<b>Net sales**</b>	<b>802,540</b>	<b>N/A</b>

\* incl. support agreement

\*\* Surgical Science began applying the operating segment sales by revenue stream as of January 1, 2022

In 2022, the Group had one customer that accounted for more than 10 percent of consolidated total sales. This customer is recognized in the North and South America segments. In 2021, the Group had one customer who accounted for more than 10 percent of consolidated total sales. This customer was recognized in the North and South America segments.

## NOTE 3 EMPLOYEES, PERSONNEL COSTS AND BOARD FEES

**Average number of employees**

	Total		of whom men	
	2022	2021	2022	2021
<b>Parent Company, Sweden</b>	45	41	33	29
<b>Subsidiaries</b>				
Sweden	17	16	12	13
Israel	113	33	83	25
USA	52	31	41	27
<b>Total</b>	<b>227</b>	<b>121</b>	<b>169</b>	<b>94</b>

Of the employees of the Swedish subsidiaries, four individuals are stationed in Germany and one individual is stationed in France. The company also has three people in China, one in the UK, one in Greece, one in Poland and one in Costa Rica, each on consulting contracts.

The employees of Mimic Technologies are included from the date on which the company was consolidated in the Surgical Science Group, which was January 27, 2021. The employees of Symbionix Ltd and Symbionix Corp are included from the date on which the company was consolidated into the Surgical Science Group, which was August 24, 2021.

**Proportion of women in senior positions**

Group	2022	2021
Board of Directors	17%	17%
Management team	25%	25%

**Salaries, other compensation and social security contributions**

	Salaries and remunerations		Social security costs	
	2022	2021	2022	2021
Parent Company	35,289	31,914	15,294	13,463
– of which, pension costs	(–)	(–)	(4,797)	(4,064)
Subsidiaries	174,059	87,752	35,338	16,738
– of which, pension costs	(–)	(–)	(22,363)	(5,318)
<b>Total</b>	<b>209,348</b>	<b>119,666</b>	<b>50,632</b>	<b>30,201</b>
<b>– of which, pension costs</b>	<b>(–)</b>	<b>(–)</b>	<b>(27,160)</b>	<b>(9,382)</b>

Of the Group's pension costs, SEK 694 thousand (683) pertains to the Board of Directors and the CEO, of which SEK 694 thousand (683) pertains to the CEO.

**Salaries and remunerations allocated by country and between Board Members/the CEO and other employees**

	Board/CEO		Other employees	
	2022	2021	2022	2021
<b>Parent Company, Sweden</b>	4,651	4,105	30,638	27,809
<b>Subsidiaries</b>				
Sweden	–	–	10,286	9,217
Israel	–	–	108,333	38,007
USA	–	–	55,440	40,527
<b>Total</b>	<b>4,651</b>	<b>4,105</b>	<b>204,697</b>	<b>115,560</b>
<b>– of which bonuses and similar</b>	<b>(1,620)</b>	<b>(1,060)</b>	<b>(4,484)</b>	<b>(4,224)</b>

**Board of Directors**

Board fees amounting to SEK 1,050 thousand were paid over the year, in accordance with the resolution by the 2021 Annual General Meeting. As Chairman of the Board, Roland Bengtsson received SEK 300 thousand and the other Board Members received SEK 150 thousand each. No pension costs or other pension obligations apply with regard to Board Members. At the Annual General Meeting on May 12, 2022, it was resolved that Board fees totaling SEK 1,050 thousand should be paid in the period until the ensuing Annual General Meeting. SEK 300 thousand is to be paid to the Chairman of the Board, Roland Bengtsson, and SEK 150 thousand to each of the other Board Members.

**CEO**

During the financial year 2022, compensation, including holiday pay, totaling SEK 5,221 thousand (4,256) was expensed in payments to CEO Gisli Hennermark, of which SEK 1,620 thousand (1,060) comprised variable remuneration. Premiums for customary occupational pensions in accordance with ITP have been paid. In the event of termination by the company, a notice period of 12 months applies for the CEO. In the event of resignation by the CEO, a notice period of 6 months applies. The CEO's terms of employment are set out in an agreement between the company and the CEO.

**Other senior executives**

During the 2022 financial year, salaries of SEK 23,309 thousand (13,922) including holiday pay, were expensed to senior executives in the Group's management team of 7 people (7), excluding the CEO, of which SEK 2,773 thousand (3,840) consisted of bonuses. These are based on the outcome of various parameters in comparison with established targets. Premiums for customary occupational pensions have been paid. In the event of termination by the company, a notice period of 3-6 months applies for other senior executives. In the event of resignation by a senior executive, a notice period of 3-6 months applies. No loans have been provided to senior executives.

**Defined-contribution pension plans**

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

	Group		Parent Company	
	2022	2021	2022	2021
Costs for defined-contribution pension plans	27,160	9,382	4,797	4,064

**Defined-benefit pension plans**

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

## NOTE 4 FEES AND COMPENSATION FOR COSTS PAID TO AUDITORS

	Group		Parent Company	
	2022	2021	2022	2021
Audit assignment	1,503	629	250	155
Audit activities in addition to audit assignments	–	31	–	–
Tax consultancy	360	43	242	43
Other services	141	167	141	167
<b>Total</b>	<b>2,004</b>	<b>870</b>	<b>633</b>	<b>365</b>

KPMG has been the company's auditor since the 2019 Annual General Meeting.

