



ANNUAL REPORT

2022  mentice

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MENTICE—AN OVERVIEW

For almost a quarter of a century, Mentice has been at the forefront of solutions that support IGIT (Image-guided Interventional Therapies*) revolutionizing minimally invasive interventional procedures workflows with our global partners. Mentice has moved from being a supplier of endovascular simulation to a provider of IGIT performance solutions.

More than 2500+ Mentice systems, hundreds of industry led development projects and thousands of consumables have been delivered to Mentice Business Areas; the Medical Device industry (MDI), Healthcare systems (HCS), and Strategic Alliance (SA) partners globally.

WHAT WE DO

- Mentice works with the MedTech Industry and world renowned physicians with solutions that support device development and go-to-market activities whilst ensuring physician proficiency. We currently collaborate with all the ten largest medical device companies—as well as a majority of the 100 most significant – in a global USD 160bn market.

- In addition, Healthcare systems around the world are using Mentice solutions for physician learning programs and advanced procedural rehearsals.

Mentice is the world's leading developer and supplier of simulation and replication solutions for IGIT. Comparable to flight simulators for pilots, Mentice solutions help train physicians in the rapidly expanding field of minimally invasive interventional procedures.

WHO BENEFITS—AND HOW?

- Interventionalists at all career stages and proficiency levels benefit from highly realistic and safe simulation-based training, pre-procedural planning and decision support tools for numerous therapies.
- HCS benefit by reducing the resources needed for IGIT onboarding, training, planning and assessment compared to on-patient instruction.
- MDI reduce their device development and onboarding costs to safely deploy a new device or technique, whilst increasing the physician's knowledge and confidence. In turn, ensuring device proficiency and selection - minimizing risks to patients.
- Patients benefit from the increased comfort and shorter hospital stays characteristic of IGIT. Simulation-based training is helping make such therapies more widely available to patients worldwide.

A VERTICAL GROWTH STRATEGY

Mentice is committed to a vertical growth strategy: we aim for Mentice to be a part of every step in the IGIT workflow – before, during and after a procedure:

- The development, marketing, and rollout of IGIT-related medical devices with our MDI partners.
- The initial simulation-based training of interventionalists.
- On-going training and skills acquisition for physicians in training
- Integration of Mentice solutions into third-party platforms, angio suites, operating rooms and clinical robotic systems.
- Moving beyond simulation-based training to also provide decision-support solutions used in daily clinical practice.

IMAGE-GUIDED INTERVENTIONAL THERAPIES

Image-guided Interventional Therapies are medical procedures that use computer-based systems to provide virtual image overlays to help the physician precisely visualize and target the surgical site. This field has been greatly expanded by the advances in medical imaging and computing power over the past 20 years.

FLIGHT SIMULATORS FOR IMAGE-GUIDED INTERVENTIONS

We all know that flight simulators are used to train pilots. In fact, it is hard to imagine the modern aviation industry without them. They provide safe yet highly-realistic training, assessment and a crisis management environment—without the prohibitive costs of in-flight training.

Mentice solutions can best be compared to such simulators. They reduce the need for resource-intensive on-patient training by providing highly realistic and replicated environments for physicians in training to experienced interventionalists. This platform facilitates device and procedural adoption, pre-procedural workflow planning, complication management, including emergencies—with zero risk to themselves or patients. Proving a solid platform for accreditation.

During 2022, Mentice acquired the Ankyras product line from Spanish-based Galgo Medical. The acquisition marks an important step towards realizing our goal to be the one-stop source for medical device development and adoption initiatives, physician training, and clinical planning in interventional image-guided procedures. CE-marked, Ankyras is a range of desktop and cloud solutions that help physicians select the optimal flow diversion stent when treating intracranial aneurysms¹. The integration of Mentice Spain is expected to be concluded in the second half of 2023, while the sales and marketing of Ankyras to the European market was already initiated during the summer of 2022.

MENTICE AS AN INVESTMENT OPPORTUNITY

Mentice currently has more than a 50% share of the USD 40m global IGIT virtual simulation training market. Through our acquisition of Ankyras—part of our vertical growth strategy—we are now active in the IGIT-related clinical decision-support space which has added to an increased Mentice SOM of an expected 75 mUSD, this increase from 40 mUSD is based on including physical simulation and neuro decision support solution.

This sector has a total available market (TAM) of USD 1.7bn total, which translates into a serviceable available market (SAM) of an estimated USD 0.5bn.

Given the size—and the underlying growth dynamics—of the vertical IGIT market, Mentice forecasts annual sales growth of 30-40% over the next three to five years. Our objective is an EBITDA margin of 30% by the end of this period.

These ambitious aims are anchored in several key facts underpinning the IGIT market:

- **Aging populations** – rapidly aging populations worldwide means there will be increasing demand for cost-effective minimally invasive procedures. IGIT procedures make it possible for the elderly to be treated where as previously open surgery would not possible.
- **Medical technology advances** – relentless technical progress means that IGIT is now deployed to treat cancerous tumors, brain aneurysms, prostate cancer, structural heart defects, abnormal heart rhythms, and much more.

- **Healthcare budget realities** – simulation-based procedural and device adoption as well as planning and complication management is simply more cost-effective than conventional training on live patients. This fundamental fact has been—and will continue to be—one of the prime drivers of the growth of the simulation market.
- **Informed patient choice¹**, never before have patients had such easy access to information about their treatment options and experience of treating physicians. When given a choice between open and minimally invasive procedures, the evidence shows that patients invariably opt for the latter, thus expanding the IGIT market.

WHAT EXACTLY IS AN INTERVENTIONAL PROCEDURE?

In an interventional procedure an interventionalist makes a tiny incision in the groin or wrist. The physician then inserts a needle and flexible wires and tubes (catheters) through the incision into the vascular system. The catheter can be used to deliver various medical devices or materials to treat various conditions that ensure the optimal flow of blood around the body, below are treatment examples:

- Balloons are inflated to open blocked vessels
- Stents are inserted to keep vessels open
- Tiny metal coils are inserted into brain aneurysms, eliminating the need for open surgery
- Embolic particles are inserted into arteries to cut off (occlude) blood flow to tumors, or to treat internal bleeding
- Prosthetic valves are used to treat heart valve and heart chamber conditions

SIGNIFICANT EVENTS 2022

CONTINUED CONSOLIDATED position as the industry leader that provides the medical device industry with solutions for device training.

INCREASED the number of major hospital orders and greatly increased order intake for healthcare systems and strategic alliances.

EQUITY – Issuing new shares in June, together with the acquisition of Ankyras, increased equity by 56.5 MSEK.

ACQUISITION of Ankyras® marks another step for Mentice as Ankyras® moves Mentice into the operating room with the company's first regulatory-approved solution for procedural planning that supports physicians in selecting the right size and device for a specific patient.

RESEARCH GRANT from Vinnova to further develop the realism of Mentice virtual x-ray presentation, with a total grant value of 3 MSEK. The project will be carried out over three years in collaboration with a European consortium with partners specializing in medical imaging.

PARTNERSHIP with Siemens Healthineers in China, where Mentice simulators will be included with every sale of a Siemens Healthineers CorPath GRX (former Corindus Vascular Robotics) robotic system in the region for the next three years – a crucial part of their strategy to launch solutions for robotic-assisted interventions in China.

INITIATED collaboration with the Chinese Medical Education Association (CMEA) that intend to use Mentice solutions to implement interventional procedures in regional hospitals under construction. Initial deal for ten systems, just over 11 MSEK, in 2022.

MULTI-YEAR OVERVIEW

ESTABLISHED GLOBAL INNOVATOR AND THE ONLY SOLELY FOCUSED VENDOR WITH AMBITIONS TO INTEGRATE ITS SOLUTIONS VERTICALLY INTO THE DAILY CLINICAL PRACTICE.

Group's Financial Development in brief		2022	2021	2020	2019	2018
Net sales	TSEK	217 954	185 064	137 503	149 370	157 048
Earnings before tax (EBT)	TSEK	-24 035	-21 271	-18 586	-26 235	13 835
Total assets	TSEK	332 976	261 904	245 271	187 140	130 586
Average number of employees	st	114	99	90	82	69
EBITDA %	%	-1,8%	1,3%	-3,0%	-8,6%	13,2%

Our Vision

To provide every interventionalist with innovative decision support solutions to enhance their daily practice.

Our mission

Mentice has the mission to improve operational efficiency and patient outcomes by introducing innovative solutions that accelerate the acquisition of skills and support continuous proficiency.

¹ According to the National Center for Biotechnology Information, minimally invasive therapeutic treatments are more palatable to patients since they need fewer incisions, cause less discomfort, leave no unsightly scars, and lead to reduced hospitalization. In turn, they reduce healthcare system costs.

A WORD FROM THE CEO

A YEAR OF STRONG SALES IN THE HEALTHCARE BUSINESS SEGMENT, VIA OUR DIRECT AND STRATEGIC PARTNER CHANNELS

Overall, 2022 has been a year of continued positive development for Mentice. At the same time, just like the rest of the world, we have realized that taking anything for granted is no longer possible due to the situation in Ukraine, the pandemic and the general uncertainty regarding deliveries, prices, energy supply, and much more. 2022 has meant a clear return to normal for Mentice in terms of sales to the hospital market. Simultaneously, we have seen a limited development for the Medical Device Industry (MDI) in the US market based on our strong growth in 2021 and in turn compensated for these MDI US results with better sales from the Asian and European markets. We can also see that hospital sales in the US market have had a record year with several significant deals and historically high levels.

In general, we see a continued strong and increasing need for our products from all business areas and all regions, and we start 2023 with a stronger order book than ever before.

OUR AMBITION

Mentice is a high-tech company with a core focus in software solutions, complemented by a deep competence in systems and solutions integrating hardware, software, and our customers' equipment.

We are driven by the healthcare systems (HCS) increasing need to develop and adopt new treatment methods in order for them to offer patients proper treatment and improved quality care.

For many years, Mentice has focused on image-guided interventions, i.e., on minimally invasive interventions carried out via the human vascular system. Our vision is to offer physicians and healthcare professionals solutions that facilitate optimal safety and quality of care for patients when using these advanced treatment methods.

SUMMARY OF 2022

We substantially increased order intake for the HCS both directly, and through our strategic partners. The total order intake from these areas more than doubled, exceeding 100 MSEK compared to 39 MSEK for 2021. During 2022 we saw a reaction to 2021's strong growth in the MDI area, where the growth was over 45% compared to 2020. However, we see this as a temporary plateau, as our projects and dialogues continue to show strong demand.

BUSINESS AREAS AND CUSTOMERS

We continue to broaden our customer base with many new customers distributed across our three regions and within MDI and the healthcare system business area. In 2022, we signed agreements with over 50 new customers. We look positively at the increased demand for our solutions from healthcare systems, in which we today work almost exclusively with specialist departments, this since the areas we manage in our products require expertise only available in the specialty faculties. Other encouraging developments are hospitals' increasing interest in structures to support skills acquisition and certification.

In the MDI business area, we see that our products offer a foundation from which our MDI customers can launch and implement new products, techniques, and procedures on the market. The products we offer today have almost completely replaced the previous methods that mainly included training on live animals or cadavers. More frequently, simulation-based training is replacing on-patient training carried out in connection with procedures.



The collaboration with our strategic alliance partners, Siemens Healthineers, Philips Healthcare, and Laerdal has positively developed in 2022 and we see several emerging trends that we believe will benefit us over time. At the same time, our partners' solutions are becoming increasingly advanced and require more support to be used efficiently by doctors and specialist teams. These factors benefit our ambition for our solutions to be adopted by the department and integrated within the daily clinical practice.

SUMMARY AND OUTLOOK

Our growth in the healthcare market highlights the increased need for our products, and we see a continued improved marketshare within the medical device industry around our solutions. Our MDI customers have long been using our solutions for marketing and training of staff, physicians, and specialist teams. However, our products are becoming increasingly attractive as well for sales, product development, and advanced use areas, such as planning for unique and complex patient cases.

We have also, with the Ankyras acquisition, expanded our product range to include regulatory approved decision support solutions. These solutions join our existing portfolio of virtual simulation and physiological flow simulation solutions.

It is with confidence that we look forward to 2023, a year in which we hope to see continued growth for industry, healthcare systems and our partners.

Göteborg April 5 2023,
Göran Malmberg
 CEO, Mentice AB (publ)

BUSINESS AREA: MEDICAL DEVICE INDUSTRY (MDI)

The Medical Device Industry (MDI) business area consists of world-renowned manufacturers of medical devices and diagnostic imaging applications, into which Mentice adaptable simulation solutions are integrated to meet their specific needs. The business area includes solutions for training, sales and marketing, research, and pre- and post-procedural evaluation. Mentice overall strategy in this business area is expanding laterally to additional clinical areas and divisions of the company's existing customers, including sales, support, regulatory and research and development of new medical devices.

FINANCIAL RESULTS

2022 saw order intake for MDI decline slightly (167.3 MSEK to 151.6 MSEK), reflecting the large order intake increase in 2021 (45% YoY), and underlines the solidity of the MDI based offering. Despite this, net sales were 15.3% up over 2021.

HIGHLIGHTS FROM 2022

The MDI business area remains a strong pillar of Mentice overall performance. In fact, all ten of the world's largest medical device companies within IGIT are Mentice customers. More importantly, Mentice continues to win repeat business from these prestigious companies—testament not only to our innovative spirit, but also to the growing need for state-of-the-art training and education tools.

For several of our MDI customers, 2022 was characterized by uncertainty. The post-pandemic landscape was marred by disrupted supply chains, staff shortages and delayed clinical approval processes. These factors resulted in some customers adopting unusually tight financial controls.

This impacted our order intake somewhat but was partly offset by the addition of new customers. Crucially, these customer gains occurred in areas experiencing high demand and significant growth. Growth potential is most obvious in areas such as CRM, Structural Heart and EP. Here we see clear trends towards an increased order intake, and we are well positioned to serve the needs of these areas.

We have previously reported how the MDI market is moving towards a more integrated approach to research, testing, onboarding, education, and planning. Here our recently acquired Ankyras® clinical decision support application is especially relevant. We can now complement our offering with a first solution that directly integrates with a customer's clinical workflow. Interventional neuroradiologists can now download a patient's rotational angiography data directly into a solution that predicts the exact deployment of a flow diverter in the vessel in real time. This Mentice solution is now available in the EU. During 2023 we will further develop the solution and make it accessible worldwide.

During 2022 we intensified the product development of the Agility Flow system, primarily for the US market. This resulted in the introduction of an updated version towards the end of the year.

Finally, 2022 saw the successful introduction of a completely virtual online solution that gives customers access to complex simulation performances in real time, but without them requiring their own computational power.

OUTLOOK 2023

For 2023, we expect continued growth of the MDI business, driven by the still strong innate need for training and education in virtual simulation. At the same time, we expect added promotion and uptake of our advanced solutions catering to the product lifecycle, from physical (from R&D to sales enablement) and software-only solutions (rehearsal/ planning and remote education), to impact adoption.

OPTIMIZING DEVICE DEVELOPMENT AND TRAINING INITIATIVES THROUGH SIMULATION



In this article, we present an MDI lifecycle use case focusing on how Mentice solutions are used by one of the world's most influential device manufacturers. We dive into the user experience of Chris Hughes, Medical Educational Manager, Endovascular, at Cordis. Chris has worked at Cordis for twelve years and has extensive experience in sales and marketing before going into clinical education.

Cordis is a global leader in breakthrough cardiovascular and endovascular solutions, and the company has connected and collaborated across the industry for over half a century to invent better ways to serve clinicians and their collaborators. Since the start, Cordis has been at the forefront of developing guide catheters and tools for endovascular procedures and developed the first drug-eluting stent in the early 2000s.

Five years ago, Cordis implemented virtual simulation into their device lifecycle strategy (R&D, professional education, and device adoption) as they purchased their first Mentice VIST® simulator. A year ago, the company expanded its use of simulation also to include physiological flow systems, the radial-to-peripheral customized SIM Core model. Mentice and Cordis have developed the customized a flow model for Cordis' interventional cardiology and lower extremity peripheral arterial solutions to support training initiatives along the product lifecycle. The Mentice platform additionally supports Cordis with strategic case planning and therapy development. Cordis owns five SIM Core models with various anatomy and morphology configurations and three VIST® virtual simulators.

Mentice had the opportunity to ask Chris Hughes a few questions about his experience using simulation and implementing the radial-to-peripheral flow model into the product lifecycle strategy.

A radial-to-peripheral customized flow model supporting device development and training initiatives

What is the radial-to-peripheral flow model used for, and how does it help solve your clinical challenges?

CH: In my opinion, the physiological model is what has been missing in simulation. One of the great benefits of the flow systems is that we can use real devices, which I believe creates a more engaging training environment and improves the understanding of the device. There are many flow models on the market; however, most are rudimentary and lack complexity.

Together with Mentice and our partner physicians, we have been able to devise, and design the radial-to-peripheral models so that they are challenging and spark clinical inquiry and discussion. We can use these flow models for various interventional applications such as coronary, peripheral or carotid applications etc. I believe this platform checks many boxes for Cordis, and we are excited about the many ways we can use it, from sales training to physician, fellow, and cath-lab nurse training. We can use these models in different scenarios and create a great user experience. That was my priority and what convinced me.

The design of your physical flow model supplies a tactical feel and motion of how the catheter moves and track. In addition, there is vessel tortuosity and very realistic disease morphology. I believe this type of physiological simulator plays an essential role in the form of a clinical hands-on tactile model that previously did not exist.

At Cordis, we are excited about the future and the development of new products. We plan to introduce new therapy-driven technologies that have not been in the market before, and this is where the flow models will enable us to shine and help our products succeed.

The radial-to-peripheral flow model will serve as a platform for these new products and will be incorporated and used for product launches, conferences, physician education programs, sales training, etc.

We currently use the flow model in our "Center of Excellence", physician and fellowship programs, for sales training and promotion, and at conferences for hands-on application. Since we acquired the flow models in July/ August, we have been using them continuously.

What challenges did you experience prior to using simulation that led to the implementation of simulation?

CH: We have had difficulties replicating the true clinical experience before using the Mentice flow model simulation. I found models and other teaching tools we have utilized unrealistic, lacking educational value, and not indicative of the procedure being performed. I set out to find a hands-on model that was anatomically correct, utilizing physiologically relevant anatomy, that incorporated tortuosity and morphology, and could be used repeatedly. All our needs and requirements were met with the Mentice flow models.

Having implemented simulation, what has been the main impact?

CH: The main impact has been in three areas.

Conference and Centers of Excellence Education. The Mentice flow models have allowed us to engage and train physicians at a much higher level than we could previously. The level of realism is notably unique and it has elevated and expanded the engagement and training for all our physicians.

Voice of Customer Activity. The flow model has enabled us to collaborate and discuss future technologies and product iterations with our physician consultants in a more clinical and realistic scenario. With this improved collaboration, we can iterate and make future product decisions on a much faster timeline and more meaningful way.

Internal Sales Training. These models have provided such realism to our training activities. We can now truly simulate clinical scenarios and situations experienced with our products like never before. This improvement has elevated our curriculum and the field sales team's understanding and confidence when they leave training.

In addition to sales, marketing, and education, might the radial-to-peripheral flow model also be useful in other departments?

CH: When it comes to prototype testing and development, our R&D team was used to working with quite rudimentary models which they created themselves. However, there has been a great interest in utilizing flow models for additional validation. We now use the flow models in a product development activity we call Voice of Customer, which is invaluable. We have had Voice of Customer activities at every conference.

We have a separate room with the flow model set up for the Voice of Customer activity. Physicians sign a non-disclosure agreement, and we present them with a device we are evaluating/ developing. The physicians can compare it side by side with the device they currently use to provide feedback on the new device. We also do blind tests and present, e.g., product one, two, and three. Many devices, such as catheters, wires, and sheaths, have been tested this way. In this scenario, the flow model offers a real-world clinical environment with realistic anatomy and performance, allowing for strategic input from the physicians. This activity helps us understand whether the proposed device will meet or exceed expectations. Few models can give that side-by-side comparison, which is an important feature. The fact that they have many different applications is a testament to the benefits of the Mentice flow models. The Mentice flow model is not just a simple model. It has that dynamic capability and true anatomical features. The Voice of Customer provides us with clinical differentiation of performance and the understanding – will we meet the standard? Or are we going to be below or above the standard? If the product is not performing where it needs to, we do not launch. We bring the device back to R&D and develop it further. Then the device again gets tested and validated. It is essential to validate that the device can perform consistently and correctly. The Voice of Customer activity provides a level of validation that can help ensure that we have a good product in development.

The “**Center of Excellence**” is a facility that has exceptionally high expertise centered on a particular therapy or procedure. These centers have esteemed faculty that are current thought leaders in their clinical specialty and provide in-depth knowledge and experience. These programs typically train and educate physicians on best practices, clinical outcomes, procedure steps, and techniques, along with other relevant topics.

In your opinion, what is the best use case for simulation in the future?

CH: For Cordis, we are expanding and moving very quickly into new products and technologies. The Mentice flow models have allowed us to create a simulation foundation that will carry us into the future. With new products and technology on the horizon, flow simulation will allow us to adapt and use these models for nearly any clinical scenario. From coronary, peripheral, radial to peripheral or below-knee interventions, we will be able to utilize, adapt and, educate using these models. The Mentice flow model has elevated clinical simulation to an all-new level, and we are excited to continue to partner with Mentice and develop for our future.

BUSINESS AREA: HEALTHCARE SYSTEMS (HCS)

The business area is currently dominated by healthcare systems, academic institutions and university hospitals in Europe, the US, Japan, and China, of which the addressable global market is estimated to be 40-60,000 operating rooms (angio suites¹). Mentice has long succeeded with operation room integrations as well as the leading imaging equipment partnerships. From Mentice company information around 3,600 new angio suites were installed or replaced in 2018² and the number is growing approximately 5% per year. Mentice aim is that every new or replacement angio suite ultimately should be accompanied by a Mentice system. The collaborations with Philips Healthcare and Siemens Healthineers provide us with channels into daily clinical practice.

Mentice simulation solutions are proving to be important tools when aiming for a more efficient and less costly patient experience. Intensive care, readmissions, and hospitalization following complications are some of the most labor-intensive and costly parts of today's healthcare systems (HCS), especially with the current global bed and staff shortages. If these measures can be reduced by increasing procedural efficiency, the use of hospital resources can be more effectively deployed on a regional, national, and global scale.

Mentice simulation solutions enable not only standard elective procedures to be performed but also advanced patient scenarios with varied complications. This makes simulation a great educational tool in the clinical environment to compensate the need for training on patients.

Understanding the true challenges of the healthcare systems and identifying several areas of opportunity for improvement utilizing Mentice offering can be summarized;

- Skills acquisition for procedural adoption, medical device proficiency and diagnostic imaging modality understanding/ awareness
- Continuous professional development and maintenance of skills
- Planning and rehearsal of straight forward and more advanced procedures
- Physician guidance-related solutions (such as the 2022 acquisition of Ankyras® clinical decision support application page 23)
- Staff satisfaction, hospital workflow, personnel onboarding, complication management initiatives and improved patient outcomes

FINANCIAL RESULTS

Order intake for 2022 was 71.4 MSEK, an increase of 193% from the previous year's 24.4 MSEK. The HCS Business Area accounted for 28% of total revenue in 2022, up from 12% in 2021. During the year, net sales increased by 20.1%.

