



INTERIM REPORT JANUARY – SEPTEMBER 2024



One of the biggest challenges within healthcare globally is reducing injuries that occur during care. Medical education and training are key, especially as a large part of the training can now be performed outside the operating room. Surgical Science is a world leader in the development of virtual reality simulators for evidence-based training. The simulators enable surgeons and other medical specialists to train and improve their psycho-motor skills and instrument handling before entering the clinical environment. Alongside proprietary products, Surgical Science works with

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

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

12% CURRENCY-NEUTRAL INCREASE IN SALES

Third quarter 2024 (July – September)

- Net sales amounted to SEK 231.8 (210.2) million, an increase of 10 percent compared with the corresponding period in the preceding year.
- License revenue amounted to SEK 65.0 (55.5) million and accounted for 28 (26) percent of net sales.
- The gross margin was 69 (69) percent.
- Operating profit amounted to SEK 45.8 (50.7) million.
- Net profit amounted to SEK 43.0 (47.4) million, corresponding to earnings per share of SEK 0.84 (0.93).
- Cash flow from operating activities amounted to SEK 22.1 (53.1) million. As at September 30, 2024, cash and cash equivalents amounted to SEK 666.3 (606.1) million.

First nine months of 2024 (January – September)

- Net sales amounted to SEK 632.5 (655.6) million, a decrease of 4 percent compared with the preceding year.
- License revenue amounted to SEK 195.3 (201.8) million and accounted for 31 (31) percent of net sales.
- The gross margin was 68 (69) percent.
- Operating profit amounted to SEK 105.2 (151.5) million.
- Net profit amounted to SEK 95.4 (136.0) million, corresponding to earnings per share of SEK 1.87 (2.67).
- Cash flow from operating activities amounted to SEK 80.6 (198.7) million.

Key figures

	January – September		July – September		Full year
	2024	2023	2024	2023	2023
Net sales, SEK million	632.5	655.6	231.8	210.2	882.9
Operating profit (EBIT), SEK million	105.2	151.5	45.8	50.7	189.2
Adjusted EBIT, SEK million	123.4	169.8	51.8	56.9	213.6
Adjusted EBIT margin, %	19.5	25.9	22.4	27.1	24.2
Profit after financial items, SEK million	118.7	149.8	53.0	52.4	268.3
Net profit, SEK million	95.4	136.0	43.0	47.4	234.0
No. employees at end of period	270	260	270	260	260
Equity/assets ratio, %	92.6	91.9	92.6	91.9	92.4
Earnings per share, SEK	1.87	2.67	0.84	0.93	4.59
Equity per share, SEK	87.19	88.57	87.19	88.57	85.16
Share price on the balance sheet date, SEK	126.90	150.30	126.90	150.30	182.50
Market value on balance sheet date, SEK million	6,475.2	7,669.2	6,475.2	7,669.2	9,312.3

For definitions, see page 19.

A MESSAGE FROM THE CEO

The quarter developed positively and it is pleasing to see that total currency-neutral sales increased by 12 percent. Educational Products is continuing to recover and sales in both business areas is now showing growth.

The second quarter saw a clear turnaround in Educational Products, where the pace of customer investment picked up after the hesitancy seen in 2023. The pace picked up further in the third quarter, which grew by 17 percent compared with the previous quarter and was on a par with the comparison period. Sales amounted to SEK 128 (126) million. All regions showed high levels of customer activity, although the pace of the recovery in sales varied. Europe performed well, growing 49 percent compared to the previous quarter and 10 percent compared to the same period last year, with Eastern Europe contributing to this positive development. North America and Asia had more modest increases at 4 percent and 6 percent respectively compared to the second quarter. There was an uptick in requests for quotations and customer activity also in these regions, which bodes well for the coming quarters. However, it is considered unlikely that Educational Products will show growth for the full year and the large, specific procurement cited in the Q2 report is not expected to have a positive impact on sales in 2024, regardless of the outcome. That said, a good performance is expected for Educational Products in 2025.

The Industry/OEM business area showed solid growth of 22 percent totaling SEK 104 million, with a high level of customer activity and continued strong demand. In robotic surgery, license revenue increased by 17 percent to SEK 65 million. Market leader Intuitive had a strong quarter with 18 percent growth in the number of procedures performed using DaVinci robots, and 15 percent growth in the installed base of robots. During the third quarter, other robotic surgery companies also advanced their positions. Johnson & Johnson (J&J), one of the world's largest pharmaceutical and medical device companies, submitted an Investigational Device Exemption (IDE) application to the FDA for its Ottawa robotic surgery system. An IDE approval will allow J&J to start collecting data with a view to later obtaining marketing and sales approval (FDA approval) in the US. During the quarter, robotic surgery manufacturer CMR Surgical (UK) also received FDA approval for cholecystectomy



procedures (gallbladder removal) with its Versius robot, while Distalmotion (Switzerland) received FDA approval for hernia procedures with its Dexter robot. These are clear data points that indicate a growing number of companies actively marketing and selling robots, which in turn will drive market growth, training needs, and demand for simulation.

Industry/OEM excluding robotic surgery developed well during the quarter. Sales of simulators increased 82 percent to SEK 26 million and the order intake remained healthy. Sales of simulators have grown by 182 percent (to SEK 84 million) so far this year with an increased number of customers. Development revenue fell by 20 percent to SEK 9 million. This revenue stream consists of more long-term customer projects of varying sizes and can be volatile depending on the timing of start-up and completion of the different projects. Historically, both simulator sales and development revenue have seen large variation in their development between quarters. Simulator sales can be expected to develop much more evenly over time as volumes and customer numbers increase, while development revenue will continue to vary between quarters. Establishing more predictable revenue streams has been and will be a key focus area going forward.

During the third quarter, the first of several units of the new ultra-portable and lightweight simulator was delivered to

“One of my strongest positive impressions during this initial period has been the commitment, experience, and customer-oriented focus of the company’s global team.”



Echocardiography is used to examine children's hearts and its clinical use is increasing. Surgical Science's new Pediatric Advanced Echo module offers a unique chance to master pediatric cardiac anatomy through safe, hands-on training.

a major Industry/OEM customer. A new simulator package for the ENDO Mentor Suite was also launched, aimed at the gynecology market, as well as a new simulation module for Ultrasound Mentor Pediatric Advanced Echo, for pediatric ultrasound examinations.