The audit assignment pertains to the examination of the Annual Report and the accounts, as well as of the administration of the company by the Board of Directors and the CEO, other work tasks incumbent upon the company's auditor to perform, and advice or other assistance brought about by observations in conjunction with such review or performance of such other work tasks. Advice on tax issues is recognized separately. Any other work is recognized as other services.

## NOTE 5 OPERATING COSTS BY NATURE

	Group	
	2022	2021
Raw materials and consumables	-204,474	-65,827
Capitalized work	22,810	10,826
Personnel costs	-272,784	-151,452
Depreciation/amortization/impairment	-51,585	-33,517
Other external costs	-139,651	-72,533
<b>Total</b>	<b>-645,684</b>	<b>-312,503</b>

## NOTE 6 LEASES

The Group rents office premises in the following locations:

	Lease valid until
Gothenburg, Sweden	May 31, 2026
Stockholm, Sweden	Jun 30, 2025
Shenzhen, China	Mar 31, 2025
Seattle, USA	Oct 31, 2027
Cleveland, USA	Dec 31, 2024
Tel Aviv, Israel	Dec 31, 2023

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

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

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

	2022	2021
<b>Depreciation of right-of-use assets</b>		
– Properties	-15,019	-7,843
– Vehicles	-29	-29
Interest cost, lease liabilities	-535	-510
Lease costs for current leases and leases of low-value assets	-231	-439
<b>Total</b>	<b>-15,814</b>	<b>-8,821</b>

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

	Dec 31, 2022	Dec 31, 2021
<b>Right-of-use assets</b>		
Properties	52,491	32,588
Vehicles	197	197
<b>Total</b>	<b>52,688</b>	<b>32,785</b>
	Dec 31, 2022	Dec 31, 2021
<b>Accumulated depreciation</b>		
Properties	-22,971	-7,553
Vehicles	-75	-43
<b>Total</b>	<b>-23,046</b>	<b>-7,596</b>

	Dec 31, 2022	Dec 31, 2021
<b>Lease liabilities</b>		
Current	15,079	12,793
Non-current	14,682	12,071
<b>Total</b>	<b>29,761</b>	<b>24,864</b>

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

Cash flow information, leases:

	2022	2021
Amortization of lease liabilities	15,048	7,872
Interest cost, lease liabilities	535	510
Lease costs for current leases and leases of low-value assets	231	439
<b>Total</b>	<b>15,814</b>	<b>8,821</b>

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

	Parent Company	
	2022	2021
Within one year	2,531	2,352
Within two to five years	5,359	1,256
Longer than five years	–	–
<b>Total</b>	<b>7,890</b>	<b>3,608</b>

Expensed fees for operating leases total:

	Parent Company	
	2022	2021
Minimum lease fees	2,701	2,326
<b>Total lease costs</b>	<b>2,701</b>	<b>2,326</b>

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

	Group		Parent Company	
	2022	2021	2022	2021
Within one year	1,872	474	378	474
Between one and five years	–	–	–	–
Longer than five years	–	–	–	–
<b>Total</b>	<b>1,872</b>	<b>474</b>	<b>378</b>	<b>474</b>

Lease revenue for the year from operational leases amounts to SEK 2,163 (1,253) thousand in the Group and SEK 792 thousand (730) in the Parent Company.

## NOTE 7 NET FINANCIAL ITEMS

	Group		Parent Company	
	2022	2021	2022	2021
Exchange rate gains	18,179	13,860	15,750	3,648
Interest income and other financial income	46,941	18,368	532	-
<b>Financial income</b>	<b>65,120</b>	<b>32,228</b>	<b>16,282</b>	<b>3,648</b>

	Group		Parent Company	
	2022	2021	2022	2021
Exchange rate losses	-18,179	-22,125	-18,281	-10,942
Impairment of holdings in subsidiaries	-	-	-480	-32,950
Interest expenses and other financial expenses	-1,305	-822	-2	-1
<b>Financial costs</b>	<b>-19,484</b>	<b>-22,947</b>	<b>-18,763</b>	<b>-43,893</b>

## NOTE 8 TAXES

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

	Group		Parent Company	
	2022	2021	2022	2021
<b>Current tax cost</b>				
Tax cost for the year	-10,282	-	-	-
<b>Total current tax cost</b>	<b>-10,282</b>	<b>-</b>	<b>-</b>	<b>-</b>

	Group		Parent Company	
	2022	2021	2022	2021
<b>Deferred tax</b>				
Amortization of surplus values	4,843	2,512	-	-
Change in untaxed reserves	-	2,246	-	-
Change in tax-loss carry-forwards	-14,780	15,781	-4,374	5,595
Other temporary differences	20	-95	-14	-22
<b>Total deferred tax</b>	<b>-9,917</b>	<b>20,444</b>	<b>-4,388</b>	<b>5,572</b>
<b>Total reported tax cost</b>	<b>-20,199</b>	<b>20,444</b>	<b>-4,388</b>	<b>5,572</b>