HIGHLIGHTS FROM 2022

- The hospital business in the US delivered at record level with several larger deals at the end of the year.
- The EMEA region has performed the strongest of our three regions, with growth exceeding 40% across all three business areas. The most significant growth came from the hospital sector, which more than doubled compared to the previous year.
- Generally, our assessment is that 2022 marks a return to normal for the hospital business.
- A strong rebound of the hospital market during 2022, and we saw demand exceed pre-pandemic levels. We believe this demand will continue into 2023.
- Several new major health systems in the US, including one of the top ranked HCS, acquired Mentice solutions for initial and continuous learning initiatives.
- Multiple Healthcare systems in Germany, UK, North Africa and Eastern Europe took strategic decisions to implement Mentice solutions.
- China and Indonesia emerged as our fastest growing markets in APAC, driven in part by successful collaboration with local partners.
- 2022 saw an increase in the number of medical societies using Mentice solutions to support their learning initiatives. More information can be found in the Business Regions.

OUTLOOK 2023

Minimally invasive procedures continue to be the preferred treatment option, which leads to a continuous increase in the development of new treatments and medical devices. There will also be an increasing need among physicians for continuous and proficiency-based procedural and device training. These factors - together with positive developments with medical societies and our MDI and SA partners - should propel increased demand for Mentice solutions in the coming year.

¹ Angio suite, also called operating room or "cathlab" - is an innovative medical room fully equipped with advanced imaging technology to perform vascular procedures.

² IHS Markit Interventional X-ray Equipment Report, 2018

PREPARING FOR THE UNEXPECTED

INTERVENTIONAL CARDIOLOGY (IC) COMPLICATION MANAGEMENT - A 5-STEP STRUCTURE

In this article we want to present the importance of learning to perfection “complication management” in the department - in a virtual patient focused environment.

As a senior Interventional Cardiologist, what is going through your mind when that vessel perforates, the patient starts crashing on the operating table, anesthetists are unavailable, and all eyes are on you?

The dedicated team of Dr. Truls Råmunddal and Dr. Oskar Angerås, Sr. Interventional Cardiologists at Sahlgrenska University Hospital, will take you on their journey of optimizing complication management.

What are the typical challenges when it comes to complication management in Cardiology?

OA: First of all, complications are rare events. There will be low training volumes if you simply rely on real-life complication management training. Due to the lack of training on such events, the behavioral response can often be panic and poor decisions.

TR: Complications go hand in hand with any intervention or surgery. As soon as you puncture the patient's skin with a needle, you will expose the patient to the risk of complications. Within IC today, we are fortunate to have a high standard of care, and complications are very rare. The problem in many centers is that the physicians typically lack a proper structure to manage the situation correctly; therefore, major complications often have unexpected outcomes.

OA: Complication management training within IC can be compared to Cardiopulmonary Resuscitation (CPR) training. Performing CPR is a rare event for the majority, and in such situations, the patient's prognosis is poor. However, proper CPR can increase the patient's chance of survival. In IC complication management, there should be a clear and standardized protocol for how to manage the situation, just like with CPR. If a complication occurs, you should not have to think about what to do or complicate the situation by taking steps in the wrong order. Complication management should be an autonomous technical skill, a simple reflex.

Is complication management a mandatory part of a trainee program in Interventional Cardiology? Is there a standardized process for complication management?

TR: There are no complication management courses in the curriculum that you must pass before becoming a consultant IC. Knowledge is transferred during theoretical and real patient training, and you may get to see a few cases at meetings where procedures have gone wrong. However, to our knowledge, there is no formal step-by-step training on how to handle complications.

What impact does complication management have on daily clinical practice?

TR: Since complications are such rare events, they do not impact the daily clinical practice per se. However, we are all aware that a complication can occur at any given time, which builds up inner fear and stress. The increasing complexity of a procedure increases the risk of complications. The fear of complications could be why a number of operators are not doing their best to achieve optimal results in



Percutaneous Coronary Intervention (PCI), e.g., such as using different, more aggressive tools for lesion preparation to achieve optimal stent expansion, etc. Many operators know they lack the knowledge and experience to manage potential complications optimally.

What specifically made you implement your own complication management structure?

TR: The five-point structure we have in place is based on personal experience. We have been engaged in Chronic Total Occlusion (CTO) and complex PCI for several years. To be successful in complex PCI and CTO, you sometimes have to step outside your comfort zone. After many years of experiencing stress, chaos, and disorganization during complications, we realized there had to be a better way to manage it. Oskar and I started to develop the five-point structure by asking ourselves; what are the key elements of proper complication management? We realized that the single most critical element of complication management is to be in control of the situation. Our algorithm brings structure to a chaotic situation and enables us to gain control.

Are the main drivers behind implementing a structure like this internal or external?

TR: You learn a lot from an unsuccessful procedure or a poorly managed complication, and these cases trigger many thoughts: What happened and why? What did I do right, and what did I do wrong? The thought process goes on for days and weeks after an event and makes you want to improve. The five-point algorithm has evolved over time and is derived from thoughts and evaluations like these.

OA: Always striving to improve your work and workflow is essential regardless of the procedure. Lengthy and complex procedures or procedures with complications are the cases that affect you the most emotionally, and you remember them for a long time. Could I have done something differently?

What would drive a healthcare system to implement a complication management structure like yours?

OA: The awareness of the need for a complication management structure could be higher among healthcare systems or ICs who turn down complex cases. Since they do not take on complex cases, the risk for complications, hence the number of complications they experience, is very low. Complex PCI is evolving rapidly, and more complicated procedures are performed worldwide.

TR: There are some ICs and large healthcare systems that neglect the need for a complication management algorithm. When I have tried to explain Sahlgrenska's five-point structure, some colleagues cannot relate to what I am talking about. Even though they lack the structure and equipment to manage complications during PCI, these centers still perform complex cases. Unfortunately, from my experience, the cases that have gone wrong tend to be ignored, forgotten, and people move on.

OA: Many colleagues often only recall a perforation, not the actual reason for the negative outcome, i.e., the complication was not properly managed.

Can you explain the five-point structure in more detail?

TR: The five-point structure is a concept created to help gain control over a perforation that occurs as a complication during a PCI procedure. When you gain control over the situation, you buy yourself time to plan the next steps. When a number of operators see a massive perforation, their first reaction is to seal it, which is logical. The problem is that it takes time to seal the perforation; it can be minutes or 30 seconds. Regardless of how fast you can bring the covered stent or coil down into the coronaries, in that time, the patient will deteriorate and be in a much worse condition than before. The first four steps in the algorithm are all about gaining control over the situation. The very last step is to seal the perforation.

The five-step algorithm aims to provide the operators with a simple step-by-step guide that will help them to gain control when a complication occurs. The five steps of the complication management structure should turn into instinctual reflexes.

In one sentence, why would you say this is your optimal complication management structure?

OA: It provides the means to gain control and manage the situation calmly while also ensuring a good working environment.

TR: The complication management structure enables the whole cath lab team to do what they are good at, their job.

Did you try other structures or processes before deciding this was the one?

TR: No, not another structure per se. As described earlier, it was more the opposite: the lack of structure inspired this algorithm. The structure has slowly developed in my mind during each complication for the past ten years. Seeing some centers with no complication management structure made me want to create a formal structure to teach and pass on to colleagues.

2017 was the year we first put together the five-step algorithm. Sahlgrenska had a structure before this; however, it was never formally put on paper.

How did you implement a complication management structure, and what is your advice to other centers that would like to implement their own structure?

TR: It is essential to make the whole cath lab team aware of the structure and ensure that everyone learns it by heart so that it becomes an automatic skill.

You cannot turn the algorithm around since that probably will cause the worst outcome for the patient, death. Therefore, like with CPR, the five-point structure must be an automatic skill for the whole cath lab staff. Training should be implemented regularly to keep the algorithm

alive. As demonstrated during EuroPCR1 2021 and 2022, scenario training with a simulator is ideal. Simulating the stress during a complication is vital, and using manikins such as Laerdal's SimMan Vascular with Mentice technology inside is perfect for scenario training as it creates an immersive training environment. It enables you to simulate the human dynamics and the actual PCI scenario while providing a ping-pong guide.

OA: It is also essential to get accustomed to the equipment; what is needed, what it looks like, how to handle it etc. The equipment should be in a designated place close to the operating rooms. The ideal scenario training takes place in an ordinary PCI lab environment.

What advice would you give to centers navigating politics behind allocating time and resources for such initiatives?

How do you ensure this type of training is in individuals' working time directives?

TR: This is a difficult question. In most healthcare systems, it is all about production at the end of the day. Closing a cath lab for scenario training for a whole day is tricky; you lose production. However, we must convince the healthcare system management and make them understand that this is essential for patient outcomes. It will not affect the total mortality in a year, but having a program in place is of the highest importance for the individual patient experience and outcome.

Implementing a program will affect what the team can do in the cath lab. If we can make the cath lab staff and the operators confident in proper complication management, they will do a better job. Eventually, this will lead to more patients being treated and positively affect patient outcomes as well.

BUSINESS AREA: STRATEGIC ALLIANCES (SA)

MENTICE PATH TO THE DAILY CLINICAL PRACTICE

The collaboration with the Strategic Alliances partners (Philips, Siemens Healthineers and Laerdal Medical) is one of Mentice's strongest and most obvious growth opportunities. These partners provide a direct channel into the departments and access to the worldwide installed base of angiography suites (cath labs). Mentice products address several different challenges where the Mentice Virtual Patient and Physical flow models provide solutions for areas such as onboarding for new equipment, team training and procedural workflow. The Mentice SA commercial activities are focused on both our strategic partners' medical device adoption initiatives and Mentice product channel sales directly to their hospital clients.

FINANCIAL RESULTS

Driven by several significant orders, 2022 saw a 110% increase in order intake compared to 2021. This resulted in a 37% sales increase (19.6 MSEK compared to 14.3 MSEK). Thus, Mentice enters 2023 with a strengthened order book within the Strategic Alliances (SA) business area.

HIGHLIGHTS FROM 2022

During 2022 Mentice continued its global collaboration with Siemens Healthineers Endovascular Robotics (formerly Corindus Vascular Robotics). As part of this collaboration, ten Mentice systems are to be delivered as part of Siemens Healthineers' CorPath GRX robotic systems to customers in China.

In other markets, the Mentice VIST® Virtual Patient is used in every sales demonstration of CorPath GRX. Simulation is the only way to demonstrate CorPath GRX to get hands-on training in its functionality without having a patient on the table. As for the future, CorPath GRX recently received a CE-mark for use in neurovascular interventions, an area where Mentice already has proven solutions.

The acquisition of Ankyras® has created further collaborations with imaging companies. Mentice is now developing integrations with their app platforms to provide faster decision support to end users.

During the year, a prototype software that integrates closely with imaging companies was completed. The software enables these companies to perform demonstrations and train their entire workflow eliminating the need for patients. Mentice provides 'virtual patients' that offers a unique opportunity to standardize the training of new clients. The evaluation of the prototype software was positive, and a project to begin its production has been initiated together with the customer.

Intracardiac Echocardiography (ICE) is an increasingly used technology. In recent years Mentice has developed advanced solutions for training within this area. We continue to develop ICE solutions, and during 2022 started an extensive project with one of our partners.

OUTLOOK 2023

We will intensify our collaboration between our partners and our own sales organizations—an area with tremendous growth potential. As the hospital market becomes more receptive to our technology, and as the demand for Mentice products increases, these channels will also have greater opportunities to accelerate sales.

The combination of Ankyras® with Mentice simulation technology will increase opportunities for new types of collaborative projects with our partners; opportunities where Mentice solutions can be used as part of hospitals' daily clinical practice. The first test sites for these projects have already been identified, and we aim to begin an evaluation during the coming year.

BUSINESS MODEL: PERPETUAL (*CUSTOMER CAPEX*) TO SUBSCRIPTION AND RECURRING REVENUE (*CUSTOMER OPEX*)

Mentice business model is to sell software and hardware simulation solutions that replicate the human anatomy to support decision-making, procedural, medical device, and imaging modality adoption. We divide our products into business segments, and since 2019 we sell products in two ways - either as a perpetual license for the software or on a subscription basis.

Net sales is reported on business segments, region and business area, where we report business segments in accordance with IFRS 8

BUSINESS SEGMENTS

Mentice started to report business segments in accordance with IFRS 8 for the first time in the annual report for 2021. Mentice business is divided into three segments, reflecting the group's operations, financial management, and management structure. These three business segments are Systems, Software licenses, and Services, and we also added accessories and spare parts separately within the System group. As our sales model is divided into perpetual and recurring sales, we allocate our segments in the same way. We also report gross profit for these segments.

52 MSEK IN ANNUAL RECURRING REVENUE, REPRESENTING A GROWTH OF 96% COMPARED TO FULL YEAR 2021

- Rental of systems amounted to 18 MSEK, an increase of 11 MSEK compared to 2021
- Software licenses amounted to 34 MSEK, an increase of 15 MSEK compared to 2021
- Annual recurring revenue amounted to 52 MSEK in December, an increase of 96% compared to 26 MSEK at the end of December 2021
- Monthly recurring revenue amounted to 4.3 MSEK at the end of December

The gross profit is 100% on software licenses as the cost of development is included as personnel costs in R&D. Service also has a high gross profit as only component costs and travel are expensed within the gross profit, and all other personnel costs are included in personnel costs.

TSEK	System sales				Software licenses		Service		Total Group	
	System sales		Accessories & spareparts							
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Sales for capital expenditure	83,268	78,398	17,498	16,834	28,108	37,739	37,374	25,770	166,249	158,741
Recurring revenue	17,584	7,056	-	-	34,122	19,267	-	-	51,706	26,323
Total	100,852	85,454	17,498	16,834	62,230	57,005	37,374	25,770	217,954	185,064
Raw materials and consumables used	-25,944	-22,227	-5,754	-7,920	-	-	-219	-1,374	-31,917	-35,148
Gross profit	74,908	63,227	11,744	8,915	62,230	57,005	37,155	24,396	186,037	149,916
Gross profit %	74.3%	74.0%	67.1%	53.0%	100%	100%	99.4%	94.7%	85.4%	81.0%

BUSINESS SEGMENTS

SYSTEMS, SOFTWARE, SERVICE AND SUPPORT CONTRACTS

The Mentice business model is to sell software and hardware simulation solutions that replicate the human anatomy in order to support decision-making, procedural, medical device and imaging modality adoption. Such simulation solutions provide a platform that supports physicians' technical and team skills in a safe environment before treating patients; this is relevant for all our business areas (*Link to section). Historically, the Mentice business model has been based on an initial sale of the simulation system. However, although system sales are essential to the Mentice business model, in 2022 the company expanded its offering into the software-only space. This combination of initial system sales and software sales makes it possible for us to expand our revenue streams. These streams include:

- **Upselling of clinical software modules**
- **New industry-specific development projects**
- **Service agreements**
- **Consumables**

SALES OF SIMULATION SYSTEMS AND PLATFORMS

Mentice sells to three distinct business areas:

- (i) Medical Device Industry (MDI – manufacturers),
- (ii) Healthcare Systems (HCS – hospitals),
- (iii) Strategic Alliance partners (SA – operating room, robotics and third-party integrations).

- **Sales to an existing or new Medical Device Industry customer** usually start by exploring current and new product initiatives. In turn, this leads to a request for Mentice to develop a customized solution for a specific device and related training objectives. For example, a client's specific medical device and training objectives often involve key marketing activities. The availability of a customer-specific solution drives the sale of systems and/or software-only applications. Mentice, with 24-plus years of experience building relationships and continuously delivering new and innovative solutions, is a strategic part of our ability to upsell within this client base.

- **Sales to Healthcare Systems** generally focus on procedural and device adoption, planning and team training. Typically, these solutions are "off-the-shelf" products sold in their standardized form. These customers often acquire several simulators and modules that require installation and training services and provide a platform for upselling additional software modules. Sales of virtual simulation systems account for only one third of total sales. The remaining part is attributable to aftermarket transactions through sales of modules, procedural software applications, consumables, and service and support.

- **Our Strategic Alliances sales** are typically to OEM partners and imaging and robotics companies. This global channel remains our main access point to hospital departments and operating rooms. As such, this channel is key to the development of solutions for daily clinical practice. The goal of selling a Mentice product to every angio suite is a core part of our strategic collaborations with imaging companies. A similar strategy helped us gain dominance in the robotics-related area, where we provide solutions for R&D, product development, marketing sales and services.

SOFTWARE SALES

Mentice is a software-based solutions company with about 73% of its engineering resources focused on software development. Currently, 54% of the company's total business is generated from software, rentals, services, and maintenance. In 2019, Mentice initiated a migration from perpetual licenses to a subscription model, including established operations in all major markets.

SERVICE AND SUPPORT CONTRACTS

While relationships with customers are established throughout the full sales cycle including the initial installation, the company's customer relationships are enhanced during the implementation and training process: with services provided post-sale. All new sales include a minimum 12-month warranty and base support contract. Customers are encouraged to sign up for a customized annual support contract to help them make the most of their investment. Mentice includes its R&D services into this business segment for MDI product roll-outs. Our scalable R&D platform lets us continuously innovate and expand our product offering.

ESTABLISHED OPERATIONS IN ALL MAJOR MARKETS

Mentice reports sales figures for three geographic markets: EMEA (Europe, Middle East and Africa), APAC (Asia and the Asian Pacific Region) and Americas (North, Central and South America).

REGION: AMERICAS

Alex Hussein
VP and GM Americas



INTRODUCTION

The regional structure adopted by Mentice in 2021 significantly increased each region's autonomy and responsiveness. Mentice Americas has used this autonomy to solidify its strong position in the Medical Device industry (MDI). We have also seen increased uptake and deployment of Mentice solutions in the Healthcare Systems (hospital) market.

FINANCIAL RESULTS

The Americas represents about 41% of Mentice orders and 49% of net sales. The region is also a critical base for the global medical device business, as many device makers are US-based corporations. In 2022 our year-over-year order intake increased by 1.1%, while net sales increased by 13.8%. This sales increase can in part be attributed to the healthcare sector's return to normalcy following the COVID-19 pandemic.

MEDICAL DEVICE INDUSTRY (MDI)

- A decrease in year-over-year order intake of 15%
- Mentice solutions continue to be the gold standard for the US-based medical device industry especially. We have an especially strong position in therapy-specific areas such as cardiac rhythm management/electrophysiology, structural heart, and neurovascular
- The synergies between Mentice virtual and physical platform solutions continued to be felt in 2022, where we experienced significant growth in Physical SIM (flow models). Companies such as Stryker, Microvention and Balt have continued their investment in Mentice solutions for physical and virtual simulators
- Our hosting service continued to be a valuable part of our offering for MDI companies during 2022. Partners such as Abbott, Stryker, BD, Terumo and Philips continue to entrust the warehousing and logistics for their simulators to Mentice—a trust that drove our recurring revenue in 2022.

HEALTHCARE SYSTEMS (HCS)

Despite the continuing effects of the COVID-19 pandemic, 2022 saw us make several achievements in the HS market. Highlights include:

- A 138% year-over-year increase in order intake
- The healthcare system, Corewell Health (Michigan, US), implemented Mentice technology to provide physicians in learning access to coronary and stroke intervention training
- The prestigious hospital, Emory University partnered with Mentice to bolster its interventional radiology residency program
- Advocate Lutheran General Hospital and Dr. Demetrius Lopes began a collaboration project with Mentice. The collaboration aims to advance the use of simulation in neuro-interventional procedures, and to explore the impact of case rehearsals on patient outcomes

STRATEGIC ALLIANCES (SA)

Mentice Americas continued and extended several collaboration projects with our SA partners in 2022. Highlights include:

- Year-over-year increase of 12.5% in SA order intake
- Continued strong interest in robotic-assisted solutions for interventional applications. Our partnership with Siemens Healthineers Endovascular Robotics (Corindus Vascular Robotics) has underscored Mentice as the preferred simulation supplier. Siemens Healthineers Robotics is now standard on the Mentice platform for all application areas, including R&D, sales, marketing, and clinical product training
- Our field activities with Philips Healthcare and Siemens Healthineers continued to develop during 2022. Both partners use Mentice solution as an integral part of their go-to-market activities, including sales, marketing, product, and user training with local partners and medical societies.
- 2022 saw an increase in the number of medical societies using Mentice solutions to support their learning initiatives.

MEDICAL SOCIETIES

During 2022 we continued to develop our collaboration with professional and academic societies. Among them are: the Society of NeuroInterventional Surgery (SNIS)¹, the Brazilian Society of Neuroradiology (SBNR)², the Heart Rhythm Society (HRS)³, and the Society of Interventional Radiology (SIR)⁴.

OUTLOOK FOR 2023

The image-guided interventional simulation solutions market is expected to grow in coming years. This growth will be driven by rising demand for minimally invasive interventional procedures, technological advancements, rising healthcare expenditure, and the growing prevalence of cardiovascular disease states.

We anticipate continued expansion of the HS market due to increased cross-pollination with MDI software. The recent acquisition of Ankyras solutions will create another revenue stream for the region.

Overall, the outlook for our solutions in 2023 and beyond is positive, with growth opportunities in developed and emerging markets.

¹ SNIS is a scientific and educational association dedicated to advancing the specialty of neurointerventional surgery: SNIS – Society of NeuroInterventional Surgery (snisonline.org)

² SBNR has two basic missions, to support and educate INRs in their daily clinical practice. SBNR - Brazilian Society of Diagnostic and Therapeutic Neuroradiology

³ HRS mission is to improve the care of patients suffering from heart rhythm disorders by promoting research, education, and optimal health care policies and standards. Home | Heart Rhythm Society (hrsionline.org)

⁴ SIR is a nonprofit, professional medical society representing more than 8,000 practicing interventional radiology physicians, trainees, medical students, scientists and clinical associates: Society of Interventional Radiology - Society of Interventional Radiology (sirweb.org)

REGION: EMEA

Kjell Asserlind
VP and GM EMEA



INTRODUCTION

We are working long-term to improve our solutions for our regional industrial customers. At the same time, we are on our way to establishing ourselves as a de facto standard for physicians undergoing training in neurovascular, cardiovascular, and peripheral vascular interventions. These long-term investments have led to strong growth within the EMEA region.

FINANCIAL RESULTS

The EMEA region accounts for approximately 30% of Mentice total net sales and order intake. For 2022, our total order intake increased by 50% and net sales by 52% compared to the previous year. The most significant growth took place in our hospital business, where we more than doubled order intake compared to 2021.

MEDICAL DEVICE INDUSTRY (MDI)

MDI order intake increased by 17% compared to 2021.

Continued marketing activities and customer training led to increased sales of virtual simulators and flow systems to our major MDI customers. We have seen a growing interest in Mentice simulation solutions for Cardiac Rhythm Management (CRM).

During the year, Mentice also signed a three-year contract with Acan-dis to provide their customers with licenses for the Mentice clinical decision support application Ankyras®.

2022 continued to see increased interest in our cloud-based simulation solutions, which have successfully been used at events throughout the year.

HEALTHCARE SYSTEMS (HCS)

Within this customer segment, there was strong demand from hospitals and clinics to implement virtual simulators and flow systems to streamline the training of physicians. This led to a 150% increase in order intake compared to the previous year. We also added ten new HCS customers during the year.

Sales in 2022 were primarily driven by orders in Germany and England. Our distributors were also successful in Hungary, France, Algeria, Tunisia and Portugal.

STRATEGIC ALLIANCES (SA)

During the year, we strengthened the collaboration with our strategic partners Siemens Healthineers, Philips, and Laerdal. Joint customer activities led to increased business and, in turn, an increased number of installations. The intensified collaborations have also led to several new development projects with our partners.