Sales costs and administration costs for the first nine months were essentially the same as last year (0 percent and 4 percent increase respectively). This is a result of a focus on organizational efficiency and cost control. At the same time, research and development costs have increased by SEK 9 million to SEK 144 million. This increase in investment is strategic in order to deliver on the commitments made to customers, and to strengthen the company's competitiveness in the future.

The gross margin remained unchanged at 69 (69) percent. Profitability is below last year, although the third quarter is a clear improvement on previous quarters during the year. Operating profit amounted to SEK 46 million (20-percent margin), which is a 4-percentage units margin improvement on the previous quarter (16 percent). The lower profit for the year to date can primarily be explained by the volume effect (fixed costs distributed across a lower level of sales) and the increase in research and development costs.

My initial period as CEO of Surgical Science has been extremely positive and exciting. I've joined a company that is ready to continue its mission to advance the simulation market and improve patient safety. The company is now in a position to write the next chapter in its amazing growth journey. One of my strongest positive impressions during this initial period has been the commitment, experience, and customer-oriented focus of the company's global team. Everyone at Surgical Science feels a clear sense of pride in working towards an important purpose, and there is a strong commitment to ensuring that more customers can experience our simulation solutions

and, ultimately, contribute to improving healthcare. We have a positive, collaborative, and entrepreneurial culture and our values (Curiosity, Respect, and Perseverance) can be clearly felt in the company's day-to-day work.

Another impression I have is Surgical Science's strong market position. Our world-leading product portfolio in both Educational Products and Industry/OEM, our global reach and brand, size and stability, and great team are clear competitive advantages as the market matures and opens up to broader customer groups. The industrial market is evolving rapidly and it is clear that customers see simulation as a more strategic and critical component than they did before. Over time, this will lead to even closer collaborations with the often very large, global medical device companies that we can count among our customers and also contribute to increased customer penetration and use of our technology.

2025 is predicted to be a year characterized by continued growth and rapid market development. Our plan for 2025 is to take the company towards the financial targets for 2026 and reinforce Surgical Science's market-leading position in medical simulation. A major challenge next year will be to strengthen the delivery organization (Operations and Research & Development) to handle the anticipated larger volumes of projects and products, and to work with organizational scalability in general, which encompasses the company's ability to achieve revenue growth without an equivalent increase in resources and the organization. Succeeding in this will contribute significantly to achieving the company's profitability targets.

Another key challenge for 2025 will be to continue improving our market presence and sales channels. Penetration of simulation solutions is still very low, and as the market leader we can work even more actively to increase awareness of the value of simulation in general and the company's solutions specifically. We also aim for Surgical Science to continue being a driving force in the ongoing consolidation of the medical simulation market.

Gothenburg, November 2024


Tom Englund, CEO

Third quarter 2024 (July – September)

Net sales

Net sales for the third quarter of the year amounted to SEK 231.8 (210.2) million, an increase of 10 percent compared with the same period in the preceding year. Calculated in local currencies, sales increased by 12 percent.

Of the sales for the quarter, SEK 128.3 (125.6) million consisted of sales within the Educational Products business area and SEK 103.6 (84.6) million within the Industry/OEM business area.

Educational Products

Sales within Educational Products increased by 2 percent. Simulator sales amounted to SEK 109.1 (108.1) million and service revenue to SEK 19.2 (17.5) million.

As of 2024, note 2 on page 17 has been revised and expanded. Sales by region have also been separated into the respective business areas. In general, sales vary markedly between different countries and periods within Educational Products – when a major procurement is completed in one country, it is quite natural for there to be lower sales in that market in subsequent periods. It can therefore be difficult to draw general conclusions from comments for individual countries between periods.

Asia showed a marked increase on the same quarter last year, and a smaller increase compared to the last quarter. The Chinese market had slightly higher sales than the comparison period but lower than the previous quarter. India had the strongest development within the region, relative to both the comparison period and the previous quarter.

As previously commented, sales in Asia have been badly affected for some time by the ongoing anti-corruption campaign in the Chinese healthcare sector. It is still too early to say

whether the effects of this campaign have now passed.

Sales in Europe were slightly higher than the comparison period and significantly better than the previous quarter. Several countries contributed to this, in particular Poland and Bulgaria.

North and South America reported slightly higher sales than in the previous quarter, but substantially lower than the comparison period. The US was at the same level as both the second quarter and the comparison period, much of the deviation was attributable to a large shipment to Brazil in the previous year.

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

Industry/OEM

Industry/OEM showed growth of 22 percent.

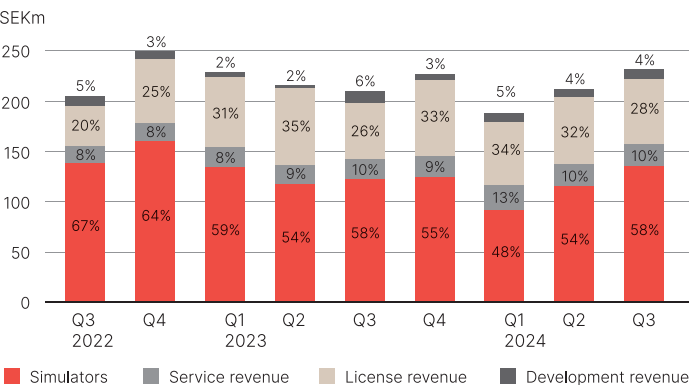
License revenue for the third quarter amounted to SEK 65.0 (55.5) million, which is an increase of 17 percent compared with the same period in the preceding year. Sales accounted for 28 (26) percent of the company's total revenue.

Customers who have just started selling the products from which Surgical Science earns license revenue buy the licenses in packages, which means that this revenue varies more between quarters. Sales of new license packages to these customers have been weaker in 2024 compared to the previous year.

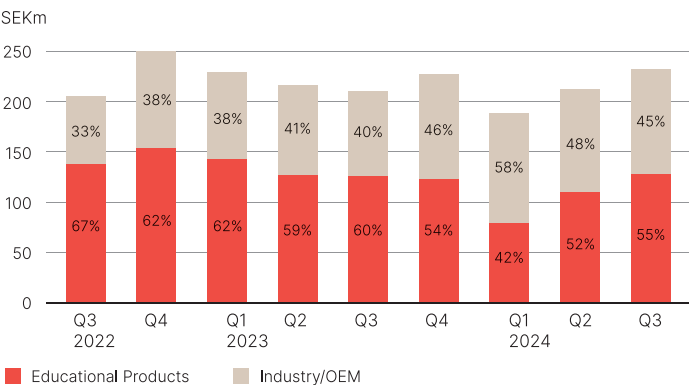
License revenues that are tied to the installed base can also vary between quarters. Subscriptions are usually renewed once a year and the number of subscriptions to be renewed each quarter varies.