	Group		Parent Company	
	2022	2021	2022	2021
<b>Reconciliation of effective tax rate</b>				
Profit before tax	208,173	65,804	19,923	24,007
Tax according to current tax rate for the Parent Company, 20.6% (20.6)	-42,884	-13,556	-4,104	-4,945
Effects of other tax rates for foreign subsidiaries	14,257	3,355	-	-
Utilized non-capitalized tax-loss carry-forwards from previous years	-68	524	-	-
Deductible costs, not in income statement	2,646	17,483	-	17,483
Non-deductible costs	-1,653	-7,403	-272	-6,857
IFRS 15 adjustments from previous years	-1	-17	-1	-17
Change in tax-loss carry-forwards	-	15,781	-	-
Other temporary differences	7,504	4,277	-11	-91
<b>Total tax cost</b>	<b>-20,199</b>	<b>20,444</b>	<b>-4,388</b>	<b>5,572</b>

Deductible costs, not in income statement for 2021 above, are attributable to transaction costs regarding share issues in connection with the acquisitions of Mimic Technologies and Symbionix.

### Tax attributable to other comprehensive income

	Group					
	2022		2021			
	Before tax	Tax	After tax	Before tax	Tax	After tax
Translation differences for the year on translation of foreign operations	461,391	-	461,391	117,592	-	117,592
<b>Other comprehensive income</b>	<b>461,391</b>	<b>-</b>	<b>461,391</b>	<b>117,592</b>	<b>-</b>	<b>117,592</b>

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

	Group		Parent Company		
	2022	2021	2022	2021	
<b>Deferred tax assets</b>					
Deferred tax relating to capitalized tax-loss carry-forwards		22,158	24,597	7,844	12,232
<b>Total deferred tax assets</b>	<b>22,158</b>	<b>24,597</b>	<b>7,844</b>	<b>12,232</b>	

Deferred tax assets pertaining to capitalized tax-loss carry-forwards are included in the statement of financial position as the company's established budget and forecasts assume that the company will report future taxable surpluses in the foreseeable future. The tax-loss carry-forwards in the Parent Company and of a certain portion of the operations in the US and Israel have been recognized as a deferred tax asset in the financial statements. There is no time limit for these tax-loss carry-forwards. Tax-loss carry-forwards in the subsidiary Mimic Technologies, Inc. amount to USD 8.2 million as per the 2021 tax assessment (2020: 4.8) and in the subsidiary Surgical Science, Inc., the tax-loss carry-forwards amount to USD 1.6 million as per the 2021 tax assessment (2020: 2.7). In the subsidiary Symbionix Ltd, the tax-loss carry-forwards amount to ISL 22.7 million as per the 2021 tax assessment.

	Group		Parent Company	
	2022	2021	2022	2021
<b>Deferred tax liability</b>				
Deferred tax attributable to surplus value on acquisitions	51,507	48,506	-	-
<b>Total deferred tax liabilities</b>	<b>51,507</b>	<b>48,506</b>	<b>-</b>	<b>-</b>

## NOTE 9 INTANGIBLE FIXED ASSETS

	Group		Parent Company	
	2022	2021	2022	2021
<b>Capitalized development costs</b>				
Opening cost	119,103	108,597	112,627	104,748
Capitalized costs for the year	22,763	10,506	4,912	7,879
<b>Closing accumulated cost</b>	<b>141,866</b>	<b>119,103</b>	<b>117,539</b>	<b>112,627</b>
Opening amortization	-91,032	-83,810	-90,211	-83,642
Amortization for the year	-7,947	-7,222	-6,834	-6,569
<b>Closing accumulated amortization</b>	<b>-98,979</b>	<b>-91,032</b>	<b>-97,045</b>	<b>-90,211</b>
<b>Closing carrying amount</b>	<b>42,887</b>	<b>28,070</b>	<b>20,494</b>	<b>22,416</b>
<b>Other intangible assets</b>				
Opening cost	-	-	-	-
Capitalized costs for the year	1,954	-	1,022	-
<b>Closing accumulated cost</b>	<b>1,954</b>	<b>-</b>	<b>1,022</b>	<b>-</b>
Opening amortization	-	-	-	-
Amortization for the year	-42	-	-	-
<b>Closing accumulated amortization</b>	<b>-42</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Closing carrying amount</b>	<b>1,912</b>	<b>-</b>	<b>1,022</b>	<b>-</b>