We received a three million SEK grant from Vinnova¹, the Swedish government agency for innovation. The grant is to improve the realism of Mentice virtual simulation, which can, among other things, be used to train AI systems with synthetic image data. Mentice is part of a larger European research project called TASTI that involves several other companies, including a world-leading imaging company.

MEDICAL SOCIETIES

- We collaborate with key medical societies active in our three clinical focus areas of neurovascular, cardiovascular, and peripheral vascular interventions.
- The European Bifurcation Club² (EBC) announced their endorsement of Mentice VIST® G7 + Coronary Advanced simulation module for advanced technical skills adoption and proficiency based continuous learning in bifurcation stenting.
- The Interventional Cardiology Working Group (AGIK)³, which is part of the German Society of Cardiology (DGK)⁴, has started its official simulation courses that are based on an accredited and validated curriculum and are supported by Mentice. The goal is that training centers in Germany with Mentice simulators should be able to offer standardized education.

- Mentice was a preferred partner for simulation solutions at the Simulation Gallery during the CIRSE Annual Radiology Congress in Barcelona.

OUTLOOK 2023

For 2023, we see continuing strong demand for our solutions in all business areas. Education initiatives within healthcare systems are part of a positive trend that looks likely to continue. Our strategic partners are a strong contributing factor in this increase.

Our acquisition of the Ankyras® clinical decision support application should also contribute to a positive 2023. New versions of the solution that are tightly integrated with other Mentice other products will generate interest in the market and should lead to new customer agreements.

Due to the stricter regulatory structure in Europe, there is a likelihood that MDI companies will begin to look outside the EU to obtain initial approval for their products.

¹ Vinnova is Sweden's innovation agency with a mission to strengthen Sweden's innovative capacity and contribute to sustainable growth. <https://www.vinnova.se/en>

² The EBC was initiated in 2004 to support a continuous overview of the field of coronary artery bifurcation interventions and aims to facilitate a scientific discussion and an exchange of ideas on the management of bifurcation disease. <https://bifurc.eu/>

³ The AGIK group covers all questions about interventional therapy for acquired and congenital heart diseases in adulthood. There is close collaboration with working groups within the European Society of Cardiology, Working Group Interventional Cardiology (WG 6) – AGIK (dgk.org)

⁴ DGK has been committed to high-quality diagnostics and therapy of cardiovascular diseases for years. In the course of this, the DGK has paved the way for non-invasive methods of imaging diagnostics into care. German Society of Cardiology – Cardiovascular Research – German Cardiac Society (dgk.org)

REGION: APAC

Pontus Appelqvist
VP and GM APAC



INTRODUCTION

Mentice has a strong and growing position in APAC. Our largest national markets in 2022 were China, followed by Japan. Singapore and India are also significant and growing. In general, 2022 saw increasing interest in the use of our advanced simulation solutions. Several APAC markets are showing signs of recovery in the wake of the region's COVID-19 shutdowns and restrictions.

FINANCIAL RESULTS

The Asia-Pacific (APAC) region has historically accounted for approximately 25% of Mentice total sales. For 2022, order intake increased by 39%, while net sales decreased by 3% compared to the previous year. It is however worth highlighting that our market in China continued to grow during 2022—despite sometimes extensive COVID-19 restrictions being in place during much of the year.

MEDICAL DEVICE INDUSTRY (MDI)

MDI order intake declined by 17% compared to 2021. The fall can be explained above all by the fact that we had a remarkably strong 2021, and it is not unusual for a peak to be followed by a trough in the following year. Despite this, we have won several important deals in the region, as well as several new customers.

APAC is home to a range of large MDI customers such as Terumo (Japan), Microport (China), and Merilife (India). Multinational companies such as Abbott, Stryker, and Edwards Lifesciences are of course also present. As for 2023, the outlook for MDI is positive. Indeed, several global customers have confirmed they will purchase Mentice systems for rollout in APAC during the year.

HEALTHCARE SYSTEMS (HCS)

HCS order intake in APAC grew by 305% compared to 2021. Several large deals partly explain this increase. The lifting of COVID-19 restrictions, and the return to non-pandemic related purchasing, also explains the rise. We had a particularly strong year in China, with many significant deals.

We also see that our collaboration with the China Medical Education Association (CMEA) may come to play an essential role in an increased rollout of Mentice solutions in hospitals and healthcare systems in China. Mentice also had strong growth in Indonesia, with several new hospital customers. We see exciting growth opportunities in this market for years to come.

STRATEGIC ALLIANCES (SA)

SA order intake in APAC grew by 167% compared to 2021. The increase was primarily driven by an order via a Siemens Healthineers partner in China.

Mentice has continued its collaboration with Siemens Healthineers in China. This partner chose, for example, to use the Mentice VIST® Virtual Patient to present the capabilities of the robotic system CorPath GRX remote capabilities at the China International Import Expo (CIIE) in November 2022. Other event activities in China during 2022 were limited due to COVID-19 restrictions. Mentice did however participate in events in Japan, Singapore and India.

MEDICAL SOCIETIES

Mentice continuously works with regional medical societies, both informally through participation in events and in more formal forms. In 2022, we began a collaboration with the China Medical Education Association (CMEA). We are confident of strengthening this partnership in 2023. In other countries, we have continued our activities with societies such as the Japanese Society for Neuroendovascular Therapy¹ (JSNET) and the Indian Stroke Association² (ISA). Mentice activities and partnerships with societies in 2022 include:

- Participated in the Asian Stroke Summer School 2022 in India. Mentice supported the simulation sessions with our VIST® simulators to enable hands-on training in acute ischemic stroke intervention
- Attended the S3 Simulation Conference 2022 in Singapore. Presented an overview of our physiological flow systems and virtual simulation solutions
- Supported our client Apollo Hospitals, who used their VIST® simulators to demonstrate medical technology procedures and interventions at the Society of Cardiology of India³ (CSI) 74th Annual Conference in Chennai, India

OUTLOOK 2023

The outlook for APAC is generally positive for 2023. Interesting opportunities for 2023 include:

- New local MDI customers in China
- Growth in major global medical technology customers and their subsidiaries in Asia
- New markets in Southeast Asia
- In-depth collaborations with medical societies and partners in the region

¹ JSNET's mission is to promote and improve the welfare and health of the nation through academic activities of the neuroendovascular therapy: [JSNET](https://www.jsnet.or.jp/)

² ISA aims to encourage scientific research in stroke and allied disciplines. ISA has been pushing scientific research and breakthroughs in the field of stroke and also relentlessly working to boost community and physicians awareness about the importance of early identification and intervention: [INDIAN STROKE ASSOCIATION \(stroke-india.org\)](https://stroke-india.org/)

³ CSI aims to advance scientific knowledge and research in relation to the cardiovascular system in all its aspects, as well as to improve our basic understanding and to find better preventive measures and treatment of all types of cardiovascular diseases: [Cardiological Society of India \(escardio.org\)](https://escardio.org/)

PRODUCT OUTLOOK

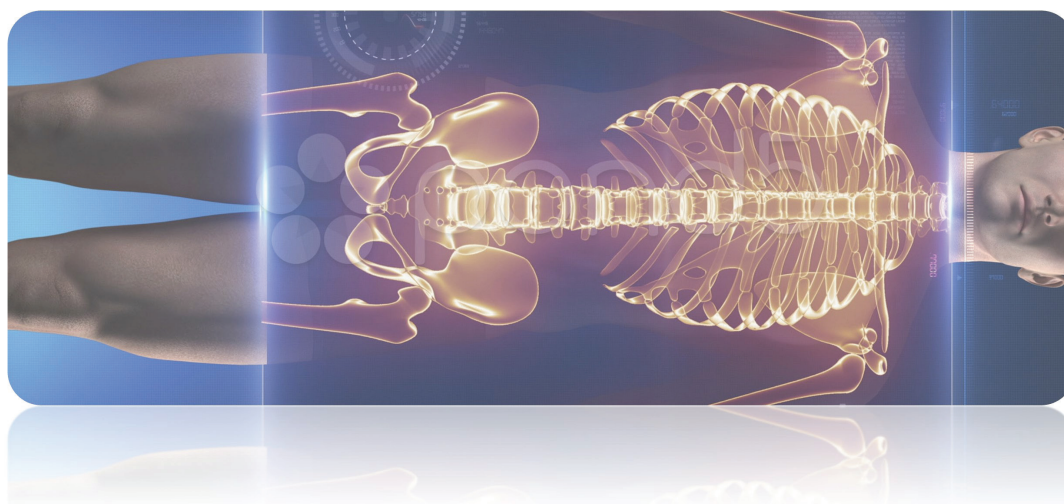
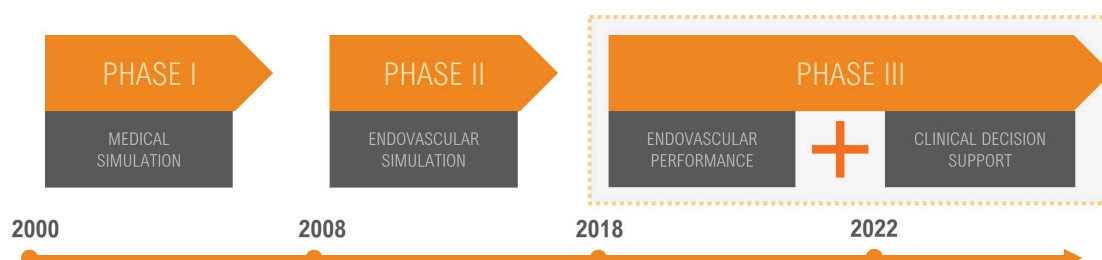
PRODUCT OUTLOOK & MARKET DEVELOPMENTS

In 2022, Mentice continued its journey towards transformation from a simulation company to a provider of performance solutions for image guided therapies solutions. The rationale for this continues to be the need to add tangible value throughout the clinical pathway and in turn expand the market and relevance of Mentice solutions.

Mentice solutions consist of software and hardware platforms that replicate the human anatomy for image-guided interventional procedures. The different applications focus on mimicking fluoroscopy (x-rays), ultrasound, anatomical variations, medical devices and can even be used in real operating rooms integrating with the real diagnostic equipment needed to perform a real live procedure.

Mentice is carefully monitoring the developments in the relevant, high-cost, high-risk therapy areas, and continues to be at the forefront of procedural and clinical advances. We see it as our role to support our MDI customers to facilitate the introduction of new devices and modalities. An example for this is the increasing role of echo and ultrasound (TEE or ICE supports physicians with additional diagnostic imagery) in interventional procedures. Here we are the only company offering emulations of the diagnostic capabilities, and more importantly showing the dynamic interaction when using echo with other advanced medical tools, like tricuspid and mitral valve repair or replacement devices, LAA occluders and many more.

Mentice has reached level 3 in the Product Strategy plan as communicated since the IPO and continues to develop the company as a provider of decision and performance support solutions



VISION

TRANSFORMING MENTICE FROM A SIMULATION COMPANY TO A PROVIDER OF CLINICAL PERFORMANCE SOLUTIONS

Mentice has, over the past years, increased its business activity focus on the day-to-day use within the medical departments with the purpose of providing our users with a replica of the same patient anatomy for solutions relevant before, during, and after a clinical procedure.

The company's aim for this strategy (the Vertical reference to page 2) is to offer an expanding range of decision-support solutions, which further complements our existing offerings in supporting medical professionals.

Mentice has transitioned from a sole simulation and education-oriented company towards a company that offers a portfolio of solutions for improving performance and outcomes within the image-guided interventional specialties. The company believes that this will revolutionize how clinicians learn, practice, and optimize their work in the clinical setting, and that training and planning is ultimately developing into being a natural part of every procedure.

New technologies such as artificial intelligence, machine learning, big data, and robotics will continue to revolutionize the healthcare sector in the same way they are currently revolutionizing many other areas.

VERTICAL INTEGRATION

A pillar of Mentice product strategy is the focus on relevant verticals inside a specific therapy area. With the addition of the Ankyras® solution in the neurovascular (NV) space, we are taking further steps to expand our range of solutions to support the product life cycle journey: from R&D and prototyping testing (using physical simulation models), to clinical trials and approvals (with physical, virtual and decision support solutions), to marketing and sales (safe procedural and device adoption with physical and virtual) to finally plan advanced procedures and assess procedural outcomes (Clinical Decision support application: Ankyras®).

We collaborate closely with societies and Key Opinion Leaders (KOL) to participate in the developments of device and imaging modalities within these therapy areas. Ultimately, promoting the expansion of IGIT interventions while increasing the need for solutions that facilitate continuous training and device adoption.

PRECISION MEDICINE – DECISION SUPPORT APPLICATIONS IN ACTION

Important acquisition of Ankyras® in 2022 was another milestone step in our journey to a broader offering within our market. Thanks to Ankyras®, we can now offer a solution that, in a relevant way, offers clinical decision support for a procedure, in this case, flow diversion for treating intracranial aneurysms in the brain. Ankyras® is a precision medicine solution that offers our customers an effective 'decision-support' application.

With the help of Ankyras®, physicians can better prepare for a patient-specific intervention, enabling a safe and more precise treatment. Ankyras® is positioned towards and being used for; Industry device development, medical device adoption, planning, and procedural assessment. In 2022, a 3-year agreement to provide the solution to Acandis, a global provider of devices for neurovascular interventions, was signed, allowing customers of Acandis access to Ankyras® - a pre-procedural planning and sizing solution to help optimize precise delivery of the device in patients with aneurysms.

PRODUCTS

POWERFUL AND VERSATILE SIMULATION SOLUTIONS FOR IMAGE-GUIDED INTERVENTIONS

Mentice simulation ecosystem is divided into the following categories: simulators, flow systems, planning solutions, angio suite and robotic integrated systems, and online services. These Mentice solutions are widely recognized for their functionality, reliability, and the highest level of clinical realism.

Explained further in Mentice in Brief (reference to page 2) and the Business Areas (reference to page 5,8,11), typical use cases of Mentice solutions are:

- Physicians in training
- Improvement, maintenance, and validation of skills and new procedural techniques
- MedTech industry development and go-to-market initiatives of medical devices and imaging modalities
- Patient-specific procedural and medical device planning, workflow rehearsal, and decision support solutions to improve clinical outcomes
- Benchmarking of technical skills, methods, and patient outcomes leveraging simulation-generated objective metrics

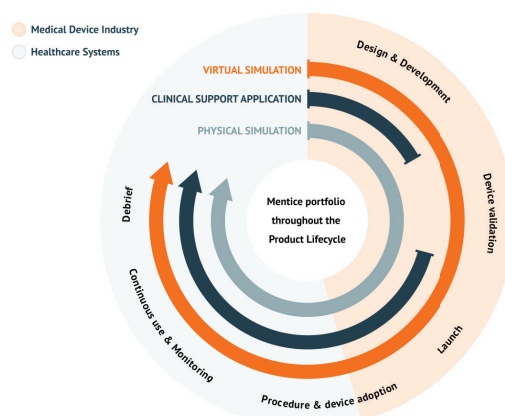
THE RED THREAD BETWEEN MENTICE CORE OFFERING:

Mentice acquisition of Ankyras has completed the workflow from medical device planning (Ankyras) through to mass adoption and rehearsal in a safe environment (Virtual) and finally to the silicon models for the real world anatomy and device assessment before treating the real patient. Ultimately, providing our MDI, HCS and SA customers with a complete product workflow.

1. Clinical Decision Support Application

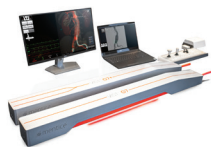
2. VR (Virtual) Simulation

3. Physiological Flow Systems (Physical Simulation)

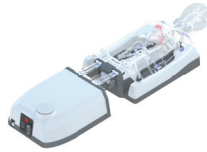


MENTICE PRODUCT PORTFOLIO

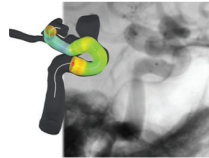
POWERFUL AND VERSATILE SIMULATION SOLUTIONS FOR IMAGE-GUIDED INTERVENTIONS



**Image Guided
Interventional
Simulators**



**Physical Flow
Replication Systems**



**Ankyras Decision
Support and Cloud-
based Software**



**Angiography & Robotic
Integrated Systems**

VIRTUAL SIMULATION (VIST®)

The VIST® virtual simulator platform for the entire cardiovascular system is the largest of the company's five product categories, and it includes a wide and growing range of procedural training modules, sold as both subscription and perpetual software applications. At present, there are over 50 clinical procedural training modules and around 700 virtual patient cases available.

VIST® G7 AND G7+

The VIST® G7/G7+ is the latest generation of image-guided interventional therapy simulators for physicians and medical professionals. Using HapticRealism technology to bring unmatched force feedback range and accuracy. The solution is used for fluoroscopy (x-ray) or ultrasound-based procedures and device learning.

In its patented most advanced configuration (VIST® G7+), the system allows for simultaneous manipulation of up to five medical devices in parallel. A unique offering in the market.

VIST® ULTRASOUND TRAINERS

The VIST® Ultrasound Trainers are highly portable simulation solutions, combining realism and ultimate portability for the customers. These trainers provide the optimal solution for acquiring fundamental echocardiography skills through self-learning and under expert guidance. Echocardiography (TEE, ICE) is an essential part of novel and highly complex interventional procedures for structural heart disease and electrophysiology.

PROCEDURAL LEARNING MODULES

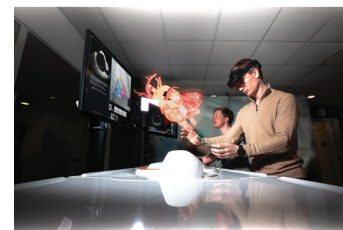
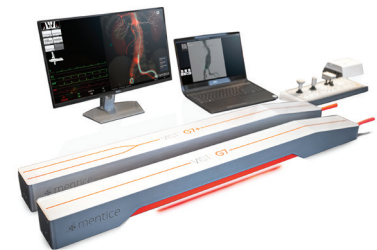
A procedural training module is a software solution that can be used standalone or enabled by a Mentice simulation hardware device. Different software modules and cases allow medical professionals to practice multiple advanced procedures across a wide range of specialties.

The company's procedural learning modules represent the world's most comprehensive portfolio of image-guided interventional procedures, with support for over 50 procedures to date. They include much of what the physicians will encounter on a daily basis in real life, from routine cases to rare anatomies and challenging, unexpected complications that need to be mitigated.

AR/VR APPLICATIONS

In line with its activities in the cloud and mobile application space, Mentice has launched and is continuously developing solutions for AR/VR. Customers benefit from the advantages inherent in these platforms when it comes to visualization, user guidance, and remote collaboration.

AR/VR applications assist in understanding complex 3D anatomies and how clinical devices interact with the anatomy in complex patient cases. A unique aspect of Mentice technology is that the AR/VR headsets can establish a "live" interface with Mentice VIST® simulators and dynamically visualize the anatomy and medical devices in the coupled AR/VR headset.



PHYSIOLOGICAL FLOW SYSTEMS WITH UNSURPASSED DEVICE PERFORMANCE AND BEHAVIOR

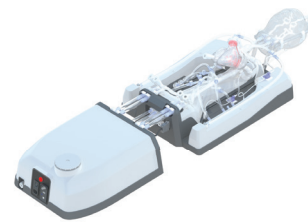
Mentice flow system technology provides a realistic physical environment for performing and testing medical devices, imaging modalities, and interventional procedures as they replicate device performance and behavior. In addition, patient-specific silicone vessels duplicating the actual anatomy and pathology of individual patients can be uniquely manufactured and used for procedural pre-planning, debriefing, or design of novel medical devices.

Mentice offering includes several platforms for different needs, from portable one-vessel solutions for medical device promotion to a complete anatomical platform, including heart flow replication for medical device development and advanced patient replication. In addition, the ability to choose from over 300 standard patient anatomies or create patient-specific anatomies dedicated to the customer's needs adds to the promising consumables business growth.

REPLICATOR PRO

Replicator PRO is the most advanced endovascular replication system on the market that physically simulates valvular, vascular, and neurovascular disease states with matched physiological flows.

With flow powered by a realistically beating 3D heart, the entire model delivers a life-like hemodynamic performance across a broad range of blood pressures, heart rates, and cardiac outputs. This yields a versatile patient model that provides true tactile feedback when utilizing interventional clinical devices. It has specific use cases for developing and testing novel clinical devices early in the R&D phase of the medical product lifecycle.



SIM AGILITY

Simplified for travel, fit for training – SIM Agility is designed to easily simulate a variety of neurovascular disease states like aneurysms, ischemic strokes, arteriovenous malformations (AVMs), and more. While the system provides optimized tactile feedback, its design is also simplified to be more quickly accessible and convenient for operators.

With full system setup within 5-10 minutes, SIM Agility ensures an easily repeatable and reliable resource for key training and demonstration events.



SIM CORE

SIM Core is designed to replicate aortic and thoracic pathologies for the replication of endovascular procedures. The system provides optimized tactile feedback, but its design is simplified to be more quickly accessible and convenient to operators with custom configurations for EVAR, TEVAR, and more.



ANKYRAS®

CLINICAL DECISION SUPPORT SOLUTION

Acquisition of Ankyras

In what is its entry into medically regulated clinical decision support application, Mentice in July 2022 acquired the Ankyras® product line from Barcelona-based Galgo Medical.

CE-marked, Ankyras® desktop and cloud-based solution helps physicians select the optimum flow diverter (FD)¹ when treating intracranial aneurysms. Ankyras® solutions use patients' own anatomical information to assess the suitability and effectiveness of various devices.

The acquisition is an important milestone for Mentice on its journey to become the one-stop source for solutions for new device designs, physician training, and clinical planning in interventional image-guided procedures. Integration of Ankyras® solutions into the global Mentice offering is expected to be completed during the first half of 2023.

How Mentice benefits from the acquisition

- Acquires strong know-how of regulatory frameworks and approval processes in US, Europe (EU and non-EU), China and Japan
- Gains a world-class research and technical team with deep experience developing clinical planning solutions
- Acquires a dedicated, dynamic customer base that daily demonstrates the therapeutic and commercial advantages of Ankyras® solutions
- Online and cloud-based Ankyras® solutions—coupled with existing Mentice sales channels—enable streamlined data analytics and rapid product rollout
- Gains solutions whose core simulation technology has been validated and rigorously assessed over many years and in numerous studies
- The acquisition enlarges the already extensive Mentice Intellectual Property portfolio

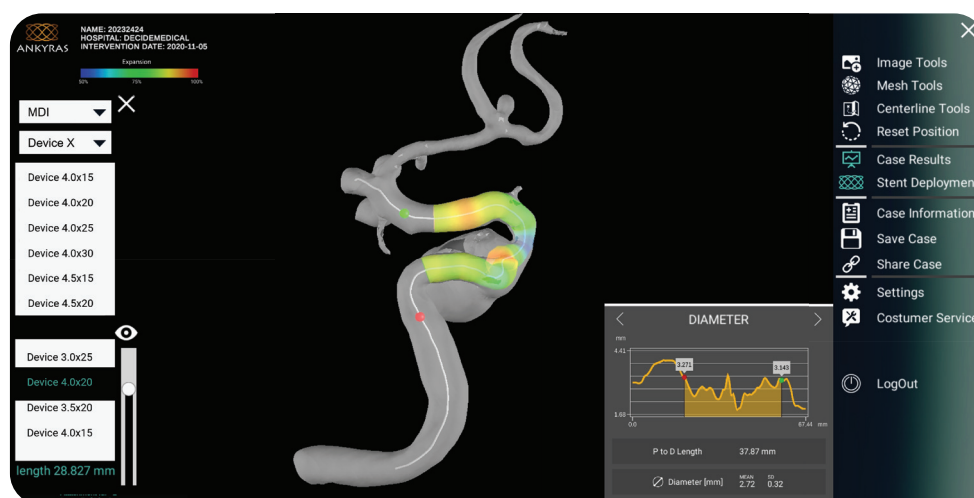
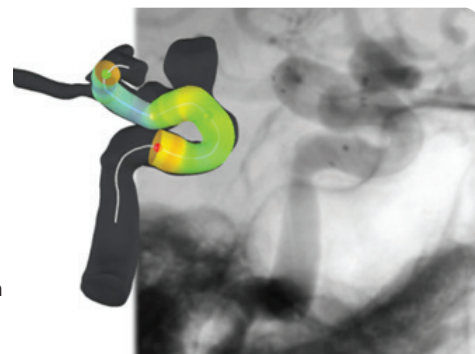
Integration milestones during 2022

- Renewed commitments from key customers, including the previously announced SEK 8.9m agreement with Acandis
- Incorporation of Mentice Spain S.L. as the Mentice group's new hub for medical software development
- Ready for distribution of clinical products through the Mentice global sales network
- Submission of FDA 510(k) application for Ankyras® in the US
- Finalized product synergies strategy and roadmap for 2023 and beyond

OUTLOOK 2023

We see a lot of exciting possibilities with the combination of Ankyras® and Mentice other solutions, and executing these opportunities will be a significant technical focus during 2023.