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

Revenue by revenue stream



Revenue by business area



Development revenue was lower in the third quarter than in the corresponding quarter in the preceding year (SEK 9.5 million compared with SEK 12.0 million). These revenues partly include revenue from robot projects, as well as from the adaptation or development of software linked to the sale of simulators, see below.

Sales of simulators to medical device companies for product-specific training continued to develop well and amounted to SEK 26.1 (14.4) million. This has been a focus area since the establishment of the new strategy at the end of 2022 and the expansion of the sales force, with a clear focus on offering several different products to the major key customers. Revenues are diversified between different customers and projects and, in several cases, Surgical Science's product development team has been able to combine products such as interventional ultrasound with new solutions to suit the customers' needs.

Simulator revenues within Industry/OEM vary significantly more between quarters than the corresponding sales within Educational Products. These projects have longer lead times and usually include a number of simulators where adaptations for product-specific training of, for example, an OEM company's specific instrument are included.

Service revenue for the installed base, which is mainly linked to longer agreements with specific OEM customers where Surgical Science takes care of the shipping and servicing of their simulators (currently primarily in the US), amounted to SEK 3.0 (2.8) million.

Costs and results

The cost of goods sold amounted to SEK 70.8 (65.2) million corresponding to a gross margin of 69 (69) percent. License revenue made up a greater share of total sales than the corresponding period in the preceding year, which had a positive effect on the margin. The product mix for proprietary simulators also had a positive impact on the margin, while average

prices were slightly lower. A higher volume than in the year's previous quarters had a positive impact on the margin, as fixed costs in production are spread over more units.

Sales costs amounted to SEK 42.6 (37.0) million corresponding to 18 (18) percent of sales. The previous year's figure includes a reversal of an item of SEK 2.4 million that should have been classified as administration costs in the second quarter; adjusted for this item, the comparative figure was SEK 39.4 million. Expenditure on trade fairs and congresses was lower than in the first and second quarters, as activity in this area is generally lower in the third quarter than at the start of the year. However, commissions were higher, which vary depending on the country of sale. The two items broadly offset each other and total costs were in line with the previous quarter.

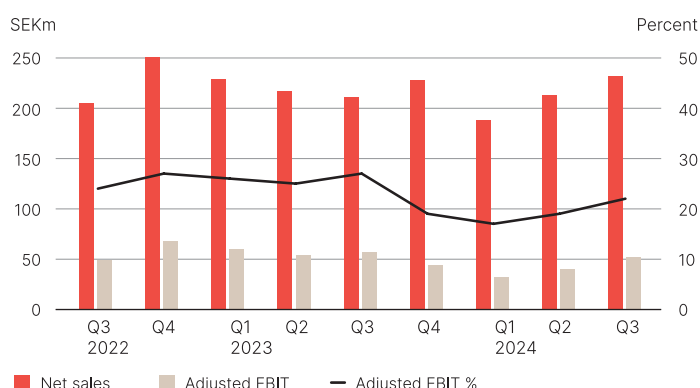
Administration costs amounted to SEK 18.0 (20.6) million corresponding to 8 (10) percent of sales. Adjusted for the item referred to above, the comparative figure amounted to SEK 18.2 million.

Research and development costs amounted to SEK 50.6 (40.8) million, corresponding to 22 (19) percent of sales. Of the development costs, SEK 8.7 (12.1) million has been capitalized as an intangible asset. The higher costs are mainly attributable to increased personnel costs.

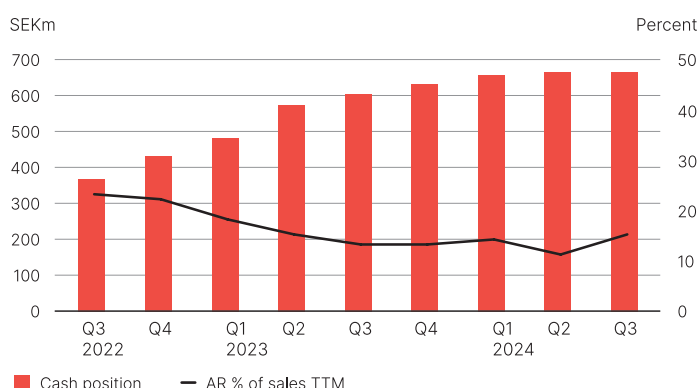
Outstanding warrant programs from 2022 and 2023 were charged against other operating costs for the quarter in the amount of SEK 1.0 (3.4) million. The amount represents a calculation of IFRS2 regarding the parts of the programs attributable to Israel and the US and is allocated across each program's term.

The Annual General Meeting in May 2024 approved another two warrants programs (see further information in Note 4 on pages 17 and 18). The programs burdened profit in the quarter by SEK 3.4 million, of which SEK 0.7 million pertains to social security contributions on the Swedish participants' premiums,

Adjusted EBIT



Cash position/Accounts receivable

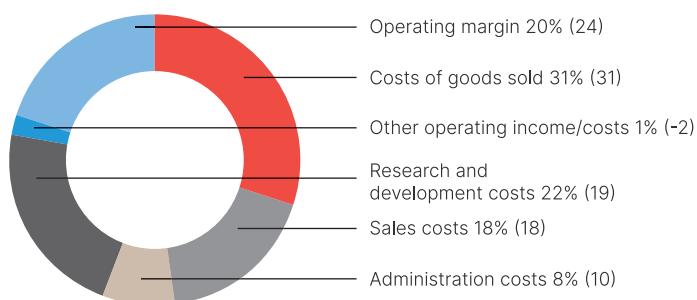


which were provided free of charge. This cost is included on the relevant line in the income statement, based on the function in which the recipient of the premium is employed. The remainder of the cost, SEK 2.7 million, is attributable to the calculation of IFRS2 and is posted under Other operating costs. The amount comprises the entire IFRS2 cost for the Swedish portion of the programs (SEK 2.1 million), the remainder is attributable to Israel and the US and is distributed across the term of the programs until July 2027.

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

Operating profit for the third quarter amounted to SEK 45.8 (50.7) million, corresponding to an operating margin of 20 (24) percent.