	Group		Parent Company	
	2022	2021	2022	2021
<b>Patents, trademarks, concessions</b>				
Opening cost	63,380	10,588	10,588	10,588
Capitalized costs for the year	479	731	-	-
Increase through acquisitions of operations	-	50,830	-	-
Translation differences	8,014	1,231	-	-
<b>Closing accumulated cost</b>	<b>71,873</b>	<b>63,380</b>	<b>10,588</b>	<b>10,588</b>
Opening amortization	-11,500	-9,718	-10,515	-9,718
Amortization for the year	-433	-1,782	-70	-797
<b>Closing accumulated amortization</b>	<b>-11,933</b>	<b>-11,500</b>	<b>-10,585</b>	<b>-10,515</b>
<b>Closing carrying amount</b>	<b>59,939</b>	<b>51,880</b>	<b>3</b>	<b>73</b>
<b>Customer contracts</b>				
Opening cost	142,121	43,820	-	-
Increase through acquisitions of operations	-	94,704	-	-
Translation differences	16,499	3,597	-	-
<b>Closing accumulated cost</b>	<b>158,620</b>	<b>142,121</b>	<b>-</b>	<b>-</b>
Opening amortization	-16,368	-6,573	-	-
Amortization for the year	-15,529	-9,795	-	-
Translation differences	-1,033	-	-	-
<b>Closing accumulated amortization</b>	<b>-32,930</b>	<b>-16,368</b>	<b>-</b>	<b>-</b>
<b>Closing carrying amount</b>	<b>125,690</b>	<b>125,753</b>	<b>-</b>	<b>-</b>
<b>Technology</b>				
Opening cost	70,727	-	-	-
Increase through acquisitions of operations	-	68,968	-	-
Translation differences	10,750	1,759	-	-
<b>Closing accumulated cost</b>	<b>81,477</b>	<b>70,727</b>	<b>-</b>	<b>-</b>
Opening amortization	-2,399	-	-	-
Amortization for the year	-7,978	-2,399	-	-
<b>Closing accumulated amortization</b>	<b>-10,884</b>	<b>-2,399</b>	<b>-</b>	<b>-</b>
<b>Closing carrying amount</b>	<b>70,593</b>	<b>68,327</b>	<b>-</b>	<b>-</b>
<b>Goodwill</b>				
Opening cost	3,019,238	260,492	-	-
Increase through acquisitions of operations	-	2,658,684	-	-
Translation differences	425,051	100,062	-	-
<b>Closing accumulated cost</b>	<b>3,444,289</b>	<b>3,019,238</b>	<b>-</b>	<b>-</b>
<b>Closing carrying amount</b>	<b>3,444,289</b>	<b>3,019,238</b>	<b>-</b>	<b>-</b>

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

	Group		Parent Company	
	2022	2021	2022	2021
Cost of goods sold	-164	-210	-164	-210
Sales costs	-15,529	-10,685	-	-
Administration costs	-406	-775	-	-680
Research and development costs	-15,832	-9,528	-6,740	-6,476
<b>Total amortization</b>	<b>-31,931</b>	<b>-21,198</b>	<b>-6,904</b>	<b>-7,366</b>

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

Goodwill has been tested for impairment based on budget and forecasts, where the first year of the forecast is based on the company's budget and the subsequent four years are based on historical growth rates adjusted for management's forecasts for the future. The forecasts have been produced internally by company management based on historical data, management's combined experience and their best assessment of the company's development potential and market growth. The cash flows forecast after five years have been based on a growth rate of 5-15 percent annually. The forecast cash flows have been calculated at their present value applying a discount rate of 11.4 (10.2) percent before tax. The most important variables in the forecast are growth, gross margin, sales costs and investments. The calculation is based on a continued favorable gross margin and the need for investment has been judged as relatively low. Working capital has been assumed to change in proportion to sales and the debt/equity ratio is judged as remaining unchanged as growth is assumed to take place within the framework of existing operations and using the Group's own funds. The recoverable amount, which is calculated within the Group as value in use, exceeds the carrying amount. Management believes that no reasonable changes in key variables and assumptions will lead to the units' recoverable amount being lower than the reported values.

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

## NOTE 10 TANGIBLE FIXED ASSETS

	Group		Parent Company	
	2022	2021	2022	2021
<b>Equipment</b>				
Opening cost	58,541	16,190	6,344	5,423
Acquisitions for the year	9,352	3,871	682	921
Increase through acquisitions of operations	-	10,216	-	-
Transfers	19,903	27,281	-	-
Exchange rate differences	3,436	983	-	-
<b>Closing accumulated cost</b>	<b>91,232</b>	<b>58,541</b>	<b>7,026</b>	<b>6,344</b>
Opening depreciation	-20,148	-7,642	-4,189	-3,249
Depreciation for the year	-19,654	-12,319	-814	-940
Exchange rate differences	-72	-187	-	-
<b>Closing accumulated depreciation</b>	<b>-39,874</b>	<b>-20,148</b>	<b>-5,003</b>	<b>-4,189</b>
<b>Closing carrying amount</b>	<b>51,357</b>	<b>38,393</b>	<b>2,023</b>	<b>2,155</b>

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

	Group		Parent Company	
	2022	2021	2022	2021
Cost of goods sold	-1,385	-695	-9	-9
Sales costs	-1,693	-703	-412	-652
Administration costs	-16,223	-10,867	-345	-243
Research and development costs	-353	-54	-48	-36
<b>Total depreciation</b>	<b>-19,654</b>	<b>-12,319</b>	<b>-814</b>	<b>-940</b>

## NOTE 11 PARTICIPATIONS IN GROUP COMPANIES

	Parent Company	
	2022	2021
Opening cost	3,234,685	338,449
Acquisitions during the year	–	2,901,286
Impairment of shares	-45,728	-5,050
<b>Closing carrying amount</b>	<b>3,188,957</b>	<b>3,234,685</b>