On the business side, we are preparing for entry into several new geographies and believe we are well positioned both clinically and with customers for expanding our market share quickly over the next 1-2 years.



¹ Flow Diverter - Flow diversion is a technique in which your surgeon uses a catheter to place a stent (a soft, flexible mesh tube) into the blood vessel where an aneurysm has formed. This process immediately diverts the flow of blood away from the aneurysm itself. Rerouting the blood flow takes pressure off the aneurysm so it's less likely to rupture. In time, new cells grow on the stent, sealing the aneurysm and healing the vessel
<https://www.hopkinsmedicine.org/health/treatment-tests-and-therapies/flow-diversion-with-stents-for-brain-aneurysms>

ONLINE- AND MOBILAPPLICATIONS

Mentice has performed several successful feasibility studies in the area of stand-alone cloud-based simulation solutions. We have developed a cloud-based solution where our virtual reality simulation is streamed to the user's desktop or tablet computer. This will make software-based solutions more readily available to our global customers while also reducing the simulator hardware requirements.

ANGIO SUITE AND ROBOTIC INTEGRATED SYSTEMS

VIST® VIRTUAL PATIENT LINK AND OEM INTEGRATIONS

VIST® Virtual Patient Link offers a seamless integration with world-leading operating room angiography systems to create a unique, safe, immersive, and radiation-free simulation environment for the adoption of imaging technology or procedural, medical device, and workflow adoption.

ROBOTICS USE CASES

The world's leading robotic manufacturers utilize Mentice solutions for development, sales, marketing, and physician adoption initiatives. Mentice solutions can provide unlimited synthetic data for robotic R&D programs and testing under real x-ray (fluoroscopy). Mentice solutions are used globally for go-to-market-related activities and can be seen as the global supplier for IGIT robotic industry simulation-related requirements.



SUSTAINABILITY

In second half of 2022, we formed our own 'sustainability team' to examine how we can best minimize the environmental impact of our operations. The team has already helped implement some important initiatives:

- Replaced multiple goods shipments to the Americas region with aggregated bulk deliveries to our Chicago office
- Detailed review of alternatives to air transport
- Ongoing work to minimize the size and weight of our physical products
- Rigorous review of emissions and environmental impacts at every step of the value chain: raw materials, production, logistics, maintenance activities, staff travel, etc.

Mentice believes that everyone can—and should—contribute to combating climate change. To ensure our sustainability policies are compatible with this objective, we base them on the four climate pillars proposed by the Exponential Roadmap Initiative¹, an accredited partner of the United Nation's Race to Zero campaign. These pillars are:

- Reduce own emissions
- Reduce value chain emissions
- Integrate climate into strategy
- Accelerate climate action in society

During 2023, we anticipate an accelerated impact of this Mentice-based sustainability initiative.

SOCIAL RESPONSIBILITY, DIVERSITY, EQUAL OPPORTUNITIES

Mentice is committed to being a responsible corporate citizen. We ensure our workplaces are safe. We promote a healthy work-life balance. We insist on respectful and dignified behavior among staff and in our interactions with all stakeholders. We are also committed to inclusive workplaces and equal opportunities. Mentice employees are recruited and promoted without consideration to race, gender, religious beliefs, sexual orientation, political affiliation, age or physical disability.

THE MENTICE CODE OF CONDUCT

All Mentice employees, contractors and partners must abide by our Code of Conduct. It is a set of guidelines that helps those acting on behalf of Mentice to always act ethically and appropriately. The Code of Conduct is also a practical tool. It spells out the duties and responsibilities of staff, management, consultants, advisors and suppliers. The Code of Conduct also applies to all legal entities wholly owned by Mentice.

INTELLECTUAL PROPERTY RIGHTS AND OTHER FORMS OF PROTECTION

Mentice holds 39 individual patents protecting both system and software in 22 different patent families. Most patents last for more than 10 years. Some of the most recently added patents are presented below.

SYSTEMS AND METHODS FOR ROUTING A VESSEL LINE SUCH AS A CATHETER WITHIN A VESSEL

A method for choosing the best catheter and path to reach a particular point in a patient blood vessel anatomy.

SYSTEMS AND METHODS FOR ENDOVASCULAR FLUID INJECTION SIMULATIONS

A system for realistically simulating the haptic effects of fluid injections (such as for example contrast) in an endovascular training environment. This patent was allowed in January 2021, and was issued in April 2021.

2 DIFFERENT FLOWDIVERTER PATENTS

Two new patent families describing different properties of a specific medical device used to treat brain aneurysms.

PENDING PATENT APPLICATIONS

In addition to its granted patents, Mentice has several pending patent applications, such as a new method for catheter selection, objective and systematic assessment of skills, and an enhanced cardiovascular flow model.

United States	18 Reg./1 Pending	2023–2037	Germany	3 Reg.	2023–2025
European Patent	3 Reg./7 Pending	2023–2026	Switzerland	2 Reg.	2023–2025
China	3 Reg./2 Pending	2025–2038	United Kingdom	2 Reg.	2023–2025
Japan	4 Reg./3 Pending	2026–2034	France	2 Reg.	2023–2025
Spain	2 Reg.	2033–2035	PCT	3 Reg./3 Pending	2034

¹ To learn more about the Exponential Roadmap Initiative, go to: <https://exponentialroadmap.org/wp-content/uploads/2022/09/1.5C-business-playbook-v2.0.pdf>

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BOARD OF DIRECTORS' REPORT

The Board of Directors and the CEO of Mentice AB (publ), corporate registration number 556556-4241 hereby submit the following annual accounts and consolidated accounts for the 2022 financial year.

This report is a translation of the official Swedish version.

BUSINESS OPERATIONS

Mentice is a company that develops, sells, and markets products and services in the field of solutions, focusing on image-guided interventional therapies within several specialties and interventions for cardiology, neurology, vascular surgery, and radiology and in this field Mentice is the global market leader. Mentice AB is the parent company of the group (Mentice) and conducts similar operations as the group. All information in the report relates to both the parent company as well as the group unless otherwise stated. Mentice's products enable replication of image guided interventions in a simple, realistic, and efficient way, offering the possibility to conduct realistic training and or preparation in a safe environment without risking the safety of patients. There is a rapid development of new treatment methods in the healthcare sector, especially regarding image-guided interventional therapies, and the need for healthcare professionals to safely acquire and maintain their knowledge and skills is central to controlling costs and improve quality in the healthcare sector. The purpose of Mentice products is to provide solutions that improve the quality of care and the suffering for patients, improve cost-effectiveness and generally offer opportunities for the healthcare sector to better utilize its resources.

Mentice AB has its registered office in Gothenburg and has about 70 employees that work at the head office in Gothenburg, who work with group functions within sales, marketing, development, production, HR and finance. Mentice AB also includes sales and service units for the markets EMEA and APAC. Sales and service units for the American and Latin American market is performed in the fully owned subsidiary Mentice Inc in Delaware, Chicago. In this legal entity we also have development services in Denver and we produce physical simulators in Stony Brook, NY. In Asia we have two fully owned subsidiaries including sales and service units, Mentice K.K in Japan and Mentice International Trading (Beijing) Co. Ltd in China. We have one employee in Singapore and one in France through business Sweden and one employee in our branch in Germany. In connection with the acquisition of assets relating to the software product Ankyras from Galgo in Spain the fully owned subsidiary Mentice Spain SL was established in December and this company will take over the production for this software during 2023. The wholly owned subsidiary in Switzerland was liquidated during the year.

The share of Mentice has been listed since 18th of June 2019 on the First North Premier Growth Market Stockholm and is traded under the symbol MNTC. The number of shares and votes is 25,568,850 at end of 2022.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

In the first quarter the company received an order from Siemens Healthineers China of 10 systems for Siemens Healthineers Endovascular Robotics sales of CorPath GRX robotic system in China. In June 2022 the company conducted a share issue of 56.5 MSEK which increased equity and was used in part to finance the acquisition of Ankyras. In June the company also received a large order of 1.9 MSUD for development and systems from a large medical device customer in the US. In September the company received a large order in the field of ultrasound further strengthening the solutions within the area of echocardiography and the company also implemented an organizational change that in large reduced the size of the management team of the company from 11 members to 5 but also reduced the number of personnel in development in Denver as the development for software within the VIST solutions were consolidated to Gothenburg. A cost reduction plan was implemented with the emphasis to reduce costs in the fourth quarter but also with effects for the full year 2023. During the fourth quarter the company received the first order for the acquired software product Ankyras from Acandis (Germany). During the fourth quarter the company also received a research grant from Vinnova (The Swedish Innovation Agency). The project is within the scope of Eureka TASTI (European Community) and will span over 3 years with a total grant value of 3 MSEK for Mentice.

RESEARCH AND DEVELOPMENT AND ACTIVITIES

Mentice develops software in Gothenburg and hardware solutions are developed both in the sites in Gothenburg, Denver and Stony Brook, NY. Most of the company's development efforts targets software application development of both Mentice standard and customer specific projects, where Mentice develops customer specific solutions to meet special customer needs. Of the total operating expenses for the Group of SEK 192.3 (152.6) million, research and development cost accounted for SEK 67.2 (64.7) million, corresponding to 35 (42) percent. During the year, development expenses of SEK 7.5 (16.9) million, were capitalized as intangible assets.

PRODUCTION

Mentice endovascular simulator systems consist of Mentice proprietary simulator platform, combined with standard hardware such as laptops and monitors. The production of Mentice simulators is outsourced to contract manufacturers while standard items can be purchased from multiple sources. Mentice also uses suppliers to adapt and modify customers' surgical instruments and add sensors to match specific sales orders. The production of Mentice proprietary simulator platform is currently handled by Montex AB. Montex AB is responsible for assembling, testing, and delivering the simulation systems to Mentice. Montex AB manufactures the simulator based on detailed engineering and production instructions developed by Mentice. Mentice has delegated the coordination of material purchases and workflow with sub-suppliers to Montex AB. The production and each respective responsibility are covered by contract with Montex AB.

FUTURE DEVELOPMENT AND OUTLOOK

Mentice has a positive view on the company's potential to continue its successful development and thereby achieve the communicated goals for growth and profitability (30–40% average annual net sales growth in the short to medium term (next 3-5 years) and 30% EBITDA marginal in the medium term (next 4-5 years). Some of important areas/factors that the company expects will contribute to this development follow below:

Strategic Alliances

In 2022, Mentice continued to deepen its collaborations with the company's three strategic partners Siemens Healthineers, Philips Healthcare and Laerdal. During the first quarter 2022 the first order was presented in the cooperation with Siemens Healthineers in China and Siemens Healthineers Endovascular Robotics (former Corindus Vascular Robotics). Siemens Healthineers Endovascular Robotics China has decided to deliver one Mentice's system together with every CorPath GRX robotic system sold in the country. During the third quarter the first order within (ultrasound and echocardiography) was received. Through extended integration with Strategic alliances systems (including cath labs) and conducting joint marketing and sales activities, there is a potential for Mentice to continue to broaden its customer base in this area in the following years.

Implementation of a subscription-based business model

By changing from perpetual licenses to a subscription and annual fee base structure for a larger share of its customer base, Mentice expects to achieve more stable cashflows with lower impact from seasonal variations. As this business model also includes implementing annual updates of the company's software modules, the customers can also be offered a greater value than before.

Development of the company's solutions in advanced decision support for image-guided interventions

Mentice sees the opportunity to develop and offer solutions in decision support for image-guided treatments as the next phase in the company's development. This includes usage of patient specific simulation before, during and after a procedure to achieve improved efficiency, precision and thus improved treatment outcomes and lower healthcare costs. The first commercially available product in this area (VIST@CASE-IT) was launched in 2012, enabling the creation of simulation cases from existing

patient anatomies with just a few clicks.

Launch of new products

During 2002 Mentice acquired its first software solution within image-guided interventional therapies, and this is an important step in the strategy of the company to increase the numbers of solutions provided within this field. This product is regulated within medical directives and the company has this approval within EU and the application for regulatory approval in the US has been submitted to FDA during December 2022.

INFORMATION ABOUT RISKS AND UNCERTAINTIES

- A large part of the current business is based on sales to Medical Device Industry clients where their use of Mentice solutions are typically related to marketing and adoption initiatives connected to introduction of new clinical devices. As a result, the general demand for medical devices and equipment has a direct impact on the demand for Mentice solutions.
- The largest long-term opportunity for Mentice is within the Healthcare Systems business area, whilst currently a smaller part of Mentice total revenues. A large part of the development within this business area is dependent on individual decision makers preferences, mandates and regulatory changes. These are macro related topics and challenging for a small company as Mentice to directly influence.
- The business from Healthcare Systems continue to be partly linked to training centres, which are typically linked to a University Hospital. In such instances, Mentice typically competes with vendors such as Surgical Science or CAE Healthcare. The aforementioned companies offer a broader portfolio of products within general medical simulation, where such tenders typically also request simulation solutions which are not a part of Mentice offering, nor focus area (bundling).
- To continue to grow, Mentice continuously needs to demonstrate the link between use of simulation and increased safety for patients and health professionals. In addition, the ability to reduce lead times for new medical device adoption and overall improved quality of care. This is comprehensive and demanding work, which also involves risk and exposure for Mentice.
- New regulations and a stricter regulatory framework for the introduction of new medical devices and treatment techniques, will likely be more closely linked to training and certification. In turn, this will require Mentice to closely follow the market trends and developments.
- Mentice operations are exposed to risks due to the consequences of our products being marketed and sold in a large number of countries. This, in turn, will expose Mentice to a number of potential risks including taxes, tariffs, potential changes in the geopolitical or economic circumstances of a specific country.
- Our sales activities are impacted by a number of other macro-economic factors and trends, such as: pandemics, war,

inflation/ deflation, currency fluctuations, import and export requirements as well as changes in a health system's annual budget.

- Mentice relies on having qualified employees throughout our organization. The ability for Mentice to retain and source such talent is critical for the company's continued development. It would clearly impact Mentice if key persons would leave the company or if Mentice would be unable to source appropriately qualified staff.
- Mentice sales operations are predominately performed in EURO or USD. The main costs related to the company are predominately in SEK and USD. As a result of this, Mentice is exposed to currency exchange fluctuations. Fluctuations in these currencies could negatively impact both the company's results and financial position.

SUSTAINABILITY INFORMATION

Mentice is a global company with operations on five of the six continents of the world. It is therefore obvious for Mentice to work for diversity and equality, which for example can be seen by the fact that the company has more than 25 nationalities employed in the group. Mentice's operations comply with local regulations as well as national and international ethics rules. Mentice has a Code of Conduct policy, and all employees get training every year. Mentice also strives to minimize the use of resources in production and to achieve continuous environmental improvements. Mentice expects its suppliers to do the same. Mentice strives to have a positive impact on the countries in which the company operates, and Mentice follows the OECD's Transfer Pricing guidelines, which work for a fair allocation of the company's taxes between the countries in which it operates.

Mentice believes that part of its success depends on the culture, experience and approach that characterizes the organization, and the company strives continuously to maintain an environment free from discrimination which means a consensus with regards to equality and diversity for the entire business of Mentice. Mentice also works actively to increase the number of women among its employees in typical male positions. Mentice works actively to improve the situation in healthcare where high workloads and outdated working methods are often a cause of burnout and insufficient quality of the delivered healthcare. The company is convinced that a better structure for training and continuous improvement, including an open dialogue on improvement, will radically improve the working environment as well as quality and results.

FINANCIAL INSTRUMENTS AND RISKMANAGEMENT

Mentice AB uses forward exchange contracts to manage currency risk. The forward exchange contracts are used for commercial hedging of risks in connection with receivables from customers and are placed in accordance with the company's foreign exchange policy, in connection with orders. All management of forward contracts is made by the parent company. Other translation risks

are not hedged. The operations of Mentice are of such nature that the company is exposed to credit risk when selling to customers. In connection with sales to new customers or customers who are considered to have higher risk exposure, only advances or letters of credit are used. Financial risks and risk management are further described in Note 22.

THE EFFECT OF COVID-19 ON THE BUSINESS OPERATIONS OF MENTICE

The company has during 2022 been affected less and less by Covid 19, and during the year the main impact has been in China where the restrictions to travel, work and be outdoors at times restricted Mentice to conduct business in the country.

THE EFFECT OF THE WAR IN UKRAINE ON THE BUSINESS OPERATIONS OF MENTICE

The war in Ukraine that started in February 2022 have had limited impact on the company, this mainly as no customers or business existed with Russia or Ukraine before the war started. Certainly, the company has been affected by inflation and higher prices on electricity that partly is a consequence of this war but in all fairness very limited impact on the business of Mentice.

FINANCIAL PERFORMANCE

ORDER INTAKE PER BUSINESS AREA

Order intake for the year was MSEK 252.2 (205.6), an increase of 22.7%, which remains on the lower side of our financial targets for full-year growth, primarily driven by a lack of growth for Medical Device Industry 151.6 (167.3), but with strong recovery from both Healthcare Systems MSEK 71.4 (24.4) and Strategic Alliances MSEK 29.3 (13.9). This also gives us a healthier distribution between our business areas.

ORDER INTAKE PER REGION

Order intake by region shows continued strong growth both for EMEA MSEK 77.2 (51.6) and APAC MSEK 71.0 (51.1). Americas 104.0 (102.9) most affected by the decline in growth in the medical device industry is marginally above last year's figures for the year, including positive exchange rate fluctuations for USD/SEK. Several orders have been moved to 2023, especially for Americas region.

ORDER BOOK

The order book was MSEK 126.0 (87.1) at year-end, an increase of 44.7%. The order book corresponds to orders that have been received but are still not delivered. Of the total order book as of December 31, 2022, is MSEK 24.3 of systems and software licenses for investment (perpetual software), MSEK 15.1 consists of subscription to software that will be delivered and recorded as net sales in 2023 and MSEK 37.8 from 2024 and forward. MSEK 35.3 consists of deliveries of rental and support agreements that will be delivered and posted as revenue over the next three years and the remaining MSEK 13.4 consists of development contracts with customers that will be delivered during 2023.

NET SALES PER BUSINESS AREA

Of net sales, MSEK 160.4 (139.2) came from the business area Medical Device Industry, MSEK 37.9 (31.6), came from Healthcare Systems and MSEK 19.6 (14.3) from business area Strategic Alliances. The overall growth is 17.8%, of which 8.4% is currency effect.

NET SALES PER REGION

Net sales grew in EMEA MSEK 62.9 (41.3) and Americas MSEK 106.1 (93.2) but decreased in APAC, MSEK 49.0 (50.6) as a result of a slow recovery from the pandemic. EMEA was the only region that exceeded our full-year growth target. Net sales grew fastest in EMEA and this is clearly linked to the fast recovery of the hospital market in the region. EMEA ended the year with a growth of 52.3%.

NET SALES PER OPERATING SEGMENT

Of net sales, MSEK 83.3 (78.4) came from System sales, for customer capex, where net sales are reported in full upon delivery of the system. Additional sales of MSEK 17.6 (7.1) came from recurring system sales where net sales are reported over time. MSEK 28.1 (37.7) of the total net sales came from Software License Sales, for customer capex where net sales are reported upon delivery of systems. In addition, MSEK 34.1 (19.3) came from recurring sales that are reported over time. Both Accessories and spare parts as well as Service are reported upon delivery and amounted to MSEK 54.9 (42.6). The full year shows growth of 17.8% and all operating segments except Investment software licenses show growth.

OTHER OPERATING INCOME

Other revenue amounted to MSEK 2.4 (5.2). During the second quarter, the company received MSEK 1.2 in contributions from Swedfund. In the fourth quarter, a redistribution of MSEK 1.8 was made from raw materials and consumables to other operating income for realized currency effect on internal dealings. Otherwise the fluctuation was related to exchange rate fluctuations in assets and liabilities in foreign currency.

GROSS PROFIT AND MARGIN

Gross profit was MSEK 186.0 (149.9) and the gross margin amounted to 85.4%, compared to 81.0% the previous year. Gross margin is primarily affected by the mix of sold products and the sales of support and service and affected also of share revenue of software licenses in relation to other products.

OPERATING PROFIT (EBITDA) AND OPERATING MARGIN

Operating profit/loss was MSEK -3.9 (2.5) with a margin of -1,8 (1,3) %. The main reason for this year's change was higher costs for 2022 of 27%. Previous year's operating profit included non-recurring costs of MSEK 4.6 (for more information about these, see the 2021 annual report).

OTHER EXTERNAL COSTS

Other external costs amounted to MSEK -52.9 (-47.2), resulting in a 12.2% increase. Higher legal and external costs associated with the acquisition and capital increase during the year was partially offset by a reduction in consultants in relation to permanent employees in combination of keeping travel costs down in the latter part of the year.

PERSONNEL COSTS AND EMPLOYEES

Personnel costs amounted to MSEK 139.4 (105.4), a 32.2% increase. The increase in personnel costs is due to the increase in volume-related compensation to selling staff, reallocation of consulting costs to own staff, increased number of employees, salary increases and lower share of capitalized wage costs against development projects.

Personnel costs include the capitalization of development costs with MSEK 5.6 (8.3). The number of personnel at the end of 2022 was 122 (104).

CAPITALIZED DEVELOPMENT COSTS

Capitalized development costs amounted to MSEK 7.5 (16.5) and were mainly attributable to a number of ongoing software projects. The capitalized development costs are included in other external costs to the extent that we activate consultancy costs and in personnel costs when we activate the cost of our own staff.

FINANCIAL ITEMS

Financial items amounted to MSEK -0.1 (-1.5) and were mainly related to exchange rate fluctuations. Net financial items for the year included MSEK -1.2 (-0.4) of interest expense on lease liabilities in accordance with IFRS 16.

PROFIT BEFORE TAX, PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

Reported tax was MSEK -6.6 (-7.9) and net profit was MSEK -30.7 (-29.2), giving earnings per share of SEK -1.22 (-1.18).

INVESTMENTS

Investments amounted to MSEK -13.1 (-25.9). Of the investments MSEK -7.5 (-16.8) refers to the activation of development costs. The remainder relates to investments in property, plant and equipment for new hardware devices for internal use but also for rental to customers. As of 31 December 2022, the Group had a liability of 9.0 MSEK for the remaining payment for the purchased assets in Ankyras.