Costs/margin as a percentage of sales



Depreciation and amortization burdened profit by SEK 14.9 (14.2) million in total. Depreciation and amortization burdened the cost of goods sold by SEK 0.5 (0.4) million, sales costs by SEK 4.8 (4.8) million, administration costs by SEK 4.6 (4.5) million, and research and development costs by SEK 5.0 (4.5) million. Sales costs include amortization of SEK 4.0 (4.0) million on those parts of the company's acquisitions that are classified as customer contracts, while research and development costs include amortization of SEK 2.1 (2.2) million on those parts of the company's acquisitions that are classified as technology. Depreciation attributable to the application of IFRS 16 amounts to SEK 3.7 (4.0) million, this being included in its entirety under administration costs.

Adjusted EBIT amounted to SEK 51.8 (56.9) million, corresponding to a margin of 22 (27) percent.

EBITDA amounted to SEK 60.7 (64.9) million, corresponding to a margin of 26 (31) percent.

Surgical Science has no loan financing, net financial items for the quarter consisted mainly of interest income on bank balances of SEK 5.8 (1.8) million. Other items include the revaluation of internal loan liabilities to subsidiaries of SEK 3.1 (0.0) million and the effect of IFRS 16 of SEK -0.5 (-0.1) million.

Net profit for the quarter amounted to SEK 43.0 (47.4) million. The tax expense for the quarter of SEK 10.0 (5.0) million consists of estimated tax on profit for the period and a change in deferred tax assets. Loss carry-forwards remain in the US for 2024, attributable to Mimic Technologies.

Cash flow

During the period July to September 2024, cash flow from operating activities amounted to SEK 22.1 million compared to SEK 53.1 million for the corresponding period in 2023. The item "Tax paid" includes a large tax payment in Israel, attributable to a previous financial year, of SEK 9.4 million. Cash flow from changes in working capital amounted to SEK -32.5 (-15.0) million. Inventories changed marginally, while accounts receivable increased significantly. Surgical Science has been working actively on accounts receivable for some time and does not see any increased risk or changing trend. The increase is more due to the timing of orders and payments, where significant amounts were due in early October. On the liabilities side, most current liabilities decreased, in particular prepaid income.

Cash flow from investing activities amounted to SEK -12.5 (-16.1) million, mainly comprising investments in development related to the company's software.

Cash flow from financing activities amounted to SEK -3.2 (-5.1) million, where SEK -5.0 (-4.4) million was attributable to changes in lease liabilities in accordance with IFRS 16.

The exchange rate difference in cash and cash equivalents amounted to SEK -7.2 (-0.3) million. Net cash flow for the quarter, including currency effects in liquid assets, was SEK -0.7 (31.6) million.

First nine months of 2024 (January – September)

Net sales

Net sales for the first nine months of the year amounted to SEK 632.5 (655.6) million, a decrease of 4 percent compared with the preceding year. Calculated in local currencies, sales decreased by 2 percent.

Of the sales for the period, SEK 317.5 (395.7) million consisted of sales within the Educational Products business area, a decrease of 20 percent. Sales within the Industry/OEM business area amounted to SEK 315.1 (259.8) million, an increase of 21 percent.

For revenues by segment, see Note 2 on page 17. License revenues decreased by 3 percent and amounted to SEK 195.3 (201.8) million, which is 31 (31) percent of the company's total revenue.

Costs and results

The cost of goods sold amounted to SEK 204.7 (205.1) million corresponding to a gross margin of 68 (69) percent.

Sales costs amounted to SEK 125.4 (125.0) million corresponding to 20 (19) percent of sales. Administration costs amounted to SEK 54.8 (52.8) million corresponding to 9 (8) percent of sales.

Research and development costs amounted to SEK 144.5 (135.3) million, corresponding to 23 (21) percent of sales. Over the period, development costs of SEK 28.1 (25.1) million were capitalized as an intangible asset.

Operating profit for the first nine months of the year amounted to SEK 105.2 (151.5) million, corresponding to an operating margin of 17 (23) percent.

Depreciation and amortization burdened profit by SEK 44.2 (41.5) million in total. Depreciation and amortization burdened the cost of goods sold by SEK 1.5 (1.2) million, sales costs by SEK 14.3 (14.0) million, administration costs by SEK 13.8 (13.1) million, and research and development costs by SEK 14.6 (13.2) million. Sales costs include amortization of SEK 12.0 (12.0) million on those parts of the company's acquisitions that are classified as customer contracts, while research and development costs include amortization of SEK 6.2 (6.3) million on those parts of the company's acquisitions that are classified as technology. Depreciation attributable to the application of IFRS 16 amounts to SEK 11.1 (11.6) million, this being included in its entirety under administration costs.

Adjusted EBIT amounted to SEK 123.4 (169.8) million, corresponding to a margin of 20 (26) percent.

EBITDA amounted to SEK 149.4 (193.0) million, corresponding to a margin of 24 (29) percent.

Net financial items amounted to SEK 13.5 (-1.7) million and consisted mainly of interest income on bank balances of SEK 16.6 (4.5) million. Other items include the revaluation of internal loan liabilities to subsidiaries of SEK -0.2 (-5.6) million and the effect of IFRS 16 of SEK -1.6 (-0.5) million.

Net profit for the period amounted to SEK 95.4 (136.0) million. The tax expense for the period of SEK 23.3 (13.8) million consists of estimated tax on profit for the period and a change in deferred tax assets. Loss carry-forwards remain in the US for 2024, attributable to Mimic Technologies.

Cash flow

During the first nine months of 2024, cash flow from operating activities amounted to SEK 80.6 million compared to SEK 198.7 million for the corresponding period in 2023. The item "Tax

paid" includes a large tax payment in Israel in the third quarter, attributable to a previous financial year, of SEK 9.4 million. Cash flow from changes in working capital amounted to SEK -63.7 (9.1) million. Both inventories and accounts receivable have increased.

Cash flow from investing activities amounted to SEK -35.4 (-32.3) million, mainly comprising investments in development related to the company's software.

Cash flow from financing activities amounted to SEK -12.4 (6.9) million. Other non-current liabilities decreased, attributable to the payment of the deferred contingent consideration (for 2023) for the acquisition of Mimic Technologies in the second quarter, amounting to USD 1.1 million. SEK -6.4 (-9.9) million is attributable to changes in lease liabilities in accordance with IFRS 16. The comparative figure includes the redemption of the 2020_23 warrant program in the second quarter of 2023, which meant that the company received SEK 19.1 million.

Net cash flow, including currency effects in liquid assets, was SEK 32.0 (172.3) million for the first nine months of the year.