### Companies owned by Surgical Science Sweden AB (publ):

Company	Corp. Reg. No.	Registered office	Share in %	Carrying amount	
				Dec 31, 2022	Dec 31, 2021
SenseGraphics AB	556659-3512	Gothenburg, Sweden	100	325,079	325,079
Mimic Technologies, Inc.	91-2117439	Seattle, USA	100	188,289	234,017
Simbionix, Corp	02-0530940	Seattle, USA	100	2,667,269	2,667,269
- Simbionix, Ltd.	51 251814 3	Airport City, Israel	100		
Surgical Science, Inc.	20-8758443	Minnesota, USA	100	6,658	6,658
Surgical Science Incentive AB	559107-8448	Gothenburg, Sweden	100	50	50
Simball Systems AB	559115-4702	Gothenburg, Sweden	100	50	50
Medicinsim AB	556935-1231	Gothenburg, Sweden	100	1,562	1,562
<b>Total</b>				<b>3,188,957</b>	<b>3,234,685</b>

## NOTE 12 INVENTORIES

	Group		Parent Company	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Raw materials and consumables	118,269	93,508	9,150	8,253
Finished goods and goods for sale	16,614	19,599	3,022	1,277
<b>Total</b>	<b>134,883</b>	<b>113,107</b>	<b>12,172</b>	<b>9,530</b>

## NOTE 13 RECEIVABLES AND LIABILITIES FROM GROUP COMPANIES

Receivables from	Parent Company	
	Dec 31, 2022	Dec 31, 2021
Surgical Science, Inc.	–	17,498
Mimic Technologies, Inc.	80	6,694
Simbionix Ltd.	944	24,710
Simball Systems AB	–	107
Surgical Science Incentive AB	–	458
SenseGraphics AB	40,098	37,081
<b>Total</b>	<b>41,122</b>	<b>86,549</b>

Liabilities to	Parent Company	
	Dec 31, 2022	Dec 31, 2021
Mimic Technologies, Inc.	3,499	35
Simbionix, Corp.	8,722	104
Simbionix Ltd.	415	1,592
Simball Systems AB	1	–
Medicinsim AB	–	4
<b>Total</b>	<b>12,637</b>	<b>1,735</b>

## NOTE 14 ACCOUNTS RECEIVABLE

Accounts receivables are recognized after taking customer losses for the year into account. No customer losses (–) were established as having been incurred in the Parent Company in 2022, nor were any provisions made for such. In the Group, reserved customer losses amounted to SEK 693 thousand (–). Established customer losses amounted to SEK 456 thousand (112).

	Group		Parent Company	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Accounts receivable	176,311	110,645	19,039	15,496
<b>Age structure accounts receivable</b>				
Not due	123,146	70,372	14,964	11,242
Past due 0-30 days	26,132	19,602	1,079	2,633
Past due 31-90 days	8,200	15,475	1,418	552
Past due 91-180 days	8,797	4,015	1,578	–
Past due >180 days	10,037	1,181	–	1,069
<b>Total</b>	<b>176,311</b>	<b>110,645</b>	<b>19,039</b>	<b>15,496</b>

## NOTE 15 PREPAID COSTS AND ACCRUED INCOME

	Group		Parent Company	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Rent and other property costs	1,541	1,085	920	661
Prepaid insurance	1,055	1,386	1,055	893
Other prepaid costs	11,034	4,862	1,141	495
Accrued income	50,016	46,828	43	13,750
<b>Total</b>	<b>63,646</b>	<b>54,161</b>	<b>3,159</b>	<b>15,799</b>

## NOTE 16 CASH AND CASH EQUIVALENTS

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

	Group		Parent Company	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Cash in hand and bank deposits	433,733	316,680	234,887	143,203
<b>Total</b>	<b>433,733</b>	<b>316,680</b>	<b>234,887</b>	<b>143,203</b>

No current investments were made (–).  
The Group does not have an overdraft facility (–).

## NOTE 17 SHAREHOLDERS' EQUITY

### Share capital

There is only one class of shares, all shares carry the same rights and have a quota value of SEK 0.05 per share (0.05). As of December 31, 2022, the registered share capital amounted to SEK 2,540,062 (2,540,062).

	Dec 31, 2022	Dec 31, 2021
Opening number of shares	50,801,236	34,494,760
Shares issued during the year	–	16,306,476
<b>Closing number of shares</b>	<b>50,801,236</b>	<b>50,801,236</b>

### Other capital contributions

Refers to shareholders' equity contributed by shareholders.

### Provisions

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

**Accumulated exchange rate differences in shareholders' equity**

	Group	
	2022	2021
Opening balance	117,732	140
Exchange rate difference for the year in foreign subsidiaries, net after tax	461,391	117 592
<b>Total</b>	<b>579,123</b>	<b>117 732</b>

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

**Profit brought forward**

Profit brought forward includes profits earned in the Parent Company and its subsidiaries.

**Restricted funds**

Restricted funds in the Parent Company may not be reduced through dividends.

**Share premium reserve**

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

**Development expenditure fund**

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

**Non-restricted shareholders' equity**

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

In 2019, Surgical Science's Board of Directors adopted a new dividend policy, see also page 45. No dividend was paid for the 2021 financial year, nor is it proposed that any be paid for the 2022 financial year.