PARENT COMPANY INCOME STATEMENT

The parent company is an operating company. Net sales for the parent company amounted to MSEK 135.1 (132.7). The result for the parent company corresponds largely to the sales in EMEA and APAC, the development department and the head office in Sweden. The net income for the year amounted to MSEK -32.8 (-31.3) including profit on liquidation of the subsidiary in Switzerland of MSEK 10.1.

ASSETS AND WORKING CAPITAL

The Group's total assets amounted to MSEK 333.0 (261.9). IFRS 16 has affected the balance sheet total by MSEK 14.4 (14.1). Property, plant and equipment decreased to MSEK 13.5 (14.1) and intangible fixed assets increased to 130.4 (106.0) MSEK. Accounts receivable increased to MSEK 85.6 (68.3) and cash and cash equivalents average as of December 31, 2022 amounted to MSEK 47.3 (12.7). Working capital as of December 31, 2022 amounted to -36.0 (-8.9) MSEK. The parent company's total assets amounted to MSEK 265.6 (234.0). Property, plant and equipment increased to MSEK 3.5 (3.2) and intangible non-current assets increased to MSEK 113.6 (98.9). Accounts receivable increased to MSEK 50.1 (35.4) and cash and cash equivalents per on December 31, 2022 amounted to MSEK 36.4 (5.0). Working capital as of December 31, 2022, was MSEK -33.1 (-6.4).

EQUITY

Equity for the Group as of 31 December 2022 increased to MSEK 162.6 (136.9). Loss for the year reduced equity by MSEK 30.7 and a new share issue increased equity by MSEK 56.5. The equity/assets ratio was 48.8% (52.3) as of 31 December 2022.

Equity for the Parent Company as of December 31, 2022, amounted to MSEK 155.9 (132.3). Profit for the year reduced equity by MSEK 32.8 and a new share issue increased equity by MSEK 56.5. The equity/assets ratio was 58.7 (56.5) % as of 31 December 2022.

CASH FLOW AND CASH

Cash flow from operating activities before changes in working capital was MSEK -5.8 (0.7) and the change in working capital was MSEK 20.7 (-5.8), which consisted of an increase in inventories of -7.0 (-3.1) MSEK and net change operating receivables and payables of MSEK 27.7 (-2.7). This was a consequence of higher sales during the year and fourth quarter compensated with payment of receivables due by more than 90 days as well as increase in order book when orders and deliveries were moved into 2023. In total, cash flow from operating activities positive by 14.9 (-5.1) MSEK in 2022.

Cash flow from investing activities in 2022 was MSEK -32.3 (-25.9), of which MSEK -19.2 in the acquisition of Ankyras from Galgo Medical in Spain. In 2022, the company invested MSEK -5.5 (-9.0) in property, plant and equipment and MSEK -7.5 (-16.9) in balanced development expenditure. The company completed in June 2022 a new share issue of MSEK 60.0 and paid MSEK 3.5 in transaction costs, this in addition to MSEK -7.5 (-5.8) was the company's cash flow from financing activities.

The company's cash position at year-end amounted to MSEK 47.3 (12.7). The company's cash flow budget for the next 12 months shows a positive cash position in all months of the year 2023, and the company also has a credit facility of MSEK 20. Cash flow for the Group as of 31 December 2022 was an inflow of MSEK 31.6 (-36.8).

RELATED PARTY TRANSACTIONS

Related party transactions have been carried out under the period where board member Denis Gestin has on a consulting basis acted as an advisor to the company in connection with customer processing in the medical technology industry. During the year 2022, Gestin received MSEK 1.0 (0.6).

The above transaction has been carried out according to market value.

MULTI-YEAR OVERVIEW

Group's Financial Development in brief		2022	2021	2020	2019	2018
Net,sales	TSEK	217,954	185,064	137,503	149,370	157,048
Earnings before tax (EBT)	TSEK	-24,035	-21,271	-18,586	-26,235	13,835
Total assets	TSEK	332,976	261,904	245,271	187,140	130,586
Average number of employees	st	114	99	90	82	69
EBITDA %	%	-1.8	1.3	-3.0	-8.6	13.2

Parent company's Financial Development in brief		2022	2021	2020	2019	2018
Net sales	TSEK	135,105	132,723	103,361	117,375	112,437
Earnings before tax (EBT)	TSEK	-31,446	-26,081	-22,507	-33,917	11,635
Total assets	TSEK	265,583	234,003	244,087	210,008	155,197
Average number of employees	st	75	59	55	46	40
EBITDA %	%	-15.6	-9.1	-15.9	-24.5	12.8

EBITDA is defined as EBIT with add-back for depreciation and amortization on tangible and intangible assets.

PROPOSAL FOR PROFIT APPROPRIATION

The following equity is at the disposal of the Annual General Meeting in SEK

Other Paid in Capital	201,168,997
Retained Earnings	-62,144,811
Net result for the Year	-32,834,712
Total	106,189,474

The Board of Directors proposes that the non-restricted equity is allocated as follows:

To be carried forward	106,189,474
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The financial reports were approved for issuance by the Board of the Parent Company on April 5 2023 on a board meeting.

Regarding the company's results and financial position, please refer to the following income statement and balance sheets, together with the accompanying notes to the financial statements.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Mentice is a Swedish public limited liability company. Prior to the listing on Nasdaq First North Premier Growth Market, the Company's corporate governance was based on Swedish law and internal rules and instructions. With the listing on Nasdaq First North Premier Growth Market, the Company is complying with Nasdaq First North's Rule Book for Issuers and applies the Swedish Corporate Governance Code (the "Code"). Nasdaq First North Premier is not a regulated market, however, application of the Code is a formal listing requirement imposed by the Nasdaq exchange.

A warrant incentive program for employees was implemented in May 2019 which follow the Code. The warrants program 2019/2024 consists of 1,429,922 warrant rights where each warrant entitles the holder to subscribe for one new share at a price of 66.50 SEK in April 2024. A premium has been paid that corresponds to the market value of the warrant calculated using the Black & Scholes formula. As the market value has been paid, the program has no effect on the company's result for the period or its financial situation. See further information in note 5.

THE SHARE AND OWNERSHIP

Mentice AB (publ.) shares are traded on Nasdaq First North Growth Market since June 18, 2019 under MNTC. According to Euroclear's official register of shareholders, Mentice had a total of 1.669 shareholders by December 31, 2022, a decline of 10% compared to December 31, 2021. The 10 largest shareholders per 31 December 2022 are shown in the table below.

Largest shareholders (source Euroclear 2022-12-31) Name	Number of shares	Shareholding in %
Karin Howell-Bidermann	8,690,980	34.0%
Bure Equity AB (publ)	3,761,659	14.7%
Handelsbanken Microcap Sverige	1,930,000	7.6%
Fjärde AP fonden	1,664,804	6.5%
Medical Simulation Corporation	1,191,074	4.8%
Berenberg Funds	932,391	3.7%
TIN Fonder	812,847	3.2%
Göran Malmberg	711,670	2.8%
Andra AP Fonden	446,620	1.8%
Avanza Pension	373,186	1.5%
10 largest shareholders total	20,515,231	80.2%
Others	5,053,619	19.8%
Total number of shares	25,568,850	

At the Annual General Meeting conducted at 27th of April 2022, it was resolved that for the period until the next Annual General Meeting and on one or more occasions, the Board of Directors is authorized to issue a maximum of 2,476.885 shares, corresponding to about 10% of the total number of shares and votes in the company.

ANNUAL GENERAL MEETING

According to the Swedish Companies Act (2005:551), the general meeting of shareholders is the company's highest decision-making body. At the general meeting, the shareholders exercise their voting rights in key issues, such as changes to the articles of association, the election of the board of directors and auditors, adoption of the income statement and balance sheet, discharge from liability of

the board of directors and the CEO, the appropriation of profit or loss after approval from the Board. The Annual General Meeting must be held within six months after the end of the financial year. In addition to the Annual General Meeting, extraordinary general meetings may be convened. According to the articles of association, notices convening the general meetings are to be published

in the Swedish National Gazette (Post- och Inrikes Tidningar) and by making the notice available on the Company's website. Information regarding the notice shall at the same time be advertised in Dagens Industri. To attend and vote at the general meeting, either in person or through a proxy, shareholders must be registered in the share register kept by Euroclear Sweden AB six business days prior to the meeting and register their participation to the Company no later than on the date specified in the notice convening the meeting. This date cannot be a Sunday, other public holiday, Saturday, Midsummer Eve, Christmas Eve, or New Year's Eve and not fall earlier than the fifth business day prior to the meeting. Shareholders who wish to have a specific matter brought before the general meeting must submit a written request to the company's board of directors. Such a request must normally have been received by the board of directors no later than seven weeks before the general meeting. No extra general meetings have been conducted during 2022.

ANNUAL GENERAL MEETING 2022

The last annual general meeting was conducted on the 27th of April 2022, held as a physical meeting in Gothenburg the registered office of the company on Odinsgatan 10. At the meeting it was decided to re-elect the board members Lawrence D. Howell, Denis Gustin, Gösta Johannesson, David J. Ballard, Eola Änggård Runsten, Johann Koss and Magnus Nilsson. Lawrence D. Howell was elected Chairman of the Board and Magnus Nilsson was elected deputy chairman and it was decided that Magnus Nilsson would be elected chairman of the board on December 30th of 2022. A resolution was passed to adopt board fees in total of 1,330,000 SEK, of which 100,000 to the board member Johan Koss, 170,000 SEK to each of the Gösta Johannesson, Eola Änggård Runsten and David J. Ballard, and 360,000 SEK to Denis Gustin and Magnus Nilsson. For the chairman of the audit committee a fee of 40,000 SEK and to each of the other members of the audit committee 20,000 SEK and for the chairman of the remuneration committee 40,000 and to each of the other members 20,000 SEK. The appropriation of profits was approved with no dividend. It was also resolved that for the period until the next Annual General Meeting on one or more occasions, the Board of Directors is authorized to issue a maximum of 2,476,885 shares, corresponding to 10% of the total number of shares and votes in the company.

ANNUAL GENERAL MEETING 2023

The Annual general meeting will be held on Thursday the 11th of May 2023, at 14.00 at the headquarters of Mentice, Odinsgatan 10 in Gothenburg. Shareholders who wish to participate in the Annual General Meetings shall be registered in the share register kept by Euroclear Sweden AB no later than Tuesday the 3rd of May 2023.

NOMINATION COMMITTEE

According to the Code, the Company must have a nomination committee, the duties of which shall include the preparation and drafting of proposals regarding the election of members of the board of directors, the chairman of the board of directors, the chairman of the general meeting and auditors. The nomination committee shall also propose fees for board members and the auditor, and, if

applicable, rules of procedures for the next nomination committee. At the Annual General Meeting held on 17 April 2019, it was resolved to adopt instructions and rules of procedure for the nomination committee according to which the nomination committee shall consist of the chairman of the board of directors and three ordinary members representing the three largest shareholders per the end of the third quarter each year. For the year 2022 this is Lawrence D. Howell as chairman, and representing Karen Howell, Bidermann, Sophie Hagströmer representing Bure, Anna Sundberg representing Handelsbanken fonder and Magnus Nilsson that became the chairman of the Board of directors at 30th of December 2022. Nomination committee was published on the website at least six months before the Annual General Meeting.

REMUNERATION COMMITTEE

The Board of directors did at the statutory board meeting on 27th of April 2022 appointed a remuneration committee. The purpose of the remuneration committee is to assist the board of Mentice in matters relating to remuneration. The areas of responsibility for the committee are defined in the rules of procedure for the board of directors and the remuneration committee own rules of procedure and instruction. The members of the committee are Lawrence Howell (chairman of the committee) and board members, Denis Gustin, Magnus Nilsson and Gösta Johannesson. At the end of 2022 Magnus Nilsson was appointed chairman and he replaced Lawrence Howell that also retired from the remuneration committee.

AUDIT COMMITTEE

The board of directors of Mentice appointed an audit committee at the statutory board meeting on 27 April 2022. The Audit Committee's area of responsibility is defined in the audit committee's rules of procedure and instructions. The purpose of the audit committee's work is to assist the board of Mentice in matters relating to financial reporting, auditing, and risk management. The audit committee is a preparatory body, and the board has the overall responsibility for audit-related issues. The audit committee consists of three board members: Eola Änggård Runsten (chairman of the audit committee), David J Ballard and Johann Koss.

The Audit Committee shall in particular monitor (i) the audit of the Annual Report and the consolidated financial statements, (ii) transactions with related parties, important accounting principles and important correspondence between the company's auditors and management, (iii) the effectiveness of the company's internal controls regarding financial reporting, (iv) the company's routines concerning comments on the company's accounts, internal control and auditing, (v) the scope, focus and quality of auditing work, including follow-up of the audit performed, (vi) budgeted and actual auditing expenses, (vii) the auditors' recommendations, conclusions, observations and proposals after an audit has been performed, (viii) the auditor's impartiality and independence and in this connection pay particular attention to whether the auditor provides the company with other services than auditing work and (ix) assist in the proposals for adoption by the Annual General Meeting regarding election of an auditor.

THE BOARD OF DIRECTORS

After the general meeting of the shareholders, the board of directors is the highest decision-making body of the Company. According to the Swedish Companies Act, the board of directors is responsible for the organization and management of the company's affairs, which means that the board of directors is responsible for, among other things, establishing targets and strategies, securing procedures and systems for monitoring of set targets, continuously assessing the Company's financial position, and evaluating the operational management. Furthermore, the board of directors is responsible for ensuring that proper information is given to the shareholders of the company, that the company complies with laws and regulations and that the company develops and implements internal policies and ethical guidelines. Moreover, the board of directors is responsible for ensuring that annual reports and interim reports are prepared in a timely manner. The board of directors also appoints the Company's CEO. The members of the board of directors are elected annually at the Annual General Meeting for the period until the end of the next Annual General Meeting. According to the company's articles of association, the board of directors shall consist of no less than three and no more than ten board members without any deputy board members. Currently, the board of directors consists of seven ordinary board members elected by the general meeting, who are presented in the section "Board of directors" on page 51 and 52. According to the Code, the chairman of the board of directors is to be elected by the general meeting. The role of the chairman is to lead the board of directors' work and to ensure that the work is carried out efficiently, and that the board of directors fulfils its obligations. The board of directors adheres to written rules of procedure which are revised annually and adopted at the statutory board meeting. The rules of procedure regulate, among other things, the procedures of the board of directors, tasks, decision-making within the company, the board of directors' meeting agenda, the chairman's duties, and allocation of responsibilities between the board of directors and the CEO. Instruction for financial reporting and instructions for the CEO are also adopted in connection with the statutory board meeting. The board of directors' work is also carried out based on an annual briefing plan which fulfils the board of directors' need for information. The chairman and the CEO maintain, alongside the board meetings, an ongoing dialogue on the management of the company.

THE WORK OF THE BOARD OF DIRECTORS

The board of directors meets according to a pre-determined annual schedule and in addition to the statutory board meeting, at least six ordinary board meetings shall be held between each Annual General Meeting. In addition to these meetings, extra meetings can be arranged for processing matters which cannot be referred to any of the ordinary meetings. The meetings are normally physical meetings at the headquarters of Mentice in Gothenburg. If for practical reasons the meetings can also take place via digital platforms and in special cases as per capsulam. The Chairman leads and organizes the Board's work. The proposed agenda is prepared by the CEO in consultation with the Chairman and material regarding the items to be addressed at the meeting are sent ahead of each meeting. Items presented to the Board are for information, discussion, or decision purposes. Decisions are only taken following discussion and after all present members have been given the opportunity to be heard. One of the meetings

held during the year are focused on strategic questions. At the end of most of the board meetings the board of directors decided to discuss issues with only the Board of directors present, hence the executive management does not attend.

At the autumn of 2021, the Board evaluated its work by doing a self-evaluation procedure where each Board member assesses many statements about the Board's role and function, the Board meetings, Board material, Board members, the Chairman of the Board and the CEO. The board members also weighted the importance of each statement for the boards work and the company's long term value growth. The responses were compiled by independent third parties and compared with the benchmark index of listed companies in the Nordic region. The evaluation is a part of constantly developing the board work and the next evaluation will be done during 2023.

MANAGEMENT TEAM AND CEO

For information on the persons of the management team, including shares in the company, see annual report page 49 and 50 and the company web (www.mentice.com) Mentice management team consist of 5 members including the CEO and it has competences and experience from research and development, quality assurance, marketing, production and sales in the field of medical simulation. The role of the CEO is subordinate to the board of directors and the CEO's main task is to carry out the Company's ongoing management and the daily activities of the Company. The rules of procedure of the board of directors and the instructions for the CEO stipulate which matters the board of directors shall resolve upon, and which matters that fall within the CEO's area of responsibility. Furthermore, the CEO is responsible for preparing reports and necessary information for decision-making prior to board meetings and presents the material at board meetings together with the CFO.

EXTERNAL AUDIT

The auditor of the company is elected by the annual general meeting for the period up to the end of the next annual general meeting. The auditor examines the annual report and the book-keeping of the company, and the governance performed by the Board of Directors and the CEO. The auditor gives an auditor's report to the general meeting for each accounting year. The auditor also reports once a year to the board of directors all findings from the performed audit and the assessment of the internal controls of the company. At the general meeting on the 27th of April 2022, KPMG AB was re-elected, which appointed Johan Kratz as auditor in charge up until next general meeting. At the annual general meeting it was also resolved that the fees to the auditor should be paid in accordance with normal charging standards and approved invoice. The total fee paid to the auditor of the company for the financial year 2022 amounted to SEK 1,661 (840) thousand, of which the full amount was related to the audit assignment.

INTERNAL CONTROL

The overall purpose of the internal control is to ensure that the strategies and objectives of the company can be implemented within the business and to ensure that the financial reporting has been prepared in accordance with applicable laws, accounting

standards and other requirements imposed on listed companies. The board of director's responsibility for the internal control is governed by the Swedish Companies Act, the Swedish Annual Reports Act, and the Code. In the rules of procedure for the board of directors, the instruction for the CEO and the instruction for financial reporting, all of which have been adopted by the board of directors, the allocation of the roles and responsibilities have been stated in order to contribute to an effective management of the Company's risks. The board of directors also has the task to monitor the Company's financial position, to monitor the effectiveness of the Company's internal control and risk management, to be informed about the audit of the annual report and consolidated financial statements, and to review and monitor the auditor's impartiality and independence. In addition to the

above-mentioned controls, the Company also continuously carries out quality controls of its suppliers and its partners in order to ensure that they meet the requirements set out by the Company. Continuous risk assessments are carried out in connection with strategic planning, forecasting work and specific risk sessions in order to identify, quantify and relate to how identified risks can be managed and, if possible, be limited. The presentation of the identified risks shall, as a minimum, be submitted to the board of directors once per year. In the beginning of 2021, the company was rewarded ISO 9001 certification. The company has developed and implemented a quality management system in order to improve its overall performance, maintain a high level of quality and strong customer service and offer a solid foundation for initiatives in sustainable development.

MANAGEMENT TEAM



Göran Malmberg
Group CEO & President

Education: Master of Science in Mechanical Engineering from Linköping Technical University, Sweden.

Joined Mentice: 2008

Professional Background: CEO/President for Mentice since 2008. Over 25 years of experience from international management, sales and marketing of high tech products for various industries such as manufacturing, automotive, industrial products, med tech/healthcare. Prior to Mentice, Göran held several board and executive management positions for Swedish and international corporations such as PTC (Parametric Technology Corporation), Auto-trol Technology, Opticore/Autodesk and Programator/Cap Gemini.

Holdings: 710,670 shares and 357,480 warrants held directly and indirectly through company.



Gunilla Andersson
Chief Financial Officer

Education: Degree of Bachelor of Science in Business Administration and Economics – Specialization Accounting, University of Gothenburg

Joined Mentice: 2021

Professional Background: Gunilla joined as CFO and has been part of the management team since. Prior to joining Mentice, Gunilla held several positions of CFO in IMI Hydronics and Papyrus Optigroup as the latest.

Holdings: 3,000 shares.



Martin Harris
Vice President of Downstream Marketing

Education: NVQ 3/ BTEC 3 in Business Administration vid DDI Business School, Chester, Storbritannien

Joined Mentice: 2006-2013, 2015-current

Professional Background: Joined Mentice in 2006, Headed the EMEA Service department and held several senior sales responsibilities. In 2017 Martin initiated the Strategic Alliances division and secured several high profile accounts and new strategic channels for Mentice. Currently leading the global Marketing (Downstream) division since 2021. Previous background focused in the areas of Sales, IT and Teaching.

Holdings: 2,000 shares and 34,483 warrants



Matar Dakhil
Executive Vice President, Upstream Marketing

Education: MSc Mechanical Engineering (RWTH Aachen, Germany), Executive MBA Hult Business School (London, UK)

Joined Mentice: 2005

Professional Background: Matar has over 20 years of experience within the medical device industry, 10 of which in the area of interventional cardiology. Before joining Mentice, Matar held various business development, senior sales and marketing positions in Europe (Berlin) and throughout Asia Pacific (including Penang, Malaysia, Tokyo, Japan and Shanghai, PR China). He was responsible for Mentice's Asia Pacific business from 2005 to 2007, based in Singapore, before relocating to Europe in early 2008.

Holdings: 152,833 shares and 43,330 warrants.



Henrik Storm
Chief Technology Officer

Education: Master of Science in Electrical Engineering and Licentiate Degree in Applied Mathematics from Chalmers University of Technology.

Joined Mentice: 2015

Professional Background: More than 15 years of experience in many fields of technology development and management, ranging from software (including video compression, image processing, biometric matching algorithms) to hardware (silicon development and manufacturing, PCB design, electronic packaging and testing, mobile device integrations). Henrik worked at Summus, Inc. (Raleigh, NC) in the US from 1998 to 2001, and manager of the Swedish Summus development branch from 2001 to 2004. He held various positions at Fingerprint Cards, (Gothenburg, Sweden) from 2004 to 2014, including Vice President Customer Projects, with responsibility for building and managing the company's engineering resources in the US, Japan, Korea, Taiwan and China, along with the customer project manager team in Sweden.

Holdings: 40,848 aktier and 43 330 warrants

BOARD OF DIRECTORS

Magnus Nilsson

Chairman of the Board

Chairman of the Remuneration Committee

Born 1956. Doctor of Medical Science (Med Dr Sc) from Uppsala University. Currently, Senior Advisor, XVIVO Perfusion Inc. Other Board assignments: board member at Cantargia AB and Corline AB. Earlier President and CEO, Xvivo Perfursion AB, President and CEO, Vitrolife AB and board member in the publicly listed Immunicum AB and Dignitana AB.

Holdings: 10,000 shares

Independent: Independent in relation to the company, its management, and major shareholders.



Lawrence D. Howell

Board Member

Born 1953. Law degree from University of Virginia Law School. Bachelors of history from University of Virginia and is a member of Virginia State Bar Association (VSBA). Mr. Lawrence D. Howell ("Lonnie") has accumulated more than 40 years of experience in Financial Services and Private Banking. He is the co-founder of EFG International and served as its Chief Executive Officer until June 28, 2011. Prior to EFGI, he served as Head of Americas at Coutts & Co. International Private Banking from 1989 to 1995 where he was responsible for all clients domiciled in the Americas as well as all Coutts & Co. offices in the US, the Bahamas, Bermuda, Cayman, and Latin America. Before this, he also served as Head of Americas and Asia in Zurich of Coutts & Co. From 1986 to 1989, he served as Vice President in charge of Swiss Super High Net Worth Clients at Citibank Switzerland. From 1985 to 1986 he was with McKinsey & Co. Lonnie served as Chief of Staff for the Head of Private Banking for Europe, Middle East, and Africa of Citibank from 1981 to 1984. He started his career as internal legal counsel with Citibank from 1978 to 1981.