General comments on the accounts

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

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

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

The gross margin is affected by the distribution of revenues, as the different revenue streams, "proprietary simulators containing hardware", "service revenues", "development revenues" and "license revenues", have different gross margins. A higher share of license revenue has a positive impact on the gross margin.

Surgical Science applies a functionally arranged income statement in which the gross margin also includes the salaries of employees working with production, quality control, quality assurance and support, in addition to direct materials and spare parts. In addition, the salaries of development department employees working on development revenue-generating projects are included. Shared costs, such as premises and IT, are distributed in accordance with an allocation template for all the different functions.

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

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

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

Exposure to foreign currency

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

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

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

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

Financial position

As at September 30, 2024, the group's cash and cash equivalents amounted to SEK 666.3 million, equity to SEK 4,449.1 million, and the equity/assets ratio was 93 percent. As at September 30, 2023, the group's cash and cash equivalents

amounted to SEK 606.1 million, equity to SEK 4,519.5 million, and the equity/assets ratio was 92 percent. As at September 30, 2024, equity per share amounted to SEK 87.19 (88.57).

Parent company

The parent company, Surgical Science Sweden AB, holds shares in subsidiaries and the portion of Surgical Sciences' Swedish operations that are primarily conducted in Gothenburg. Several group-wide functions are also organized within the parent company. Due to internal transactions between the various group companies, it is not possible to draw general conclusions from the parent company's figures regarding sales and operating costs.

As Surgical Science has no loan financing, net financial items consist mainly of interest on bank balances and revaluations of internal loan receivables/liabilities in respect of subsidiaries.

Outlook

Surgical Science's strategy is to have two separate business areas. The focus of Educational Products is on customers in education and training, who use the company's proprietary simulators to increase patient safety through effective, generic training, the results of which can be measured objectively. Customers have validated the simulators over many years by way of clinical studies. The other business area, Industry/OEM, primarily makes use of Surgical Science's software resources, which enable medical device companies to integrate product-specific simulation into their clinical products. This makes it possible to generate a return on Surgical Science's development work, which has been ongoing for 25 years. The company perceives the strongest future growth to be in this area. In robotic surgery, the principal business model involves a development fee for customization/integration with the customer's products and then a software license for each unit or based on the installed base or on usage. Surgical Science retains full copyright over its product.

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

The overarching objectives for Surgical Science in 2024 are to:

- Continue expanding the value content for existing customers in robotic surgery who license the company's technology.

- Establish broader collaborations in several product areas with major key customers within Industry/OEM.
- Grow sales within Educational Products by at least 10 percent and continue to expand the product portfolio through further product launches.
- Improve the gross margin by streamlining production and procurement as well as increasing the average sales price within Educational Products.
- Ensure a high level of employee commitment by continuing to build and maintain the culture and the company's core values.
- Be prepared to make further acquisitions when the time is right.

Surgical Science has an organization where a sizable portion of its employees are global leaders in software development for medical simulation. This gives the company the capacity to work with the development of the core technology for future simulation, with on-time delivery of adaptations of simulation software to customers in Industry/OEM, and to continue to launch new applications for its proprietary products within Educational Products. To remain a world leader in realistic real-time simulations of medical procedures, improving the core technology is critical. In 2024, Surgical Science is continuing to invest more than ever in this area.

The company in brief

Operations

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

Mission and vision

Surgical Science's overall purpose is to improve patient safety and outcomes in healthcare through validated, customized medical simulation training. The vision is that all patients who are on their way to the operating room should feel reassured that their surgeon has been trained and objectively certified in a safe, simulated environment before the procedure.

Financial targets

The target is for Surgical Science to generate sales of SEK 1,500 million by 2026. Achieving this target may entail supplementary acquisitions. The Educational Products business area is expected to grow by an average of 10 to 15 percent annually over the period. With an extended and broadened product portfolio, the products will have different growth rates. For example, Surgical Science offers certain niche products in order to be able to submit complete tenders, although these are sold individually to a lesser extent. The Industry/OEM business area is expected to experience increasing growth during the period as robotic surgery products containing technology from Surgical Science are launched in the market. During the period, other application areas are also expected to be digitalized, which, alongside expanded application areas for simulation, will result in increased revenues.

At the end of the period, adjusted EBIT will amount to 40 percent. Adjusted EBIT is calculated as EBIT excluding depreciation, amortization and impairment on surplus values related to acquisitions.

Strategy

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

Besides developing proprietary products, a strategic priority is to work with simulation solutions for medical device companies that develop instruments for clinical use. As a result of the more than 25 years of research and development behind the world's most advanced, computer-based simulations for the training of surgeons and other medical specialists in a wide range of areas, Surgical Science's software resources can be applied beyond the proprietary products.

One of the macro trends in healthcare driving this development is digitalization, which allows simulation software to be applied directly in medical device products without separate hardware. Another macro trend is increasing patient safety awareness, especially with regard to new technologies. This is evident in, for example, regulatory authorities' requirements for verified training solutions for surgeons when granting approval for the clinical use of new surgical robots, for instance.

Other information

Organization and personnel

At the end of the period, there were 270 (260) employees, of whom 74 (74) were women and 196 (186) were men. Of these, 61 (57) were employed in Sweden, 139 (134) in Israel, 54 (54) in the US, and the remaining 16 (15) mainly in Germany and China.

Information on transactions with related parties

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

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

Risk management

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

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

Seasonal effects

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

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

Events after the balance sheet date

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

Assurance

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

Gothenburg, November 14, 2024

Board of directors

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

Financial reports:

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

The following reports are planned for release:

Year-end report 2024: Wednesday, February 19, 2025
Interim report January–March 2025: Wednesday, May 14
Interim report January–June 2025: Thursday, August 21
Interim report January–September 2025: Thursday, November 13
Year-end report 2025: Thursday, February 19, 2026

Stock market and Certified Adviser:

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

Please address any questions to:

Tom Englund, CEO
Phone: +46 (0)70 916 16 81
tom.englund@surgicalscience.com

Anna Ahlberg, CFO
Phone: +46 (0)70 855 38 35
anna.ahlberg@surgicalscience.com

This is information that Surgical Science Sweden AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication through the agency of the contact persons above on November 14, 2024, at 7:30 a.m. (CET).