**NOTE 18 EARNINGS PER SHARE**

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

Earnings per share	2022	2021
Consolidated profit for the year, SEK thousands	187,974	86,248
Weighted average number of shares outstanding, before dilution	50,801,236	42,488,247
Dilution effect of options program	112,700	181,035
Weighted average number of shares outstanding, after dilution	50,913,936	42,669,282
Earnings per share before dilution, SEK	3.70	2.03
Earnings per share after dilution, SEK	3.69	2.02

**Warrants program****Warrants 2020\_23**

Surgical Science's Annual General Meeting on May 6, 2020 resolved to establish an incentive program for company employees. The incentive program allowed company employees to acquire warrants for a premium of SEK 6.60 each. Each warrant 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 initial 300,000 warrants in the program, 225,000 were subscribed for. The remaining 75,000 warrants were canceled in May 2022.

During the period January – December 2022, both the average share price for the period and the closing price as of the balance sheet date exceeded the exercise price for the warrants program. The dilution effect for the year has been calculated at 112,700 and for the balance sheet date to 109,523 shares. Fully exercised, the incentive program will increase Surgical Science's share capital by SEK 11,250 and the number of shares by 225,000, corresponding to the dilution of the total number of shares and votes by about 0.4 percent.

**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 – July 10, 2025. The company subsidizes the warrants program, with participants receiving warrants as a benefit. Participants are required to pay tax on this benefit, with the premium being calculated at SEK 28.74 per warrant.

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

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 a dilution of the total number of shares and votes by slightly less than 0.4 percent. As of the balance sheet date of December 31, 2022, the warrants program entailed no dilution.

**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 2022, the program burdened profit by SEK 2.4 million, of which SEK 0.4 million pertains to social security contributions on the Swedish participants' premiums, which were provided free of charge. The remainder of the cost, SEK 2.0 million, is attributable to the calculation of IFRS2. The amount comprises the entire IFRS2 cost for the Swedish portion of the program (SEK 1.3 million), the remainder is attributable to Israel and the US and is distributed across the term of the program until July 2025.

**NOTE 19 NON-CURRENT LIABILITIES**

	Group		Parent Company	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Lease liability	14,682	12,071	–	–
Deferred contingent consideration	–	70,686	–	–
Deferred income	27,619	20,493	–	–
Other non-current liabilities	13,396	8,926	150	450
<b>Total</b>	<b>55,697</b>	<b>112,176</b>	<b>150</b>	<b>450</b>

All non-current liabilities have maturities 1-5 years from the balance-sheet date. All other non-current liabilities are non-interest-bearing in both the Group and the Parent Company.

**NOTE 20 ACCRUED COSTS AND PREPAID REVENUES**

	Group		Parent Company	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Personnel-related items	14,266	27,342	6,255	9,351
Other accrued costs	30,006	76,840	8,869	5,330
Deferred income	70,646	16,952	4,876	5,938
<b>Total</b>	<b>114,918</b>	<b>121,134</b>	<b>20,000</b>	<b>20,619</b>

## NOTE 21 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

### Capital risk

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

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

### Financial Policy

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

### Terms and conditions

Maturity structure, financial liabilities:

	Within					Total
	1 year	2 years	3 years	4 years	>4 years	
Dec 31, 2021						
Accounts payable	34,368	–	–	–	–	<b>34,368</b>
Lease liabilities	12,793	4,226	3,231	2,362	2,252	<b>24,864</b>
Other liabilities	52,853	70,986	150	–	–	<b>123,989</b>
Dec 31, 2022						
Accounts payable	65,691	–	–	–	–	<b>65,691</b>
Lease liabilities	15,079	7,414	4,043	2,095	1,130	<b>29,761</b>
Other liabilities	81,876	150	–	–	–	<b>82,026</b>

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

The deferred contingent consideration arising in connection with the acquisition of Mimic Technologies and linked to certain sales outcomes in the years 2021, 2022 and 2023 is included in Other liabilities. The remainder of the deferred contingent consideration, relating to 2023, has been booked as a current liability. See Note 19 Non-current liabilities regarding changes in deferred contingent consideration.

### Credit risks

The Group's financial assets are recognized at SEK 619.5 million (439.5), of which SEK 433.7 million (316.7) relates to cash and cash equivalents. The Group has traditionally experienced low credit losses and this was also true of 2022. The risk is limited by means of creditworthiness checks and advance payments by new customers, as well as through close customer follow-up in collaboration between the finance and marketing functions. Furthermore, an individual assessment was made of accounts receivable regarding payment capacity and creditworthiness as per the balance sheet date.

### Currency risks

Currency risk is the risk of fluctuations in the value of a financial instrument due to changes in exchange rates. This risk is related to changes in expected and contracted payment flows (transaction exposure) and to the revaluation of foreign subsidiaries' assets and liabilities in foreign currency (translation

exposure). The company is affected by variations in exchange rates. The objective is to minimize the impact of these changes where practicable.

Changes in USD and EUR have the greatest impact on the Group.

Calculated in local currencies, sales increased by 97 percent. In percentage terms, Surgical Science's revenues are distributed between the stated currencies roughly as follows: USD 82 percent, EUR 12 percent, SEK 3 percent, other (e.g. GBP) 3 percent.