Holdings: 8,690,980 shares held by spouse Karin Howell-Bidemann. 54,000 shares through fully owned subsidiary Gulf Offshore Limited.

Independent: Independent in relation to the Company and its management, but not in relation to major shareholders.



Eola Änggård Runsten

Board Member

Chairman of the Audit Committee

Born 1965. B.Sc from the Stockholm School of Economics. Currently a Senior Management Consultant at Eola Advisory AB. Other board assignments: Chairman of the nomination committee at Sdiptech, and board member of ILT, ACQ Bure, Caybon Holding AB and DIB Services. Earlier positions include CFO at Acade Media AB (publ), CFO EQT Management Sarl, Group Head of Human Resources EQT Partners as well as other positions within SEB, Affibody AB, Alfred Bergand and Handelsbanken.

Holdings: 2,400 shares

Independent: Independent in relation to the company, its management, and major shareholders.



Johann Koss
Board Member
Member of the Audit Committee

Born 1968. MBBS from the University of Queensland. Executive MBA from the Joseph. L. Rotman School of Management at the University of Toronto. Currently founder of Canadian-based International Humanitarian Organisation, Right To Play. Other board assignments: board member of FOXWAY, Sweden, Right To Play International – A nonprofit in Canada, Fair Sport – a nonprofit in USA, Q-bic, Norway, FireA, CircMar, Norway and Masterment, Norway. Recognized internationally as social entrepreneur Johann has received several awards for his philanthropic service and leadership. Most recently, he received the Order of Canada from the Governor General. Earlier a three-times gold medal Olympic speed skater.

Holdings:

Independent: Independent in relation to the company, its management, and major shareholders.


David J. Ballard
Board Member
Member of the Audit Committee

Born 1956. M.D., F.A.C.P., M.S.P.H., Ph.D., M.B.A., trained in Internal Medicine at the Mayo Clinic. He completed undergraduate degrees in chemistry and economics and graduate degrees in epidemiology (M.S.P.H and Ph.D.), medicine (M.D.) and business (M.B.A) from the University of North Carolina (UNC). He co-founded and is the Chief Clinical Officer of Concentric Health Alliance, a global personal protective equipment supply company. He is a board member of Pascal Metrics, the world's leading health care harm reduction solutions company and of Sniffle Health, a telehealth platform company, as well as an advisory board member for InSyncDx, Microbicbloc (chair), Courage Ventures, and Ataia, and Chief Clinical Officer for Buffkin / Baker, a global health care executive search company. Earlier positions as Consultant and founding Head of the Mayo Section of Health Services Evaluation, Professor of Medicine and Epidemiology, Emory University, and Senior Vice President and Chief Quality Officer of Baylor Scott & White Health. An editorial board member for more than 30 years, he is the Health Care Policy Section Editor for the Mayo Clinic Proceedings and Adjunct Professor of Health Policy and Management in the UNC Gillings School of Global Public Health.

Holdings: 14,400 shares and 238,320 warrants.

Independent: Independent in relation to the company, its management, and major shareholders.


Denis Gestin
Board Member
Member of the Remuneration Committee

Born 1964. BA in Marketing at EDC Paris Business School. Other board assignments: Chairman of the board in Holistic Medical, France, and Endo Tools Therapeutics, Belgium, and a board member of CathVision, Denmark, Synergia Medical, Belgium, Volta Medical, France and Cardiawave, France. More than thirty years of experience in the management and commercial development of medical technologies companies. Earlier positions as SVP for Abbott and President of the International Division(OUS) at St. Jude Medical.

Holdings: -

Independent: Independent in relation to the company, its management, and major shareholders.


Gösta Johannesson
Board Member
Member of the Remuneration Committee

Born 1959. B.Sc in Business Administration and Economics at Uppsala University and AMP at Wharton business school. Currently a Senior Advisor at Bure Equity AB. Other board assignments: Vice Chairman of the board in XVIVO Group, deputy chairman of Interflora AB, board member in Mentice, Yubico AB, ScandinoVA Systems AB and others. Earlier Partner at Provider Venture Partners, before that executive position at Öhman Fondkommission and Handelsbanken Markets.

Holdings: 10,000 shares held indirectly through the company.

Independent: Independent in relation to the company, its management but not in relation to one major shareholder.



CONSOLIDATED INCOME STATEMENT

TSEK	Notes	2022	2021
Net Sales	2,3	217,954	185,064
Other Income	4	2,370	5,155
		220,324	190,219
Raw materials and consumables used		-29,013	-34,954
Depreciation of rented assets		-2,904	-194
Other External Costs	6,20	-52,925	-47,191
Personnel Costs	5,2	-139,405	-105,426
Depreciation of tangible assets and right-of-use assets		-8,952	-9,959
Amortization and writedown of Intangible Assets		-11,077	-12,217
		-244,276	-209,941
Operating Income (EBIT)		-23,952	-19,722
Financial Income		1,285	4
Financial Expenses		-1,368	-1,553
Net Financial Items	7	-83	-1,549
Earnings before tax (EBT)		-24,035	-21,271
Tax	8	-6,630	-7,920
Net result for the Year		-30,665	-29,191
Net result for the Year attributable to:			
Shareholders Parent Company		-30,665	-29,191
Earnings per share			
Basic (SEK)		-1.22	-1.18
Diluted (SEK)		-1.22	-1.18

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TSEK	Notes	2022	2021
Net result for the year		-30,665	-29,191
Other comprehensive income			
Items that may be reclassified to profit or loss			
Translation differences on translation of foreign operations		-46	2,827
Other comprehensive income for the year, net of tax		-46	2,827
Total comprehensive income for the year		-30,711	-26,364

CONSOLIDATED BALANCE SHEET

TSEK	Notes	2022-12-31	2021-12-31
Assets			
Goodwill	11	48,070	42,291
Patents	11	32,618	17,945
Trademarks	11	5,443	-
Internally developed Intangible Assets	11	44,285	45,766
Tangible assets	12	13,500	14,091
Rights-of-use Assets	13, 24	14,442	14,062
Deferred Tax Assets	8	9,777	13,966
Total Non-current Assets		168,135	148,121
Inventories	15	16,861	9,195
Accounts Receivables	14	85,582	68,324
Prepaid Costs and Accrued Income	16	9,858	17,895
Other Receivables		5,255	5,672
Cash and Cash Equivalents	17	47,285	12,697
Total Current Assets		164,841	113,783
Total Assets		332,976	261,904
Equity and Liabilities			
Share Capital		1,278	1,238
Other Paid in Capital		201,169	144,760
Retained Earnings		-39,812	-9,111
Total Equity Attributable to Parent Company Shareholders	18	162,635	136,887
Long term Liabilities			
Leasing liabilities long-term	19, 24	8,875	10,086
Total Long-term Liabilities		8,875	10,086
Accounts Payable	23	14,231	8,997
Tax liabilities	8	99	319
Other Liabilities		3,554	3,602
Current leasing Liability		7,800	4,618
Accrued Expenses and Deferred Income	20	135,782	97,395
Total Current Liabilities		161,466	114,931
Total Equity and Liabilities		332,976	261,904

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TSEK	Share Capital	Other Paid in Capital	Translation reserve	Retained Earnings	Total equity
At 1 January 2021	1,236	144,760	-1,919	19,174	163,251
Transactions with owners in their capacity as owners					
Issue of shares	2			-2	-
Profit for the year				-29,191	-29,191
Other comprehensive income for the year			2,827		2,827
Total comprehensive income for the year	2		2,827	-29,193	-26,364
Closing balance at 31 December 2021	1,238	144,760	908	-10,019	136,887
At 1 January 2022	1,238	144,760	908	-10,019	136,887
Transactions with owners in their capacity as owners					
Issue of shares	40	56,460			56,500
Payment of share options		-41			-41
Profit for the year				-30,665	-30,665
Other comprehensive income for the year		-10	-1,278	1,242	-46
Total comprehensive income for the year		-10	-1,278	-29,423	-30,711
Closing balance at 31 December 2022	1,278	201,169	-370	-39,442	162,635

CONSOLIDATED STATEMENT OF CASH FLOWS

TSEK	Notes	2022	2021
Operating activities	28		
Earnings before tax		-24,035	-21,271
Adjustment for Non-cash items		19,113	22,367
Income tax paid		-871	-434
Cash flow from operating activities before changes in working capital		-5,793	662
Change in trade receivables and other current assets		-2,279	-39,425
Change in inventories		-6,953	-3,138
Change in trade payables and other current liabilities		29,933	36,771
Change in working capital		20,701	-5,792
Cash flow from operating activities		14,908	-5,130
Investing activities			
Acquisitions of tangible assets	12	-5,526	-9,049
Acquisitions of business, net cash effect	10	-19,224	-
Capitalisation of internally developed intangible assets	11	-7,528	-16,853
Cash flow from investing activities		-32,278	-25,902
Financing activities			
Payment of share options	18	-41	-
Proceeds from issue of share capital	18	60,000	-
Payment of transaction costs	18	-3,500	-
Amortization of lease liability	24	-7,468	-5,783
Cash flow from financing activities		48,991	-5,783
Cash flow for the year		31,621	-36,815
Opening cash balance		12,697	48,753
Translation difference on cash and cash-equivalents		2,967	759
Cash and bank balances at year-end		47,285	12,697

PARENT COMPANY INCOME STATEMENT

TSEK	Notes	2022	2021
Net Sales	2, 3	135,105	132,723
Capitalised Expense for Development	11	7,528	16,456
Other Income	4	11,389	5,159
		154,022	154,338
Cost of Goods Sold		-40,365	-23,618
Other External Costs		-40,048	-67,068
Personnel Costs		-87,432	-75,776
Depreciation of Tangible Assets		-1,088	-881
Amortization and writedown of Intangible Assets		-20,799	-20,840
Exchange losses on operating receivables and liabilities		-7,219	-
		-196,951	-188,183
Operating Income (EBIT)		-42,929	-33,845
Financial Income		15,752	9,600
Financial Expenses		-4,269	-1,836
Net Financial Items	7	11,483	7,764
Result after Financial items		-31,446	-26,081
Earnings before tax (EBT)		-31,446	-26,081
Tax	8	-1,389	-5,194
Net result for the Year		-32,835	-31,275
Net result for the Year attributable to:			
Shareholders Parent Company		-32,835	-31,275

PARENT COMPANY BALANCE SHEET

TSEK	Notes	31-dec 22	31-dec-21
Assets			
Intangible and Tangible Assets			
Goodwill	11	30,552	34,093
Patents	11	33,288	19,016
Trademarks	11	5,442	-
Internally developed Intangible Assets	11	44,285	45,766
Equipment	12	3,482	3,158
Financial Assets			
Shares in Group Companies	27	19,705	41,656
Receivables from Group Companies	19	10,213	13,476
Deferred Tax Assets	8	6,615	7,966
Total Non-current Assets		153,582	165,132
Inventories	15	10,104	6,541
Accounts Receivables	14	50,087	35,400
Current Receivables from Group Companies		2,701	-
Prepaid Costs and Accrued Income	16	7,922	6,887
Other Receivables		4,768	15,075
Cash and Cash Equivalents	17	36,419	4,968
Total Current Assets		112,001	68,871
Total Assets		265,583	234,003
Equity and Liabilities			
Restricted Equity			
Share Capital		1,278	1,238
Fund for development costs		48,468	52,914
Non-restricted Equity			
Other Paid in Capital		201,169	144,750
Retained Earnings		-62,145	-35,316
Net result for the Year		-32,835	-31,275
Total Equity	18	155,935	132,311
Long term Liabilities			
Liabilities to Group Companies	19	970	31,449
Total Long-term Liabilities		970	31,449
Accounts Payable	23	9,383	7,978
Tax liabilities	8	79	-
Current liabilities to Group Companies		2,068	-
Other Liabilities		1,778	3,805
Accrued Expenses and Deferred Income	20	95,370	58,460
Total Current Liabilities		108,678	70,243
Total Equity and Liabilities		265,583	234,003

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

TSEK	Restricted equity		Non-restricted equity			
	Share capital	Fund for development costs	Share premium reserve	Retained earnings	Net result for the year	Total equity
At 1 January 2021	1,236	45,750	144,760	-11,058	-17,096	163,592
Proposed appropriation of profits				-17,096	17,096	-
Transactions with owners in their capacity as owners						
Issue of shares	2			-2		-
Payment of share options		7,164	-10	-7,160	-31,275	-31,281
Profit for the year						
Other comprehensive income for the year					-31,275	-31,275
Total comprehensive income for the year	1,238	52,914	144,750	-35,316	-31,275	132,311
At 1 January 2022	1,238	52,914	144,750	-35,316	-31,275	132,311
Proposed appropriation of profits				-31,275	31,275	-
Transactions with owners in their capacity as owners						
Issue of shares	40		56,460			56,500
Payment of share options			-41			-41
Profit for the year		-4,446		4,446	-32,835	-32,835
Total comprehensive income for the year					-32,835	-32,835
Closing balance at 31 December 2022	1,278	48,468	201,169	-62,145	-32,835	155,935

PARENT COMPANY STATEMENT OF CASH FLOWS

TSEK	Noter	2022	2021
Operating activities	28		
Earnings before tax		-31,446	-26,081
Adjustment for Non-cash items		21,507	12,242
Income tax paid		-791	-254
Cash flow from operating activities before changes in working capital		-10,730	-14,093
Change in trade receivables and other current assets		-12,290	-21,723
Change in inventories		-3,563	-2,187
Change in trade payables and other current liabilities		29,698	21,178
Change in working capital		13,845	-2,732
Cash flow from operating activities		3,115	-16,825
Investing activities			
Acquisitions of equipment	12	-1,412	-1,709
Acquisitions of business, net cash effect	10	-19,224	-
Capitalisation of internally developed intangible assets	11	-7,528	-16,456
Acquisitions of financial assets		-	-1,430
Cash flow from investing activities		-28,164	-19,595
Financing activities			
Proceeds from issue of share capital		60,000	-
Payment of transaction costs		-3,500	-
Cash flow from financing activities		56,500	-
Cash flow for the year		31,451	-36,420
Opening cash balance		4,968	41,388
Cash and bank balances at year-end		36,419	4,968

NOTES TO THE FINANCIAL REPORTS

NOTE 1 ACCOUNTING PRINCIPLES

The annual report and the consolidated statements have been approved by the Board of Directors and the CEO on 5th of April 2023. The consolidated income statement, consolidated statement of comprehensive income, balance sheet and the parent company income statement and balance sheet will be adopted at the annual meeting on 11th of May 2023.

The consolidated accounts have been prepared with the assumption of the going concern. Assets and liabilities are valued on a historical basis, except for some financial assets and liabilities measured at the lowest of acquisition value and fair value. The below stated principles have, with the exceptions described, applied consistently for all periods that is presented in the consolidated financial reports. The accounting principles for the group have also been applied consistently for all companies of the group. No new or changed accounting principles or interpretations came into effect in 2022 or within 2023 that would be expected to have a substantial impact on the Group.

COMPLIANCE WITH STANDARDS AND LEGISLATION

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU. Furthermore, the Swedish Council for Financial Reporting's (Rådet för finansiell rapportering) recommendation RFR 1 Supplementary Accounting Rules for Groups has been applied. The parent company applies the same accounting principles as the group except in the cases listed below under the section "Parent Company's accounting principles".

MEASUREMENT BASES APPLIED DURING THE PREPARATION OF THE FINANCIAL STATEMENTS

Assets and liabilities are recognized at the historical acquisition cost apart from derivative instruments, which are measured at fair value.

FUNCTIONAL CURRENCY AND REPORTING CURRENCY

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

CLASSIFICATION

Fixed assets, long-term liabilities and accruals in all essentials comprise amounts that are expected to be recouped or paid later than twelve months after the balance sheet date. Current assets and short-term liabilities in all essentials, comprise amounts that are expected to be recouped or paid within twelve months from the balance sheet date, with

exceptions to accrued revenue that is reported in the balance sheet as a consequence of our subscription-based business model can be liabilities within 3-5 years.

ASSUMPTIONS WHEN PRESENTING THE PARENT COMPANY'S AND CONSOLIDATED FINANCIAL STATEMENTS

Preparing financial statements pursuant to IFRS requires the company management to make estimates and assessments as well as make assumptions that influence the application of the accounting principles and the recognized amounts for assets, liabilities, income, and costs.

Projects activated in the balance sheet can with reasonable certainty be expected to generate economic benefits in the foreseeable future. Assets are written off in a linear manner during the estimated usage period. Assessment of possible write-down of goodwill and patents are done each year through calculating the recoupment value of cashflow generating units for the assessment of a possible need for write-down of goodwill and patents, several assumptions of future conditions and estimates have been made. Mentice makes no write down of internally developed intangible assets SEK 0 (-2.2) million during 2022.

CONSOLIDATION POLICIES

Subsidiaries

In the consolidated accounts is included the parent company Mentice AB (publ), the fully owned subsidiary in America, Mentice Inc, the fully owned subsidiary in Spain started in December 2022, Mentice Spain SL, the fully owned subsidiary in China, Mentice International Trading (Beijing) Co. Ltd and the fully owned subsidiary in Japan, Mentice K.K. The fully owned subsidiary in Switzerland was liquidated in February 2022.

Principles of consolidation and business combinations

Subsidiaries are recognized according to the acquisition method, whereby assets and liabilities are recognized at fair value according to an acquisition analysis. The difference between the cost of the subsidiary's shares and the fair value of the acquired assets, liabilities taken over and contingent liabilities constitutes goodwill on consolidation. Subsidiaries' financial reporting is included in the consolidated financial statements as from the acquisition date until the date when the controlling interest ceases. Intra-Group receivables and liabilities, income and expenses, and unrealized profits or losses arising from intra-Group transactions are eliminated in their entirety in the presentation of the consolidated financial statements. Unrealized losses are eliminated in the same manner as unrealised profits, but only where no need for write down is to be considered. Translation differences arising in

currency translations of foreign operations are recognized in the statement of total comprehensive income.

Foreign currency

Transactions in foreign currency are translated into the functional currency at the exchange rate prevailing on the date of the transaction. Functional currency is the currency of the primary economic environment in which the companies operate. Monetary assets and liabilities in foreign currency are translated into the functional currency at the exchange rate applicable on the balance sheet date. Exchange rate differences that arise in translation are recognised in profit/loss for the year. Non-monetary transactions and liabilities are recognised at historic acquisition

value translated to the exchange rate at the time of the transaction. Non-monetary assets and liabilities that are recognised at fair value are translated to the functional currency at the exchange rate prevailing at the time for fair value measurement. At the balance sheet date, the fair value of outstanding forward exchange contracts was 0.04 (0) MSEK, which is recognised as an income in the income statement. Hedge accounting is not applied.

The following exchange rates have been applied in these statements.

Currency	Average exchange rate		Closing rate	
	2022	2021	31-dec 22	31-dec 21
AED	-	2.5643	-	2.7026
BRL	1.9619	1.5906	1.9746	1.5856
CAD	7.7712	6.8453	7.706	7.0636
CHF	10.595	9.3845	11.2915	9.8546
CNY	1.502	1.3307	1.5017	1.4186
EUR	10.6317	10.1449	11.1283	10.2269
GBP	12.4669	11.8022	12.5811	12.0179
JPY	0.0771	0.0781	0.0792	0.0785
USD	10.1245	8.5815	10.4371	9.0437
INR	0.1287	-	0.1262	-
SGD	7.3368	-	7.7748	-
DKK	1.429	-	1.4965	-

REVENUE AND PERFORMANCE OBLIGATIONS

Revenue is measured based on the payment that is specified in the agreement with the customer. The Group recognises the revenue when the control of a product or service has been transferred to the customer. Information about the character and time for fulfilling the performance obligations in agreements with customers, including essential payment terms and associated revenue accounting principles are summarised below.

Revenue from sales of simulators and software

Revenue from system sales, i.e., simulators physical and virtual, and software licenses, are recognised as revenue on delivery, when the control has passed to the buyer.

Revenue from sales of software licenses as subscription model is recognised over the licence or subscription period, normally one year.

Revenue from sales of services

Revenue from service, rental and support agreements are recognised over the period the support agreement cover, normally one-three years.

Revenue from consultancy assignments

Revenue from customised consultancy assignments, which run over time, are recognised as revenue based on the real spent hours.

SEGMENTAL REPORTING

An operating segment is a component of a group that engages in business activities from which it may earn income and for which discrete financial information is available. An operating segment is followed up further by the CEO of the company to evaluate revenue as well as to be able to allocate resources to the operating segment. See note 3 for further description of the division and presentation of operating segments.

FINANCIAL INCOME AND EXPENSE

The Group's financial income and costs include interest income on bank balances and receivables and interest-bearing securities, interest expenses on loans, income from dividends, exchange-rate differences, unrealized and realized profits from financial investments and derivative instruments used in financial operations.

LEASING

In accordance with IFRS 16, right-of-use such as rental agreements for premises and equipment is recognized as an asset in the balance sheet and a lease liability is recognized, which represents an obligation to make future lease payments related to the right-of-use. The company defines short-term leases as contracts whose remaining lease term is less than 12 months, and these contracts are not defined as right-of-use assets.

TAXES

Income taxes are comprised of current tax and deferred tax. Income taxes are recognized in profit or loss of the period, except where the underlying transaction is recognized in other comprehensive income or in shareholders' equity, where the associated tax effect is recognized in the same place in other comprehensive income or shareholders' equity. Current tax is tax that is to be paid or recovered in respect of the current year, applying tax rates determined or in practice at the date of balance sheet. Current tax also includes adjustments to the current tax, attributable to previous periods. Deferred tax assets pertaining to deductible temporary differences and unused tax losses carried forward are only recognized to the extent that it is probable that they will be utilized. Deferred tax is stated in its entirety, pursuant to the balance sheet method, for all temporary differences that arise between the taxable value of assets and liabilities and their carrying amounts in the consolidated accounts. Deferred income tax is estimated by applying tax rates (and laws) which are in force or will be in force at closing day and which are expected to apply when the relevant deferred tax asset is realized, or the deferred tax liability is settled. In December 2022 SEK 1.4 (5.2) million of the accrued tax losses carry forward reserve was dissolved referring to the parent company. Corporate tax on dividend if applied is recognised at the same time as the dividend is booked to liabilities.

INTANGIBLE FIXED ASSETS

Research and development

Expenses for development, where research results or other knowledge are applied to attain new or improved products or processes, are recognized as an asset in the statement of

financial position, if the product or the process is technically and commercially usable and the company has sufficient resources to complete the development and, thereafter, use or sell the intangible asset. The recognized value includes all directly attributable expenses, e.g., for materials and service, payments to employees, registration of a legal right, depreciation of payments and licenses, borrowing expenses pursuant to IAS23. Other expenses for development are recognized in profit or loss for the year as costs when they are incurred. In the statement of financial position, recognized development expenses are entered at acquisition value minus accumulated depreciations and any impairments.

The estimated useful life of research and development assets is 5 years.

Other intangible assets

Other intangible assets that are acquired by the Group comprise patents, trademark and goodwill and are recognized at acquisition value minus accumulated write-offs and depreciation (see below).

Straight-line amortization is applied in the income statement over intangible assets estimated useful life unless the useful life is indefinite.

The estimated useful life of other intangible assets are 10-20 years, mainly patents.