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

Condensed consolidated income statements

SEK thousands	January – September		July – September		Full year
	2024	2023	2024	2023	2023
Net sales	632,537	655,561	231,828	210,246	882,853
Cost of goods sold	-204,716	-205,111	-70,816	-65,221	-269,974
Gross profit	427,821	450,450	161,012	145,025	612,879
Sales costs	-125,362	-125,012	-42,617	-37,042	-167,514
Administration costs	-54,782	-52,758	-18,040	-20,649	-72,509
Research and development costs	-144,455	-135,321	-50,575	-40,810	-181,569
Other operating income and costs	1,969	14,140	-3,995	4,169	-2,135
Operating profit	105,192	151,498	45,786	50,693	189,152
Financial income and costs	13,477	-1,673	7,239	1,741	79,112
Profit after financial items	118,670	149,825	53,025	52,434	268,264
Taxes	-23,287	-13,814	-10,002	-5,031	-34,292
Net profit	95,382	136,011	43,023	47,403	233,972
Attributable to					
Parent company shareholders	95,382	136,011	43,023	47,403	233,972
Earnings per share, SEK	1.87	2.67	0.84	0.93	4.59
Earnings per share, SEK*	1.87	2.67	0.84	0.93	4.59
Amortization of intangible assets	-27,596	-25,396	-9,172	-8,565	-33,893
Depreciation of tangible assets	-16,593	-16,088	-5,716	-5,592	-21,720

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

Consolidated statement of income and other comprehensive income

SEK thousands	January – September		July – September		Full year
	2024	2023	2024	2023	2023
Net profit	95,382	136,011	43,023	47,403	233,972
Other comprehensive income					
<i>Items that have been or can be reclassified to net profit</i>					
Translation differences on translation of foreign operations	2,854	124,615	-190,872	-8,535	-148,584
Total other comprehensive income	2,854	124,615	-188,739	-8,535	-148,584
Comprehensive income	98,236	260,626	-147,849	38,868	85,388
Comprehensive income attributable to					
Parent company shareholders	98,236	260,626	-147,849	38,868	85,388

Condensed consolidated statement of financial position

SEK thousands	Sep 30, 2024	Sep 30, 2023	Dec 31, 2023
ASSETS			
Non-current assets			
Capitalized expenditure for product development	85,204	60,967	65,529
Patents, trademarks, and concessions	56,828	61,480	57,522
Customer contracts	90,471	112,005	101,559
Technology	54,347	66,920	60,005
Goodwill	3,339,163	3,572,770	3,328,683
Other intangible fixed assets	2,215	2,749	1,959
Tangible fixed assets	69,699	43,275	76,618
Deferred tax assets	14,702	22,755	14,836
Other financial fixed assets	7,257	4,900	4,770
Total non-current assets	3,719,886	3,947,823	3,711,481
Current assets			
Inventories	174,235	171,247	154,451
Accounts receivable	130,839	122,179	110,603
Other current receivables	31,058	18,174	18,849
Prepaid expenses and accrued income	80,097	54,720	72,923
Cash and cash equivalents	666,325	606,060	634,366
Total current assets	1,082,555	972,380	991,192
TOTAL ASSETS	4,802,441	4,920,203	4,702,673
EQUITY AND LIABILITIES			
Equity attributable to parent company shareholders	4,449,145	4,519,457	4,345,212
Non-current liabilities	109,471	99,110	122,524
Current liabilities	243,825	301,636	234,937
Total liabilities	353,296	400,746	357,461
TOTAL EQUITY AND LIABILITIES	4,802,441	4,920,203	4,702,673

Consolidated changes in equity

SEK thousands	Attributable to parent company shareholders				Total equity
	Share capital	Other capital contributions	Provisions	Profit and loss carried forward, incl. profit for the period	
Opening balance January 1, 2023	2,540	3,378,985	581,135	273,791	4,236,451
Profit for the period Jan-Sep				136,011	136,011
Other comprehensive income for the period			124,615		124,615
Warrants program IFRS 2			3,232		3,232
Redemption warrants program	11	19,136			19,147
Closing balance September 30, 2023	2,551	3,398,121	708,982	409,802	4,519,457
Profit for the period Oct-Dec				97,969	97,969
Other comprehensive income for the period			-273,199		-273,199
Warrants program IFRS 2			994		994
Closing balance December 31, 2023	2,551	3,398,121	436,777	507,763	4,345,212
Opening balance January 1, 2024	2,551	3,398,121	436,777	507,763	4,345,212
Profit for the period Jan-Sep				95,382	95,382
Other comprehensive income for the period			2,854		2,854
Warrants program IFRS 2			5,696		5,696
Closing balance September 30, 2024	2,551	3,398,121	445,327	603,145	4,449,145

Condensed consolidated cash flow statements

SEK thousands	January – September		July – September		Full year
	2024	2023	2024	2023	2023
Operating activities					
Profit before financial items	105,192	151,498	45,786	50,693	189,153
Adjustment for non-cash items, etc.	43,859	41,068	19,195	19,737	61,094
Interest paid/received	11,697	1,961	3,046	-620	8,246
Tax paid	-16,510	-4,942	-13,436	-1,721	-14,549
Cash flow from operating activities before changes in working capital	144,238	189,586	54,591	68,088	243,944
Changes in working capital					
Increase (-)/Decrease (+) in inventories	-23,622	-39,585	-3,541	2,733	-19,567
Increase (-)/Decrease (+) in operating receivables	-45,864	65,220	-22,168	25,466	31,905
Increase (+)/Decrease (-) in operating liabilities	5,805	-16,524	-6,793	-43,167	-17,991
Cash flow from changes in working capital	-63,682	9,110	-32,502	-14,967	-5,653
Cash flow from operating activities	80,556	198,696	22,089	53,121	238,291
Investing activities					
Investments in tangible fixed assets	-5,635	-7,014	-2,902	-3,579	-10,456
Investments in intangible fixed assets	-29,768	-25,363	-9,623	-12,498	-33,673
Cash flow from investing activities	-35,404	-32,377	-12,525	-16,078	-44,129
Financing activities					
Change in non-current liabilities	-6,013	-2,312	1,851	-645	-2,042
Change in lease liabilities	-6,375	-9,955	-5,014	-4,433	-1,259
Redemption warrants program	–	19,148	–	–	19,148
Cash flow from financing activities	-12,387	6,880	-3,163	-5,077	15,847
Cash flow for the period	32,767	173,199	6,402	31,966	210,008
Opening cash and cash equivalents	634,366	433,733	667,074	574,421	433,733
Exchange-rate difference in cash and cash equivalents	-806	-872	-7,151	-327	-9,375
Closing cash and cash equivalents	666,325	606,060	666,325	606,060	634,366