In percentage terms, costs are distributed between the stated currencies roughly as follows: USD 40 percent, ILS 40 percent, SEK 15 percent, others (e.g. EUR, GBP) 5 percent. As far as possible, the outflow is matched against the inflow in the relevant currency.

## NOTE 22 FAIR VALUE AND CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES

### Group

Financial assets and liabilities are measured at amortized cost with the exception of liabilities for contingent considerations. Liabilities for contingent purchase considerations, which are based on sales, are measured at fair value. The carrying amounts of SEK 619.5 million (439.5) and SEK 231.7 million (317.6) respectively are considered reasonable approximations of the fair value of the Group's assets and liabilities (other items excluding contingent purchase considerations based on sales) in the balance sheet. No forward hedging has been arranged for the currency components included in the above amounts.

### Parent Company

Financial assets and liabilities are measured at amortized cost. Liabilities for contingent purchase considerations based on sales are measured at their probable outcome. The carrying amounts of SEK 295.1 million (245.3) and SEK 109.8 million (128.8) are considered reasonable approximations of the fair value of the Parent Company's assets and liabilities in the balance sheet. No forward hedging has been arranged for the currency components included in the above amounts.

	Loan and account receivables			
	Group		Parent Company	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
<b>Assets in the balance sheet</b>				
Loan and contract receivables	185,804	122,838	60,203	102,087
Cash and cash equivalents	433,733	316,680	234,887	143,203
<b>Total</b>	<b>619,537</b>	<b>439,518</b>	<b>295,090</b>	<b>245,290</b>

	Financial liabilities			
	Group		Parent Company	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
<b>Liabilities in the balance sheet</b>				
Accounts payable	65,691	34,368	19,185	4,843
Other liabilities	166,040	283,225	90,625	123,989
<b>Total</b>	<b>231,731</b>	<b>317,593</b>	<b>109,810</b>	<b>128,832</b>

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

## NOTE 23 PROVISIONS

	Parent Company	
	2022	2021
Opening current provisions	52,553	–
Change in current provisions	29,023	52,553
<b>Closing current provisions</b>	<b>81,576</b>	<b>52,553</b>

	Parent Company	
	2022	2021
Opening non-current provisions	70,686	–
Change in non-current provisions	-70,686	70,686
<b>Closing non-current provisions</b>	<b>–</b>	<b>70,686</b>

## NOTE 24 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Group		Parent Company	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Floating charges	15,621	16,109	12,600	12,600
Contingent liabilities	12,444	11,015	–	–
<b>Total</b>	<b>28,065</b>	<b>27,124</b>	<b>12,600</b>	<b>12,600</b>

Of the floating charges above, as of December 31, 2022 and December 31, 2021, SEK 10,000 is held in the Group's own custody.

## NOTE 25 DISPOSAL OF THE COMPANY'S PROFIT

### Proposal for the disposal of the company's profit

2022, SEK	
Share premium reserve	3,317,455,697
Profit brought forward	12,411,878
Profit for the year	15,534,888
<b>Profit at the disposal of the Annual General Meeting</b>	<b>3,345,402,463</b>

To be carried forward	3,345,402,463
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## NOTE 26 TRANSACTIONS WITH RELATED PARTIES

### Related-party relationships

The Parent Company has a related party relationship with its subsidiaries. See Note 11. Of the Parent Company's total income and purchases, respectively, SEK 19,843 thousand (11,954) pertains to income from the subsidiaries and SEK 26,260 thousand (3,669) pertains to purchases by the subsidiaries.

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

### Transactions with key persons in executive positions

In addition to his Board fees, Board Member Thomas Eklund received consulting fees of SEK 248 thousand (248) for his work on the companies' strategies in 2022. The cost has been recognized under administration costs.

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

## NOTE 27 EVENTS AFTER THE BALANCE SHEET DATE

No other events have occurred after the balance sheet date that would, in material respects affect the assessment of the financial information in this report.

## NOTE 28 CRITICAL ASSESSMENTS AND ESTIMATES

### Recovery of the value of development costs

There are no indications of further impairment as of December 31, 2022. The projects that have been capitalized can with reasonable certainty be assumed to generate revenue-generating products in the near future. For further information, see Note 1 Accounting policies.

### Impairment testing of goodwill

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

## CERTIFICATION

The Board of Directors and the CEO certify that the Annual Report has been prepared in accordance with generally accepted accounting standards in Sweden and that the Consolidated Financial Statements have been prepared in accordance with the international accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July, 2002 on the application of international accounting standards. The Annual Report and Consolidated Financial Statements give a true and fair view of the Parent Company's and the Group's position and results. The Administration Report for the Parent Company and the Group provides a true and fair view of the development of operations, position and earnings of the Parent Company and the Group and describes the significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

The Annual Report and Consolidated Financial Statements were approved for issue by the Board of Directors and the CEO on April 14, 2023. The consolidated statement of income and other comprehensive income, the consolidated balance sheet, and the Parent Company income statement and balance sheet are subject to approval by the Annual General Meeting of May 17, 2023.