TANGIBLE FIXED ASSETS

Tangible fixed assets are recognized in the Group at acquisition value after deductions for accumulated depreciation and any impairment. The acquisition value includes the purchase price as well as expenses directly attributable to putting the asset into place and condition to be used as intended according to the purpose of the acquisition. Borrowing expenses that are directly attributable to purchase, design or production of assets that take a substantial period to get ready for intended use or sale are included in the assets' cost of acquisition. Depreciation according to plan of property, plant and equipment is based on a determined useful life. Straight-line depreciation is applied over the assets' estimated useful life.

The estimated useful life of tangible fixed assets are 5 years.

WRITEDOWNS OF INTANGIBLE FIXED ASSETS AND TANGIBLE FIXED ASSETS

Each time a report is to be published, an assessment is made as to whether there is any indication of a decrease in the value of the Group's tangible and intangible assets. Any impairment requirement regarding goodwill and other intangible assets not amortized on an ongoing basis is tested annually or more often if there are indications that the asset may have decreased in value. If this is the case, the Group assesses the asset's recoverable amount. The recoverable amount is either the asset's fair value, with a deduction for selling expenses, or the value in use, whichever is the higher. The value in use is the present value of all payments received and made which are attributable to the asset during the period it is expected

to be used in the business, with the addition of the present value of the net realizable value at the end of the useful life of the asset. Assets for research and development are assessed separately per project and for 2022 no impairment was done but at end of 2021 impairment was done with SEK 2.2 million for one project.

INVENTORY

Inventories are measured at the lower of the acquisition cost and net sales value. The acquisition cost for inventories is estimated by applying the first in, first out method (FIFO) and it includes expenses that are incurred during acquisition of stock assets and their transport to their current location and condition. The risk of obsolescence is also considered here.

ACCOUNTS RECEIVABLES, OTHER RECEIVABLES AND OTHER LIABILITIES

Accounts receivable are recognized in the balance sheet as and when the invoice is sent. Deductions are made for doubtful receivables which are assessed individually. Impairment of accounts receivable is recognized in operating expenses. Other assets and other liabilities are recognized in the balance sheet based on when the company is assuming the risk for the assets or the liability.

FINANCIAL ASSETS AND LIABILITIES

A financial asset or a financial liability is recognized in the balance sheet when the company becomes a party to the contractual provisions of the instrument. A financial asset is removed from the balance sheet when the contractual rights are realized or expire or when the company loses control over them. The same applies to part of a financial asset. A financial liability is removed from the balance sheet when the contractual obligation is fulfilled or in some other way expires. The same applies to part of a financial liability. Receivables and liabilities in foreign currency are measured at the closing day exchange rate. Exchange-rate differences for operating receivables and operating liabilities are included in operating income while exchange-rate differences for financial receivables and liabilities are included in financial income and expenses.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, immediately available bank balances and other money market instruments with an original duration of less than three months.

ACCOUNTS PAYABLES

Accounts payables are recognized in the balance sheet as and when the invoice is received.

GOVERNMENTAL GRANTS

Government grants relate to financial contributions from government agencies received in exchange for Mentice meeting certain conditions. Grants that are attributable to the result are reported as prepaid income in the balance sheet and are recognized as income so that they meet the cost to which the support relates to. In beginning of October, the company received a grant from Vinnova (The Swedish Innovation Agency) for a project within the scope of Eureka TASTI that will span over 3 years with a total value of 3 MSEK for the

company. In 2022, governmental support amounting to SEK 1,283 (0) thousand was received, which in its entirety has been reported in the income statement.

EARNINGS PER SHARE

Calculation of earnings per share is based on the Group's net income for the year attributable to the Parent Company shareholders and on the weighted average number of shares outstanding during the year.

WARRANTY PROGRAM

There are one outstanding warrants program directed at the company's employees. Employees who have wished to participate in the warrants program have paid a premium corresponding to the market value of the warrant calculated pursuant to Black & Scholes' formula. As the market value has been paid, there is no effect on the company's net income for the period or on its financial position. The number of warrants is further described in the note 5.

CONTINGENT LIABILITIES

A contingent liability is recognized when there is a possible commitment stemming from events that have occurred and whose occurrence is confirmed only by one or more uncertain future events or when there is a commitment which is not recognized as a liability or provision due to the fact that it is not likely that an outflow of resources will be required.

THE PARENT COMPANY ACCOUNTING PRINCIPLES

The parent company has prepared its annual reporting in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR2 Accounting for Legal Entities. Statements issued by the Swedish Financial Reporting Board regarding listed companies are also applied. RFR2 regulate that within the annual report for the legal entity, the parent company must apply all IFRS, and statements adopted by the EU as far as possible within the framework of the Annual Accounts Act, the Insurance Act and with regard taken to the relationship between accounting and taxation. The recommendation specifies which exceptions and additions to IFRS that should be made.

DIFFERENCES BETWEEN THE ACCOUNTING PRINCIPLES FOR THE GROUP AND THE PARENT

The differences between the Group's and the Parent Company's accounting policies are stated below. The accounting principles stated below for the Parent Company have been applied consistently in all periods presented in the Parent Company's financial reports

LEASING

The parent company does not apply IFRS16 in accordance with the exception found in RFR 2. As a lessee, the parent company recognizes leasing fees as a cost on a straight-line basis over the lease period, and thus rights of use and leasing liabilities are not recognized in the balance sheet.

CLASSIFICATION AND PRESENTATION

The income statement and balance sheet are presented for the parent company according to the structure in the Swedish

Annual Accounts Act, the statement of changes in equity and the cashflow statement are based on the IAS1 Presentation of Financial Statements and the IAS7 Statement of Cash Flows. The differences compared to the Group's financial reports that are reflected in the parent company's income statement and balance sheet, are mainly accounted for by equity.

SUBSIDIARIES

Participations in subsidiaries are recognised in the parent company according to the acquisition value method. This means that acquisition costs are included in the reported value of the holding in subsidiaries. Testing of the value of subsidiaries is carried out when there is an indication of a decrease in value.

TAX

Appropriations including deferred tax liabilities are recognised in the parent company. In the consolidated financial statements however, appropriations are divided into deferred tax liabilities and equity. In the income statement for the parent company, no division is made, in a comparable way, of part of the appropriations to deferred tax expense.

NOTE 2 REVENUE

Mentice Group distribute its income from agreements with customers in business segments, geographical markets, and business areas.

BUSINESS SEGMENTS

Mentice's business is divided into three business segments, which reflect the group's operations, financial steering, and management structure. These three business segments are System, Software licenses and Service and we also added accessories and spare parts separately within the System group. We also report the net sales divided into for Capex - capital expenditure and recurring revenue. The capital expenditure we refer to is our customer's point of view. 52 MSEK of the revenue for the year 2022 is recurring which represents an increase of 96% compared to full year 2021.

TSEK	2022	2021
System sales, Customer's CAPEX	83,268	78,398
System sales, recurring	17,584	7,056
Software licenses, Customer's CAPEX	28,108	37,739
Software licenses, recurring	34,122	19,267
Accessories & spare parts	17,498	16,834
Service	37,374	25,770
Total	217,954	185,064

GEOGRAPHICAL MARKETS (REGION)

Net sales per region TSEK	Group		Parent company	
	2022	2021	2022	2021
EMEA	62,885	41,800	61,008	40,114
APAC	48,970	50,561	49,117	48,354
Amerikas	106,099	92,703	24,980	44,254
Total	217,954	185,064	135,105	132,723

The EMEA region consists of customers and sales in Europe, Middle East and Africa, APAC is Asia, Pacific and other Southeast Asia and Americas is northern and southern America.

Net sales per country – parent company

Net sales parent company (TSEK)	2022	2021
China	30,895	14,781
US	23,061	37,277
Japan	10,831	16,770
Sweden	521	236
Other	69,797	63,660
Total	135,105	132,723

BUSINESS AREA

The **Medical Device Industry** business area consists of global providers of products where Mentice's adaptable simulation solutions can be integrated to fit specific needs. The business area includes solutions for training, sales and marketing, research, and clinical evaluations.

The business area for **Healthcare systems** includes the efforts aimed at teaching entities in academic and university hospital settings, as well as its efforts aimed at healthcare entities. The latter is focused on solutions for continuous professional development, maintenance of skills and planning, rehearsal, and physical guidance.

Strategic Alliances refers to the integration of Mentice solutions in leading cath lab systems from leading suppliers Siemens Healthineers and Philips Healthcare.

The largest customer is 11 (17) % of the total net sales for the group during 2022, which is 24 (31) MSEK. This net sale is reported in the Medical Device Industry business area.

Net sales per business area TSEK	Group		Parent company	
	2022	2021	2022	2021
Medical Device Industry	160,425	139,161	76,027	68,987
Healthcare Systems	37,908	31,576	27,577	15,273
Strategic Alliances	19,621	14,327	10,614	8,271
Internal group net sales			20,888	40,192
Total	217,954	185,064	135,105	132,723

Contract balances

As for contracts with customers where deliveries are in the future the balance for assets and liabilities is outlined in the table below:

Contract Balances	Group		Parent Company	
	2022	2021	2022	2021
TSEK				
Agreement Assets	1,132	6,892	1,130	744
Agreement Liabilities	102,514	74,376	67,187	38,209

Age distribution

Age distribution	2022				2021			
	1 year	2-5 years	>5 years	Total	1 year	2-5 years	>5 years	Total
TSEK								
Parent Company								
Agreement Assets	369	695	66	1,130	649	95		744
Agreement Liabilities	46,008	21,065	114	67,187	27,595	10,507	107	38,209
Total	46,377	21,760	180	68,317	28,244	10,602	107	38,953
Group								
Agreement Assets	371	695	66	1,132	6,796	95		6,892
Agreement Liabilities	70,583	31,742	190	102,514	51,234	22,754	387	74,376
Total	70,954	32,436	256	103,646	58,031	22,850	387	81,268

Contract assets primarily relate to the right for the group to get compensation from work executed but not invoiced at the date of the balance sheet and is mainly consultancy work. Contract liabilities primarily relate to advances in payment received from the customer, which mainly relate to consultancy work and service commitments.

NOTE 3 BUSINESS SEGEMENTS

Mentice's business is divided into three business segments, which reflect the group's operations, financial steering, and management structure. These three business segments are System, Software licenses and Service and we also added accessories and spare parts separately within the System group. We also report the net sales divided into for Capex - capital expenditure and recurring revenue. The capital expenditure we refer to is our customer's point of view.

The following business segments have been identified:

- **System sales** - sales of hardware for customer capital expenditure and rental including accessories and spare parts for hardware.
- **Software licenses** - sales of licenses both perpetual and subscription model
- **Service** - sales of support, development, and other service contract

Group	System sales				Software licenses		Service		Total Group	
TSEK	System sales		Accessories & spare parts							
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Sales for capital expenditure	83,268	78,398	17,498	16,834	28,108	37,739	37,374	25,770	166,249	158,741
Recurring revenue	17,584	7,056	-	-	34,122	19,267	-	-	51,706	26,323
Total	100,852	85,454	17,498	16,834	62,230	57,005	37,374	25,770	217,954	185,064
Raw materials and consumables used	-25,944	-22,227	-5,754	-7,920	-	-	-219	-1,374	-31,917	-35,148
Gross profit	74,908	63,227	11,744	8,915	62,230	57,005	37,155	24,396	186,037	149,916
Gross profit %	74.3%	74.0%	67.1%	53.0%	100%	100%	99.4%	94.7%	85.4%	81.0%

NOTE 4 OTHER INCOME

TSEK	Group		Parent Company	
	2022	2021	2022	2021
Profit on Exchange rate on operating receivables/liabilities	906	5,300	9,925	5,301
Other	1,464	-145	1,464	-145
Total	2,370	5,155	11,389	5,156

Other income includes 1 283 in support for 2022. In 2021 Mentice repaid 145 of the received support in Sweden given from state related to redundancy aid during the Covid 19 pandemic during 2020.

NOTE 5 EMPLOYEES, PERSONNEL COSTS AND REMUNERATION TO MANAGEMENT AND INCENTIVE PROGRAM

COSTS FOR REMUNERATION TO EMPLOYEES

TSEK	Group		Parent Company	
	2022	2021	2022	2021
Salaries and other remuneration	109,985	87,697	64,513	54,039
Pension costs	11,003	9,458	5,275	4,335
Social security payments	19,149	16,167	17,102	13,932
Capitalised expense for development	-7,528	-16,853	-7,528	-16,456
	132,609	96,469	79,362	55,850

AVERAGE NUMBER OF EMPLOYEES

TSEK	Total		Whereof men	
	2022	2021	2022	2021
Sweden	71	56	46	37
Germany	1	1	1	1
France	1		1	
India	1	1	1	1
Singapore	1	1	1	1
TOTAL PARENT	75	59	50	40
USA	33	34	27	25
China	4	4	4	4
Japan	2	2	2	2
TOTAL SUBSIDIARIES	39	40	33	31
TOTAL GROUP	114	99	83	71

The average number of employees is calculated as the average of four measuring points during the year.

GENDER DISTRIBUTION IN THE BOARD OF DIRECTORS AND MANAGEMENT

Percent	Share Of Women			
	Group		Parent Company	
	2022	2021	2022	2021
Board	14%	17%	14%	17%
Other senior executives	20%	18%	20%	18%

SALARIES AND OTHER REMUNERATION DISTRIBUTED BETWEEN BOARD/CEO AND OTHER EMPLOYEES

TSEK	Board/CEO		Other employees		Total	
	2022	2021	2022	2021	2022	2021
PARENT COMPANY	6,003	5,435	58,510	48,604	64,513	54,039
Whereof variable remuneration	(-)	(-)	(10,028)	(8,605)	(10,028)	(8,605)
SUBSIDIARIES	-	-	45,472	43,839	45,472	33,658
Whereof variable remuneration	(-)	(-)	(13,461)	(5,351)	(13,461)	(5,351)
TOTAL	6,003	5,435	103,982	92,443	109,985	87,697
Whereof variable remuneration	(-)	(-)	(23,489)	(13,956)	(23,489)	(13,956)

INCENTIVE PROGRAM

TSEK	Total no of warrants	Allocated	Not allocated
Opening Balance, January 1, 2021	1,429,922	1,075,112	354,810
Granted during the period			
Forfeited during the period			
Exercised during the period			
Expired during the period			
Closing Balance, December 31, 2021	1,429,922	1,075,112	354,810
Opening Balance, January 1, 2022	1,429,922	1,075,112	354,810
Granted during the period			
Forfeited during the period			
Exercised during the period	-	-19,782	19,782
Expired during the period			
Closing Balance, December 31, 2022	1,429,922	1,055,330	374,592

NOTE 6 REMUNERATIONS TO AUDITORS

TSEK	Group		Parent company	
	2022	2021	2022	2021
<i>KPMG</i>				
Audit	1,661	840	1,661	840
Other commissions	-	-	-	-
<i>Michael Richter Inc</i>				
Audit	224	386	-	-
Other commissions	-	-	-	-

Audit assignments refer to statutory audit of the annual report, the consolidated financial statements, the accounting records as well as the administration of the board of directors and the chief executive officer as well as review and other audits conducted according to agreement or contract. This includes other tasks that are up to the company's auditors to perform as well as advice and other assistance because of observations made during the audit or the implementation of such other duties. 2022 includes true-up for 2021.

NOTE 7 NET FINANCIAL ITEMS

TSEK	Group		Parent company	
	2022	2021	2022	2021
Interest Income and Similar Profit/Loss Items				
Interest Income		4	51	
Exchange rate gains	1,280		5,629	233
Reversal write-downs				9,367
Other financial expenses	5			
Gain on divestment of subsidiary			10,072	
Total	1,285	4	15,752	9,600
Whereof Subsidiaries			10,296	9,367
Whereof Others			5,456	233
Interest Costs and Similar Profit/Loss Items				
Interest Costs	-1,368	-539		-591
Exchange Rate Losses		-1,014	-4,269	-1,245
Total	-1,368	-1,553	-4,269	-1,836
Whereof Subsidiaries				-498
Whereof Others			-4,269	-1,338

Reversal of write-downs is referring to reversal of previously written off loan to the American subsidiary in 2021.

NOTE 8 TAXES

RECOGNISED TAX EXPENSE

TSEK	Group		Parent company	
	2022	2021	2022	2021
Current Tax Expense (-) Tax revenue (+)				
Tax expense for the year	-642	-393	-38	-37
Deferred Tax Expense (-) Tax revenue (+)				
Deferred tax attributable to temporary differences	-1,701	-2,370	-	-
Deferred tax on losses carry forward	-4,287	-5,157	-1,351	-5,157
Total recognised Tax expense in the income statement	-6,630	-7,920	-1,389	-5,194

RECONCILIATION OF RECOGNISED TAX AND EFFECTIVE TAX RATE

TSEK	Group		Parent company	
	2022	2021	2022	2021
Profit / Loss before tax	-24,035	-21,271	-31,446	-26,081
Tax according to parent company applicable tax rate	4,951	4,382	6,516	5,373
Effect of other tax rates in foreign subsidiaries	-5,593	-870	-	-
Non-deductible expense	-191	-302	-191	-267
Tax exempt income	2,238	-	2,238	1,930
Deferred tax on losses carry forward used or not activated	-6,334	-8,760	-9,953	-12,230
Deferred tax on temporary differences	-1,701	-2,370	-	-
Effective tax recognised	-6,630	-7,920	-1,389	-5,194
	-27.6%	-37.2%	-4.4%	-19.9%

The total tax deficit activated for the group is SEK 48 million consisting of SEK 32 million for the parent and SEK 16 million for Mentice Inc. Accrued tax assets have been recognised with SEK 9.8 (14.0) million for the group and SEK 6.6 (8.0) million for the parent.

Assessment is made for the possible usage of tax losses carry forward for parent company and MSEK 1.4 (5.2) has been reversed.

CHANGE IN DEFERRED TAX IN TEMPORARY DIFFERENCES AND TAX LOSSES CARRY-FORWARD FOR THE GROUP AND PARENT COMPANY

Group	Balance per	Recognised in	Equity	Balance
TSEK	01-Jan-22	Profit /loss		31-Dec-22
Tangible/Intangible assets	-1,830	-1,921	748	-3,003
Inventory	265	375		640
Other receivables	97			97
Deferred Income	143	-143		-
Capitalisation of tax losses carry forward	15,291	-4,287	1,039	12,043
Total	13,966	-5,976	1,787	9,777

Group	Balance per	Recognised in	Equity	Balance
TSEK	01-Jan-21	Profit /loss		31-Dec-21
Tangible/Intangible assets	-45	-1,785		-1,830
Inventory	-186	265	186	265
Other receivables	97			97
Deferred Income	143			143
Capitalisation of tax losses carry forward	20,566	-6,007	732	15,291
Total	20,575	-7,527	918	13,966

Parent company	Balance per	Recognised in	Equity	Balance per
TSEK	01-Jan-22	Profit /loss		31-Dec-22
Deferred Income	670			670
Capitalisation of tax losses carry forward	7,296	-1,351		5,945
Total	7,966	-1,351		6,615

Parent company	Balance per	Recognised in	Equity	Balance per
TSEK	01-Jan-21	Profit /loss		31-Dec-21
Deferred Income	670			670
Capitalisation of tax losses carry forward	12,453	-5,157		7,296
Total	13,123	-5,157		7,966

NOTE 9 EARNINGS PER SHARE

TSEK	Basic	
	2022	2021
Earnings per share	-1.22	-1.18

TSEK	After dilution	
	2022	2021
Earnings per share	-1.22	-1.18

	2022	2021
Profit/loss attributable to the Parent company ordinary shareholders	-30,665	-29,191

	2022	2021
Weighted average number of ordinary shares during the year, Basic	25,210,608	24,764,261
Weighted average number of ordinary shares during the year, After dilution	25,210,608	24,764,261

NOTE 10 BUSINESS COMBINATIONS

In June 2022, Mentice announced the acquisition of all assets in relation to Ankyras s from Galgo Medical (Barcelona). Ankyras develops applications for precision medicine and will take Mentice into the operating room with a regulatory approved solutions assisting physicians in their aim to improve the outcome for patients. Ankyras has developed an application for analysis of cerebral aneurysms in the brain. Ankyras solution is unique, and they are pioneers in these areas with algorithms and solutions being developed since 2013 and they are now ready for a broader commercialization. This acquisition is well in-line with our strategy to expand in our vertical for image guided interventional therapies. We have effectively enhanced our solutions for our core and legacy area of high-fidelity virtual simulation solutions combined with the acquisition of Vascular Simulations during 2020 (now referred to as Physical SIM) adding solutions for product development and advanced patient specific simulation using 3D printed physical models. With Vascular Simulation we have been able to leverage our global sales and support organization and our customer network to drive growth of Physical SIM and we envision the same to happen with Ankyras. With Ankyras we will now add analysis and planning of the treatment of a specific patient. The combination of these technologies creates an effective matrix of tools offering our clients a unique portfolio

of synergetic solutions within our clinical domain. Our ambition is to redefine what we refer to as our marketplace and we can see this market being radically larger compared to the classical definition of the simulation and training marketplace which Mentice been connected to until now.

The purchase price of 2.775 MEUR or 29 MSEK at exchange rate of 9th of June. This total price has now been reduced to 2.610 MEUR due to performance-related price adjustments. The first part of the purchase price 1.8 MEUR was paid on 30th of June and the second contingent payment of 0.56 MEUR was paid in January 2023. The last contingent payment of 0.25 MEUR is due in July 2023.

The full purchase price allocation is preliminary based on estimates of the earn-out components and indicates allocation of 1,549 MEUR for patents, 0.499 MEUR for trademark and the remaining 0.572 MEUR in goodwill.

No acquisitions took place during 2021.