Key figures, group

	January – September		July – September		Full year
	2024	2023	2024	2023	2023
Net sales growth, %	-3.5	18.7	10.3	2.5	10.0
Gross margin, %	67.6	68.7	69.5	69.0	69.4
EBITDA margin, %	23.6	29.4	26.2	30.8	27.7
Operating margin, %	16.6	23.1	19.7	24.1	21.4
Profit margin, %	15.1	20.7	18.6	22.5	26.5
Equity/assets ratio, %	92.6	91.9	92.6	91.9	92.4
Shares outstanding at end of period	51,026,236	51,026,236	51,026,236	51,026,236	51,026,236
Shares outstanding at end of period*	51,026,236	51,026,236	51,026,236	51,026,236	51,044,111
Average shares outstanding	51,026,236	50,897,069	51,026,236	51,026,236	50,929,361
Average shares outstanding*	51,026,236	50,907,937	51,026,236	51,026,236	50,940,778
Equity per share, SEK	87.19	88.57	87.19	88.57	85.16
Equity per share, SEK*	87.19	88.57	87.19	88.57	85.13
Dividend per share, SEK	0.00	0.00	0.00	0.00	0.00
Share price on the balance sheet date, SEK	126.90	150.30	126.90	150.30	182.50
Average number of employees	254	248	254	252	249

* After dilution. See Note 4 for information regarding warrants programs. | See page 19 for definitions of key figures.

Consolidated income statements by quarter

SEK thousands	Jul-Sep 2024	Apr-Jun 2024	Jan-Mar 2024	Oct-Dec 2023	Jul-Sep 2023	Apr-Jun 2023	Jan-Mar 2023	Oct-Dec 2022
Net sales	231,828	212,466	188,243	227,293	210,246	216,237	229,077	250,108
Cost of goods sold	-70,816	-68,982	-64,918	-64,864	-65,221	-69,498	-70,392	-85,859
Gross profit	161,012	143,484	123,325	162,429	145,025	146,740	158,685	164,249
Sales costs	-42,617	-42,290	-40,456	-42,502	-37,042	-41,022	-46,949	-41,430
Administration costs	-18,040	-20,998	-15,744	-19,750	-20,649	-15,444	-16,665	-16,346
Research and development costs	-50,575	-48,841	-45,039	-46,247	-40,810	-48,452	-46,059	-46,598
Other operating income and costs	-3,995	2,075	3,890	-16,275	4,169	5,716	4,255	1,343
Operating profit	45,786	33,430	25,976	37,655	50,693	47,538	53,267	61,218
Financial income and costs	7,239	4,376	1,862	80,784	1,741	-5,176	1,761	65,769
Profit after financial items	53,025	37,806	27,838	118,439	52,434	42,362	55,029	126,987
Taxes	-10,002	-9,238	-4,046	-20,478	-5,031	-3,573	-5,210	-10,467
Net profit	43,023	28,568	23,792	97,962	47,403	38,789	49,819	116,520
Attributable to								
Parent company shareholders	43,023	28,568	23,792	97,962	47,403	38,789	49,819	116,520
Earnings per share, SEK	0.84	0.56	0.47	1.92	0.93	0.76	0.98	2.29
Earnings per share, SEK*	0.84	0.56	0.47	1.92	0.93	0.76	0.98	2.29
Average shares outstanding	51,026,236	51,026,236	51,026,236	51,026,236	51,026,236	50,863,736	50,801,236	50,801,236
Average shares outstanding*	51,026,236	51,026,236	51,026,236	51,026,236	51,026,236	50,912,736	50,908,441	50,899,171
Shares outstanding at end of period	51,026,236	51,026,236	51,026,236	51,026,236	51,026,236	51,026,236	50,801,236	50,801,236
Shares outstanding at end of period*	51,026,236	51,026,236	51,026,236	51,044,111	51,026,236	51,089,265	50,913,801	50,910,759

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

Parent company income statements

SEK thousands	January – September		July – September		Full year
	2024	2023	2024	2023	2023
Net sales	82,471	51,810	37,354	13,001	104,777
Cost of goods sold	-32,292	-16,870	-16,538	-2,601	-22,882
Gross profit	50,179	34,940	20,816	10,399	81,895
Sales costs	-12,667	-27,745	-4,003	-7,563	-20,197
Administration costs	-14,469	-24,604	-5,112	-7,793	-15,253
Research and development costs	-21,017	-16,664	-5,618	-3,654	-24,090
Other operating income and costs	-4,666	-2,820	-4,822	-2,933	-4,331
Operating profit	-2,640	-36,893	1,262	-11,545	18,023
Financial income and costs	12,295	-1,177	6,475	1,955	22,377
Profit after financial items	9,655	-38,070	7,736	-9,589	40,400
Appropriations (group contributions)	–	–	–	–	52,956
Taxes	-1,989	–	-1,594	–	-19,586
Net profit	7,666	-38,070	6,143	-9,589	73,770
Amortization of intangible assets	-6,006	-4,801	-1,970	-1,574	-6,384
Depreciation of tangible assets	-738	-631	-243	-244	-897

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

Condensed parent company balance sheets

SEK thousands	Sep 30, 2024	Sep 30, 2023	Dec 31, 2023
ASSETS			
Non-current assets			
Capitalized expenditure for product development	30,028	25,377	26,697
Other intangible fixed assets	1,125	1,215	1,176
Tangible fixed assets	1,906	2,749	2,484
Participations in group companies	3,131,505	3,188,957	3,133,116
Deferred tax assets	–	7,844	–
Total non-current assets	3,164,565	3,226,142	3,163,473
Current assets			
Inventories	6,041	11,551	8,678
Accounts receivable	18,457	8,504	11,815
Current receivables from group companies	18,748	3,001	101,970
Other current receivables	1,474	1,958	960
Prepaid expenses and accrued income	9,033	4,340	4,622
Cash and bank position	418,120	314,425	331,041
Total current assets	471,874	343,780	459,086
TOTAL ASSETS	3,636,438	3,569,922	3,622,559
EQUITY AND LIABILITIES			
Equity	3,520,426	3,393,841	3,506,675
Other non-current liabilities	–	150	–
Current provisions	–	84,736	–
Current receivables from group companies	77,878	69,338	68,826
Other current liabilities	38,135	16,846	47,058
Total liabilities and provisions	116,012	176,081	115,884
TOTAL EQUITY AND LIABILITIES	3,636,438	3,569,922	3,622,559