Gothenburg, April 14, 2023

Gisli Hennermark  
CEO

Thomas Eklund  
Board Member

Jan Bengtsson  
Board Member

Elisabeth Hansson  
Board Member

Tommy Forsell  
Board Member

Henrik Falconer  
Board Member

Roland Bengtsson  
Chairman of the Board

Our audit report was submitted on April 14, 2023

KPMG AB

Jan Malm  
Authorized Public Accountant

# AUDITOR'S REPORT

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

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of Surgical Science Sweden AB (publ) for the year 2022. The annual accounts and consolidated accounts of the company are included on pages 51-77 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

### Basis for Opinions

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

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

### Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-50 and 80-84. The Board of Directors and the Managing Director are responsible for this other information.

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

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Board of Directors and the Managing Director

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

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

### Auditor's responsibility

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

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

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

We also:

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

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

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

## Report on other legal and regulatory requirements

### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Surgical Science Sweden AB (publ) for the year 2022 and the proposed appropriations of the company's profit or loss.

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

### Basis for Opinions

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

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

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's

and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

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

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

### Auditor's responsibility

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

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

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

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit

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

Gothenburg, April 14, 2023

KPMG AB

Jan Malm  
Authorized Public Accountant

## BOARD OF DIRECTORS



### Roland Bengtsson, Chairman of the Board

Born 1955. MSc, University of Gothenburg. Board Member since 2005, Chairman of the Board 2011-2015 and since 2017.

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

**Shareholding in Surgical Science:** 6,044,617 shares through Semelin Kapitalförvaltning AB



### Thomas Eklund

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

**Other assignments:** Chairman of the Boards of Sedana Medical AB, Mabtech AB and Immedica AB. Board Member of Biotage AB and Boule Diagnostics AB.

**Shareholding in Surgical Science:** 1,000 shares



### Elisabeth Hansson

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

**Other assignments:** Board Member of Mentor International. CFO SJ AB.

**Shareholding in Surgical Science:** 1,300 shares



### Henrik Falconer

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

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

**Shareholding in Surgical Science:** 500 shares



### Tommy Forsell

Born 1953. Member since 2019.

**Other assignments:** Chairman of the Boards of Landsnora Software AB and Diamond Head AB. Board Member of Landsnora Technologies AB, Tracklib Holdings and Tebrito AB and Deputy Board Member of Forsell Consultant AB and Winterstorm Technologies AB.

**Shareholding in Surgical Science:** 2,188,370 shares through Landsnora Software AB



### Jan Bengtsson

Born 1944. Technology licentiate, Chalmers University of Technology and Business Administration, University of Gothenburg. Board Member since 2005, Chairman of the Board 2005-2011.

**Other assignments:** Chairman of the Boards of Rosenblad Design AB, Rosenblad Design Group Inc. and Marknadspotential AB. Board Member of Arctic Engineering Holding AB.

**Shareholding in Surgical Science:** 7,906,075 shares through Marknadspotential AB

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



## SENIOR EXECUTIVES



### Gisli Hennermark

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

**Other assignments:** Board Member of Panasari AB, Espansari AB and Zipreneur AB.

**Shareholding in Surgical Science:** 342,200 shares, 37,500 warrants and 60,000 call options



### Anna Ahlberg

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

**Other assignments:** Board Member of Irisity AB and of companies within the Surgical Science Group.

**Shareholding in Surgical Science:** 22,500 shares, 7,500 warrants and 25,000 call options



### Ran Bronstein

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

**Other assignments:** –

**Shareholding in Surgical Science:** 21,638 shares



### Anders Larsson

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

**Other assignments:** –

**Shareholding in Surgical Science:** 47,500 shares, 12,500 warrants and 25,000 call options



### Inbal Mazor

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

**Other assignments:** –

**Shareholding in Surgical Science:** 18,543 shares



### Boaz Tal

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

**Other assignments:** –

**Shareholding in Surgical Science:** 18,543 shares



### Doron Zilberman

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

**Other assignments:** –

**Shareholding in Surgical Science:** 5,150 shares



### Niclas M Olsson

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

**Other assignments:** –

**Shareholding in Surgical Science:** 2,000 warrants and 25,000 call options

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

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# SHAREHOLDER INFORMATION

## Annual General Meeting 2023

The Annual General Meeting of Surgical Science AB (publ) will be held on May 17, 2023. For further information, see [www.surgicalscience.com](http://www.surgicalscience.com).

## Distribution of the Annual Report

Surgical Science's Annual Report is available in Swedish and English. The Annual Report can be downloaded from [www.surgicalscience.com](http://www.surgicalscience.com) and printed copies will be sent to shareholders who so requests and who state their postal address.

## Reports 2023

Interim report January–March:  
Tuesday, May 16

Interim report January–June:  
Thursday, August 24

Interim report January–September:  
Thursday, November 9

## Investor relations

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Anna Ahlberg, CFO  
Phone: +46 70-855 38 35  
[anna.ahlberg@surgicalscience.com](mailto:anna.ahlberg@surgicalscience.com)

## Auditors

KPMG AB has been the company's auditor since the 2019 Annual General Meeting, with Jan Malm as principal auditor. Jan Malm, born 1960, is an Authorized Public Accountant and a member of FAR, the sector association for auditors in Sweden.

KPMG  
Vikingsgatan 3  
Box 11908  
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Phone: +46 31 61 48 00

## Certified Adviser

The company's Certified Adviser is Erik Penser Bank  
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