The acquisition has had the following effect on the assets and liabilities of the Group:

TSEK	Carrying amount
	2022
Patent	16,916
Trademark	5,443
Goodwill	5,915
Accrued Expenses and Deferred Income	9,049

NOTE 11 INTANGIBLE ASSETS

TSEK	Group				
	Internally Developed Intangible Assets	Acquired intangible Assets			Total
	Development Expenses	Patents	Trademarks	Goodwill	
ACCUMULATED ACQUISITION VALUE					
Opening balance 2021-01-01	49,288	25,246		42,613	117,147
Internally Developed Assets	16,853				16,853
Acquisitions	-	-	-	-	-
Closing balance 2021-12-31	66,141	25,246		42,613	134,000
Opening balance 2022-01-01	66,141	25,246		42,613	134,000
Internally Developed Assets	7,528				7,528
Acquisitions		16,916	5,443	5,779	28,138
Reclassifications to accumulated depreciation	-2,919			-322	-3,241
Closing balance 2022-12-31	70,750	42,162	5,443	48,070	166,425
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
Opening balance 2021-01-01	-10,374	-5,083		-322	-15,779
Depreciation for the year	-7,798	-2,218			-10,016
Write down for the year	-2,203				-2,203
Closing balance 2021-12-31	-20,375	-7,301		-322	-27,998
Opening balance 2022-01-01	-20,375	-7,301		-322	-27,998
Depreciation for the year	-9,009	-2,243			-11,252
Reclassifications to accumulated acquisitions	2,919			322	3 241
Closing balance 2022-12-31	-26,465	-9,544	-	-	-36,009
Carrying Amount					
Per 2021-01-01	38,914	20,163	-	42,291	101,368
Per 2021-12-31	45,766	17,945	-	42,291	106,002
Per 2022-01-01	45,766	17,945	-	42,291	106,002
Per 2022-12-31	44,285	32,618	5,443	48,070	130,416

TSEK	Parent Company				
	Internally Developed Intangible Assets	Acquired intangible Assets			Total
	Development Expenses	Patents	Trademarks	Goodwill	
ACCUMULATED ACQUISITION VALUE					
Opening balance 2021-01-01	49,288	26,720		43,081	119,089
Internally Developed Assets	16,456				16,456
Closing balance 2021-12-31	65,744	26,720		43,081	135,545
Opening balance 2022-01-01	65,744	26,720		43,081	135,545
Internally Developed Assets	7,528				7,528
Acquisitions		16,916	5,442	5,605	27,963
Reclassifications to depreciation	-2,522				-2,522
Closing balance 2022-12-31	70,750	43,636	5,442	48,686	168,514
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
Opwning balance 2021-01-01	-10,375	-5,086		-322	-15,783
Depreciation for the year	-7,400	-2,618		-8,666	-18,684
Write down for the year	-2,203				-2,203
Closing balance 2021-12-31	-19,978	-7,704		-8,988	-36,670
Opening balance 2022-01-01	-19,978	-7,704		-8,988	-36,670
Depreciation for the year	-9,009	-2,644		-9,146	-20,799
Reclassifications to acquisitions	2,522				2,522
Closing balance 2022-12-31	-26,465	-10,348	-	-18,134	-54,947
Carrying Amount					
Per 2021-01-01	38,913	21,634	-	42,759	103,306
Per 2021-12-31	45,766	19,016	-	34,093	98,875
Per 2022-01-01	45,766	19,016	-	34,093	98,875
Per 2022-12-31	44,285	33,288	5,442	30,552	113,567

Goodwill and capitalized expenditure have been tested for impairment on the basis of budgets and forecasts, where the first year of the forecast is based on the Company's budget and the subsequent four years on the basis of the historical growth rate adjusted by the Company management's forecasts for the future. The forecasts have been produced internally by the company management on the basis of historical data, management's cumulative experience and their best assessment of the company's development potential and market growth. The present value of forecast cash flows has been calculated using a discount rate of 21.9 (21.9) percent.

The main variables in the forecast are growth, gross margin, sales costs and investments. The calculation is based on continued good gross margin and the investment need to replace existing assets has been deemed to be relatively low. Working capital has been assumed to change in proportion to turnover. The recoverable amount, which is calculated in the Group as value in use, exceeds the carrying amount for all impairment tested assets. Management believes that no reasonable changes in the important variables and assumptions result in the entity's recoverable amount being lower than the carrying amounts. Conceivable changes in these assumptions over time are not expected to lead to any indication that the carrying amount for goodwill cannot be defended. In order to support the impairment testing of goodwill that has been carried out, an analysis has been made of the sensitivity of the variables used in the model. An assumed increase in the discount rate with 2% percent demonstrates that the recoverable amounts are still greater than the carrying amounts. Other assumptions, such as the gross margin, capital expenditure requirements and the growth rate, have been assumed to be constant.

NOTE 12 TANGIBLE ASSETS

TSEK	Group			Parent company		
	Equipment	Leasehold improvements	Total equipment	Equipment	Leasehold improvements	Total equipment
Acquisition Value						
Opening Balance, January 1, 2020	20,265		20,265	6,536		6,536
Purchases	9,639		9,639	1,709		1,709
Disposals	-210		-210	-209		-209
Exchange rate differences	1,334		1,334			-
Closing Balance, December 31, 2020	31,028	-	31,028	8,036	-	8,036
Opening Balance, January 1, 2021	31,028		31,028	8,036		8,036
Purchases	5,097	429	5,526	983	429	1,412
Exchange rate differences	1,100		1,100			-
Closing Balance, December 31, 2021	37,225	429	37,654	9,019	429	9,448
Depreciation						
Opening Balance, January 1, 2020	-12,295		-12,295	-4,203		-4,203
Depreciation for the year	-4,287		-4,287	-882		-882
Disposals	206		206	207		207
Exchange rate differences	-561		-561			-
Closing Balance, December 31, 2020	-16,937	-	-16,937	-4,878	-	-4,878
Opening Balance, January 1, 2021	-16,937		-16,937	-4,878		-4,878
Depreciation for the year	-5,611	-46	-5,657	-1,042	-46	-1,088
Disposals	374		374			-
Exchange rate differences	-1,934		-1,934			-
Closing Balance, December 31, 2021	-24,108	-46	-24,154	-5,920	-46	-5,966
Carrying amount						
As at 2021-01-01	7,970	-	7,970	2,333	-	2,333
As at 2021-12-31	14,091	-	14,091	3,158	-	3,158
As at 2022-01-01	14,091	-	14,091	3,158	-	3,158
As at 2022-12-31	13,117	383	13,500	3,099	383	3,482

NOTE 13 RIGHT OF USE ASSETS

Group TSEK	Right-of-use asset
Acquisition value	
Opening balance, January 1, 2021	21,942
New contracts	11,628
Terminated contracts	-11,353
Closing balance, December 31, 2021	22,217
Opening balance, January 1, 2022	22,217
New contracts	8,633
Right-of-use asset correction	4,748
Exchange rate differences	2,195
Closing balance, December 31, 2022	37,793
Depreciation	
Opening balance, January 1, 2021	-10,722
Depreciation for the year	-6,221
Terminated contracts	8,788
Closing balance, December 31, 2021	-8,155
Opening balance, January 1, 2022	-8,155
Depreciation for the year	-6,199
Right-of-use asset correction	-7,891
Exchange rate differences	-1,106
Closing balance, December 31, 2022	-23,351
Carrying amount	
As at 2020-01-01	11,220
As at 2020-12-31	14,062
As at 2021-01-01	14,062
As at 2021-12-31	14,442

NOTE 14 ACCOUNTS RECEIVABLES

TSEK	Group		Parent company	
	2022	2021	2022	2021
Accounts receivable	85,582	68,324	50,087	35,400
Total	85,582	68,324	50,087	35,400
Age structure - accounts receivable				
Not due	55,888	42,385	26,736	25,151
Due 1-31 days ago	9,634	12,099	9,634	5,688
Due 32-62 days ago	14,242	7,305	11,026	533
Due 63-92 days ago	2,804	1,656	2,151	2
Due > 92 days ago	3,013	4,879	540	4,027
Total	85 582	68,324	50,087	35,400
Accounts receivable by region				
EMEA	25,546	12,793	25,546	11,036
US	36,498	33,776	1,003	3,986
APAC	23,538	21,755	23,538	20,378
Total	85,582	68,324	50,087	35,400

NOTE 15 INVENTORIES

TSEK	Group		Parent company	
	2022	2021	2022	2021
Finished Products and Goods for Resale	16,861	9,195	10,104	6,541

The Parent company's cost of goods sold includes impairment of inventories of 0 (447) TSEK

NOTE 16 PREPAID COSTS AND ACCRUED INCOME

TSEK	Group		Parent company	
	2022	2021	2022	2021
Rent	81	970	1,258	970
Leases	-	10	-	10
Insurance	289	411	260	83
Accrued Income	1,132	6,892	1,130	744
Additional Prepaid Expenses	8,356	9,612	5,274	5,080
Total	9,858	17,895	7,922	6,887

NOTE 17 CASH AND CASH EQUIVALENTS AND BANK OVERDRAFT FACILITY

TSEK	Group		Parent company	
	2022	2021	2022	2021
<i>The following components are included in cash and cash equivalents:</i>				
Cash and Bank Balances	47,285	12,697	36,419	4,968
Total according to statement of financial position	47,285	12,697	36,419	4,968

Utilized overdraft facilities as of the balance sheet date amounted to SEK 0 (0) million in the group and SEK 0 (0) million in the parent company. The amount granted in bank overdraft facilities in the group amounts to SEK 20(20) million and in the parent company to SEK 20 (20) million.

NOTE 18 EQUITY

On June 13th 2022 the company did a directed issue of shares that generated 800.000 shares and SEK 40 thousand in share capital and SEK 56 460 thousand in other paid in capital. The injected capital is after deduction of SEK 3 500 thousand in transaction costs.

SHARE CAPITAL

There is only one type of share, all shares have the same rights. On December 31, 2022, the registered share capital encompassed 25,568,850 ordinary shares at SEK 0,05 each. Holders of ordinary shares are entitled to dividends that are established after the event and the shareholding gives the right to vote at general meetings with one vote per share.

Other paid in capital

Other paid in capital refers to shareholders' equity that is

contributed when subscribing for issues of new shares.

Translation reserve

Translation reserve refers to translation differences on translation of foreign operations included in equity.

Retained earnings and profit/loss for the year

Retained earnings and profit/loss for the year comprise for the balanced earnings and profit and loss for the year.

For the parent company equity is divided into restricted equity consisting of Share Capital and Fund for development costs and non-restricted equity consisting of Other paid in capital, retained earnings and net result for the year.

The fund for development costs is resolved as the capitalized costs is depreciated.

SHARE CLASSES

Thousands of shares	2022	2021
<i>Ordinary shares</i>		
Issued as of January 1	24,769	24,728
Rights issue	800	41
Issued as of December 31	25,569	24,769

NOTE 19 NON-CURRENT LIABILITIES AND LIABILITIES TO GROUP COMPANIES

TSEK	Group		Parent company	
	2022	2021	2022	2021
Non-current Liabilities				
Liabilities to Group Companies			970	31,449
Other long-term liabilities	8,875	10,086		
	8,875	10,086	970	31,449

Other long-term liabilities in the group refers to long term part of lease liabilities see further information in note 23 and liabilities to group companies refers to liabilities to Group Companies in the parent company in 2022 is SEK 970 thousand to Japan and in 2021 SEK 31,449 thousand to Switzerland, China and Japan.

The parent company has net receivables from the subsidiary Mentice INC and Mentice Spain SL in the amount of SEK 6,635 (13,476) thousand and SEK 1,113 (0) thousand respectively.

NOTE 20 ACCRUED EXPENSES AND DEFERRED INCOME

TSEK	Group		Parent company	
	2022	2021	2022	2021
Deferred service revenue	40,590	21,070	24,412	10,539
Deferred income and accrued expenses	61,924	60,024	42,775	34,369
Accrued holiday pay	6,816	6,432	6,816	6,104
Accrued sales bonus	3,068	3,905	1,767	1,600
Accrued social security charges	6,030	5,414	6,014	5,298
Accrued purchase price for acquisition	9,049	-	9,049	-
Other	8,306	550	4,537	550
	135,782	97,395	95,370	58,460

NOTE 21 MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE AND CATEGORIZATION

Group 2022 TSEK	Carrying amount			Fair value			
	Measured at fair value via profit/loss	Measured at amortised acquisition cost	Total	Level 1	Level 2	Level 3	Total
Financial assets							
Accounts receivable		85,582	85,582				85,582
Other current receivables		5,255	5,255				5,255
Cash and cash equivalents		47,285	47,285				47,285
	-	138,122	138,122	-	-	-	138,122
Financial liabilities							
Accounts payable		14,231	14,231				14,231
Lease liabilities		16,675	16,675				16,675
Other current liabilities		3,554	3,554				3,554
	-	34,460	34,460	-	-	-	34,460

Group 2021 TSEK	Carrying amount			Fair value			
	Measured at fair value via profit/loss	Measured at amortised acquisition cost	Total	Level 1	Level 2	Level 3	Total

Financial assets

Accounts receivable		68,324	68,324				68,324
Other current receivables		5,672	5,672				5,672
Cash and cash equivalents		12,697	12,697				12,697
	-	86,693	86,693	-	-	-	86,693

Financial liabilities

Accounts payable		8,997	8,997				8,997
Lease liabilities		14,704	14,704				14,704
Other current liabilities		3,602	3,602				3,602
	-	27,303	27,303	-	-	-	27,303

Parent company 2022 TSEK	Carrying amount			Fair value			
	Measured at fair value via profit/loss	Measured at amortised acquisition cost	Total	Level 1	Level 2	Level 3	Total

Financial assets

Accounts receivable		50,087	50,087				50,087
Other current receivables		4,768	4,768				4,768
Cash and cash equivalents		36,419	36,419				36,419
	-	91,274	91,274	-	-	-	91,274

Financial liabilities

Liabilities to group companies		3,038	3,038				3,038
Accounts payable		9,383	9,383				9,383
Other current liabilities		1,778	1,778				1,778
	-	14,199	14,199	-	-	-	14,199

Parent company 2021 TSEK	Carrying amount			Fair value			
	Measured at fair value via profit/loss	Measured at amortised acquisition cost	Total	Level 1	Level 2	Level 3	Total
Financial assets							
Accounts receivable		35,400	35,400				35,400
Other current receivables		15,075	15,075				15,075
Cash and cash equivalents		4,968	4,968				4,968
	-	55,443	55,443	-	-	-	55,443
Financial liabilities							
Liabilities to group companies		31,449	31,449				31,449
Accounts payable		7,978	7,978				7,978
Other current liabilities		3,805	3,805				3,805
	-	43,232	43,232	-	-	-	43,232

Assets and liabilities are valued at cost and this value is the same as market value for these items.

NOTE 22 FINANCIAL RISK AND RISK MANAGEMENT

Through its operations, the Group is exposed to various kinds of financial risks.

- Market risk
- Currency risk
- Credit risk

MARKET RISK

Market risk is the risk that the fair value of, or future cash flow from, a financial instrument varies due to changes in market prices. Market risks are divided into three types by IFRS, currency risk, interest rate risk and other price risks. The market risks that primarily affect the Group consist of currency risks.

CURRENCY RISK

Currency risk is the risk that the value of assets and liabilities varies due to changes in exchange rates. Exchange risk is divided into translation exposure and transaction exposure. Translation exposure refers to the exposure of net assets for foreign subsidiaries. Transaction exposure refers to risks associated to purchases and sales in foreign currency. The Group's external sales are made exclusively in the currencies EUR and USD. In the parent company, 70% of the external sales are in EUR, and the majority of costs are in SEK. The external sales conducted in the US subsidiary is exclusively in USD. The inflow is matched against the subsidiary's outflow, which is comprised of costs that are also exclusively in USD.

SENSITIVITY ANALYSIS

To manage the currency risk, the Group's goal is to minimise the effect of short-term fluctuations on the Group's result. The Group's currency management policy is to all of the time hedge 60 percent of the total order value in EUR current. The Group uses futures to hedge its currency risk, where the majority of contracts are due within 3 months of the balance sheet date. Long-lasting currency exchange rate changes will however have an impact on the consolidated result. A general increase in value of 5 percent for SEK versus USD is estimated to have a negative impact of SEK -0.5 (0.3) million on the Groups operating result before tax for the financial year 2022.

CREDIT RISKS IN ACCOUNTS RECEIVABLE

The Group's exposure to credit risk is mainly attributable to accounts receivable. The situation of existing customers is also monitored continuously, in order to identify warning signs at an early stage.

When monitoring customer's credit risk, customers are grouped according to their credit properties, their geographical location, industry and trading history with the Group and the existence of any previous financial difficulties.

Accounts receivable are spread across a large number of customers, and no customer represents a significant portion of the total. Neither are trade accounts receivable concentrated to a specific geographical area. The Group therefore assesses that the concentration risk is limited.

The Group has not reported any customer loss reserves or customer losses.

NOTE 23 ACCOUNTS PAYABLE AND AGE DISTRIBUTION

2022	Group							Parent company						
	Nominal amount original currency	Currency	Nominal amount original currency	Total	< 1 month	1-3 months	3-6 months	Nominal amount original currency	Currency	Nominal amount original currency	Total	< 1 month	1-3 months	3-6 months
Accounts Payable	14,231	SEK	14,231	14,231	14,231	-	-	9,383	SEK	9,383	9,383	9,383	-	-
Total	14,231		14,231	14,231	14,231			9,383		9,383	9,383	9,383		

2021	Group							Parent company						
	Nominal amount original currency	Currency	Nominal amount original currency	Total	< 1 month	1-3 months	3-6 months	Nominal amount original currency	Currency	Nominal amount original currency	Total	< 1 month	1-3 months	3-6 months
Accounts payable	8,997	SEK	8,997	8,997	8,997	-	-	7,978	SEK	7,978	7,978	7,978	-	-
Total	8,997	SEK	8,997	8,997	8,997			7,978	SEK	7,978	7,978	7,978		

NOTE 23 LEASING

RENTAL AGREEMENTS

TSEK	Maturity
Gothenburg, Sverige	April 30, 2025
Chicago, USA	June 30, 2025
Denver, USA	October 31, 2025
MKK, Japan	May 31, 2024
MBJ, Beijing	October 31, 2024

Right-of-use assets included in the consolidated balance sheet

TSEK	Rented premises	
	2022	2021
Group		
Right-of-use assets	37,793	22,217
Accumulated depreciation	-23,351	-8,155
	14,442	14,062

Leasing liabilities included in the Group consolidated balance sheet

TSEK	Rented premises	
	2022	2021
Group		
Short-term	7,800	4,618
Long-term	8,875	10,086
	16,675	14,704

Change in lease liability

TSEK	Lease liability
Opening balance, January 1, 2021	11,510
Cash outflows	-5,783
New lease liabilities	11,628
Divested lease liabilities	-2,651
Closing balance, December 31, 2021	14,704
Opening balance, January 1, 2022	14,704
Cash outflows	-7,468
New lease liabilities	8,633
Exchange rate differences	806
Closing balance, December 31, 2022	16,675

Amounts included in profit/loss

TSEK	2022	2021
Group		
Depreciation right-of-use asset	-6,199	-6,221
Interest on leasing liabilities	-1,205	-435
Leasing cost for short-term leases	-1,027	-699
Leasing cost regarding low value assets	-63	-61
	-8,494	-7,416

As at December 31, cash flow has been affected by IFRS 16 as described below

TSEK	2022	2021
Group		
Amortisation of lease liability	-7,468	-5,783
Interest on leasing liabilities	-1,205	-435
Leasing cost for short-term leases	-1,027	-699
Leasing cost regarding low value assets	-63	-61
	-9,763	-6,978

Duration analysis of leasing agreements, presenting the undiscounted leasing fees to be paid after the balance sheet day

TSEK	2022	2021
Parent company		
Within one year	4,016	2,132
Between one and two years	3,951	2,823
Between two and three years	308	2,809
Between two and three years	-	691
	8,275	8,455
Total lease expense in the parent company	4,097	3,331

NOTE 25 PLEDGED ASSETS AND CONTINGENT LIABILITIES

TSEK	Group		Parent company	
	2022	2021	2022	2021
Pledged Assets				
Corporate Mortgage	21,500	21,500	21,500	21,500
Contingent liabilities				
Guaranteeing Security			1,671	1,671

The parent company is guaranteeing security for the American subsidiary rental agreement for the Chicago office.

NOTE 26 APPROPRIATION OF RETAINED EARNINGS

The following equity is at the disposal of the Annual General Meeting in SEK

Other Paid in Capital	201,168,997
Retained Earnings	-62,144,811
Net result for the Year	-32,834,712
Total	106,189,474

The Board of Directors proposes that the non-restricted equity is allocated as follows:

To be carried forward	106,189,474
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NOTE 27 GROUP COMPANIES

Holdings in subsidiaries

	Registered office, country	Corporate identification number	Carrying amount	Ownership, %	
				2022-12-31	2021-12-31
Mentice INC	Chicago, Illinois, US	EIN 36-4355601	19,012	100.0%	100.0%
Mentice KK	Tokyo, Japan	0104-01-113133	101	100.0%	100.0%
Mentice SA	Lausanne, Switzerland	CH-550-100855-0	0	0,0%	99.9%
Mentice International Trading	Beijing, China	91110105MA01HUX9Y	478	100.0%	100.0%
Mentice Spain SL	Barcelona, Spain	Z-0105086-G	114	100,0%	0,0%

Parent company

TSEK	31-dec 22	31-dec 21
Accumulated aquisition values		
At the beginning of the year	82,154	82,154
Liquidation of Mentice SA	-22,065	
Adding of Mentice Spain SL	114	
Closing balance 31 December	60,203	82,154
Accumulated depreciation		
At the beginning of the year	-40,498	-40,498
Closing balance 31 December	-40,498	-40,498
Recognised value as at 31 December	19,705	41,656

NOTE 28 SPECIFICATIONS FOR THE CASH FLOW STATEMENT

TSEK	Group		Parent company	
	2022	2021	2022	2021

The Following Components are Included in Cash and Cash Equivalents:

Cash and bank balances	47,285	12,697	36,419	4,968
Total according to the Balance sheet	47,285	12,697	36,419	4,968

TSEK	Group		Parent company	
	2022	2021	2022	2021

Interest Paid and Dividends Obtained

Received interest	110	4	100	-
Interest paid	-274	-104	-274	-104
	-164	-104	-174	-104

TSEK	Group		Parent company	
	2022	2021	2022	2021

Adjustments for Items not Included in the Cash Flow

Depreciation	22,933	19,956	21,887	19,569
Unrealised Exchange rate Differences	-3,820	211	-380	-607
Write-down of Inventory				447
Write-down of intangible Assets		2,200		2,200
Reversal write-downs				-9,367
Total	19,113	22,367	21,507	12,242

NOTE 29 EVENTS AFTER THE CLOSING DATE

Events after closing date

2023-01-01

Alex Hussein appointed General Manager for the Americas region

2023-02-15

Press release - Mentice receives an order from Medtronic for simulation solutions for 652,000 USD

2023-03-02

Press release - Mentice receives an order from Medtronic Turkiet for simulation solutions for 655,000 USD

NOT 30 INFORMATION ABOUT THE PARENT COMPANY

Mentice AB is a Swedish registered limited company with registered office in Gothenburg. The address of the head office is Odinsgatan 10, Gothenburg, Sweden.

The consolidated financial statements for the period 1 January – 31 December 2022 consist of the parent company and its subsidiary, jointly called the Group.

CERTIFICATION OF THE BOARD

The Board and the Chief Executive Officer hereby certify that the annual report has been prepared in accordance with good accounting standards in Sweden and that the consolidated accounts have been prepared in accordance with the international accounting standards described in the 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 the consolidated accounts present a fair view of the parent company and the Group's financial position and result. The Board of Director's Report for the parent company and the Group present a fair view of the development of the parent company's and

the Groups' business operations, position and result and describes import risks and factors of uncertainty that the parent company and the companies in the Group are exposed to.

The annual report and the consolidated accounts have, as stated above, been approved for publication of the board and the Chief Executive Officer on April 5, 2023. The consolidated accounts' consolidated income statement and total result and consolidated balance sheet for the Group and the parent company's result and balance sheet will be subject to a vote on the annual general meeting on May 11, 2023.

Göteborg 5 april 2023,

Magnus Nilsson
Chairman of the Board

Göran Malmberg
Chief Executive Officer

Eola Änggård Runsten
Member of the Board

David J. Ballard
Member of the Board

Johann Koss
Member of the Board

Denis Gestin
Member of the Board

Gösta Johannesson
Member of the Board

Lawrence D. Howell
Member of the Board

We submitted our Auditor's report on April 5, 2023.

KPMG AB

Johan Kratz
Authorised Public Accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of Mentice AB (publ.), corp. id 556556-4241

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Mentice AB (publ.) for the year 2022. The annual accounts and consolidated accounts of the company are included on pages [26-31 and pages 39-81] 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.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

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 [1-25, 32-38 and page 85]. 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.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

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 Mentice 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.

Göteborg den 5 april 2023

KPMG AB

Johan Kratz

Authorized Public Accountant

FINANCIAL CALENDAR

ANNUAL REPORT 2022
INTERIM REPORT JAN-MAR 2023
ANNUAL GENERAL MEETING
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