Note 1. Accounting principles

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

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

Note 2. Group operating segments

Revenue by business area and revenue stream

	January – September		July – September		Full year
SEK thousands	2024	2023	2024	2023	2023
Educational Products	317,452	395,720	128,277	125,643	518,433
- Simulators, hardware and software	257,253	344,952	109,055	108,083	451,000
- Service and support revenue	60,199	50,768	19,222	17,560	67,433
Industry/OEM	315,085	259,841	103,551	84,603	364,420
- Simulators, hardware and software	84,210	29,775	26,139	14,366	48,753
- Service and support revenue	9,127	7,870	2,956	2,759	11,367
- License revenue	195,293	201,841	64,961	55,528	277,729
- Development revenue	26,455	20,355	9,495	11,950	26,571
Net sales	632,537	655,561	231,828	210,246	882,853

Revenue by business area and geographic area

	January – September		July – September		Full year
SEK thousands	2024	2023	2024	2023	2023
Educational Products	317,452	395,720	128,277	125,643	518,433
- Europe	58,919	92,943	29,821	27,191	121,351
- North and South America	164,293	180,485	56,111	62,403	234,035
- Asia	72,652	91,637	30,957	24,972	121,595
- Other	21,588	30,655	11,388	11,077	41,452
Industry/OEM	315,085	259,841	103,551	84,603	364,420
- Europe	33,513	21,176	18,371	10,050	28,086
- North and South America	259,551	227,476	76,639	70,238	317,936
- Asia	18,274	8,880	7,626	3,127	14,680
- Other	3,747	2,309	915	1,188	3,718
Net sales	632,537	655,561	231,828	210,246	882,853

Note 3. Financial instruments

SEK thousands	Sep 30, 2024	Sep 30, 2023	Dec 31, 2023
Financial assets	811,742	736,385	756,431
Financial liabilities	173,446	205,516	166,016

The group's financial assets and liabilities are valued at amortized cost, with the exception of the deferred contingent consideration recognized as a liability

and measured at fair value. The carrying amount is considered to be a reasonable approximation of the fair value of the group's assets and liabilities in the balance sheet.

Note 4. Warrants programs

Warrants 2022_25

Surgical Science's annual general meeting on May 12, 2022 resolved to establish an incentive program for company employees. Each warrant entitles the holder to subscribe for one share in the company for SEK 175.70 during the period June 10 to July 10, 2025. The company subsidizes the warrants program so that participants receive warrants as a benefit. Participants are required to pay tax on this benefit, with the premium being calculated at SEK 28.74 per warrant.

During the current period, the average share price for the period, the closing price on the balance sheet date, and the average share price for the rolling 12-month period were all below the exercise price for the warrant program, whereby the program did not entail any dilution effect. Fully exercised, the incentive program will increase Surgical Science's share capital by SEK 10,000 and the number of shares by 200,000, corresponding to the dilution of the total number of shares and votes by slightly less than 0.4 percent.

Incentive program costs

Preliminarily, the incentive program is estimated to entail social security contributions of SEK 0.9 million, as well as costs of SEK 5.8 million in accordance with the accounting rules under IFRS2. For the first nine months of 2024, the program has impacted profits negatively by SEK 1.1 million. The amount comprises the IFRS2 cost attributable to Israel and the US and is distributed across the term of the program until July 2025.

Warrants 2023_26

Surgical Science's annual general meeting on May 17, 2023 resolved to establish an incentive program for company employees. Each warrant entitles the holder to subscribe for one share in the company for SEK 294.70 during the period June 15 to July 15, 2026. The company subsidizes the warrants program so that participants receive warrants as a benefit. Participants are required to pay tax on this benefit, with the premium being calculated at SEK 36.43 per warrant.

During the current period, the average share price for the period, the closing price on the balance sheet date, and the average share price for the rolling 12-month period were all below the exercise price for the warrant program, whereby the program did not entail any dilution effect. Fully exercised, the incentive program will increase Surgical Science's share capital by SEK 13,000 and the number of shares by 260,000, corresponding to the dilution of the total number of shares and votes by about 0.5 percent.

Incentive program costs

Preliminarily, the incentive program is estimated to entail social security contributions of SEK 0.5 million, as well as costs of SEK 9.0 million in accordance with the accounting rules under IFRS2. For the first nine months of 2024, the program has impacted profits negatively by SEK 1.9 million. The amount comprises the IFRS2 cost attributable to Israel and the US and is distributed across the term of the program until July 2026.

Warrants 2024_27

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

During the current period, the average share price for the period, the closing price on the balance sheet date, and the average share price for the rolling 12-month period were all below the exercise price for the warrant program, whereby the program did not entail any dilution effect. Fully exercised, the two incentive programs will increase Surgical Science's share capital by SEK 16,400 and the number of shares by 328,000, corresponding to the dilution of the total number of shares and votes by about 0.6 percent.

Incentive program costs

Preliminarily, the incentive programs are estimated to entail social security contributions of SEK 1.3 million, as well as costs of SEK 10.4 million in accordance with the accounting rules under IFRS2. For the first nine months of 2024, the program burdened profit by SEK 3.4 million, of which SEK 0.7 million pertains to social security contributions on the Swedish participants' premiums, which were provided free of charge. The remainder of the cost, SEK 2.7 million, is attributable to the calculation of IFRS2. The amount comprises the entire IFRS2 cost for the Swedish portion of the program (SEK 2.1 million), the remainder is attributable to Israel and the US and is distributed across the term of the program until July 2027.

Programs 2022_25, 2023_26, and 2024_27

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

Definitions of key figures

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

EBITDA margin

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

Equity per share

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

Average number of shares

The weighted average number of shares outstanding during the period.

Average number of shares after dilution

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

Adjusted EBIT margin

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

Average number of employees

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

Net sales growth, %

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

Earnings per share

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

Earnings per share after dilution

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

Operating profit

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

Operating margin

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

Equity/assets ratio

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

Dividend per share

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

Profit margin

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

surgicalscience

Head office

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

Other offices in Sweden

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

Israel

3 Golan Street
Airport City, 7019900
Israel
Phone: +972 3 911 44 44

USA

Head office in the US
811 First Ave, Suite 408
Seattle, WA 98104
USA
Phone: +1 800 918 1670

Other offices in the US

23500 Mercantile, Suite F
Beachwood, Ohio 44122
USA
Phone: +1 800 918 1670

Sales office, China

906, Excellence Century Center
Tower 3
2030 Jintian Road, Futian District,
Shenzhen
China 518026
Phone: +86 755 23985994