

**karo**<sup>®</sup>  
healthcare

Karo  
healthcare

**Financial  
Report**

2022

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## STATUTORY ADMINISTRATION REPORT

The Board of Directors and Chief Executive Officer of Karo Healthcare AB (publ, corporate name changed in the year from Karo Pharma AB), corporate identity number 556309-3359 and registered office in Stockholm, Sweden, hereby present the Annual Accounts for the operations of the group and parent company for the financial year 1 January to 31 December 2022. The financial statements of Karo Healthcare AB and its subsidiaries for the financial year ending on 31 December 2022 were approved by the Board of Directors on 21 April 2023, and will be presented to the Annual General Meeting (AGM) on 5 May 2023 for approval.

All amounts are for the group for the financial year 2022 unless otherwise stated. Comparisons are with the financial year 2021 unless otherwise stated.

### Operations

Karo Healthcare is a healthcare company that markets over-the-counter (OTC) products, and prescription drugs (Rx) to pharmacies, digital distribution channels, and the retail sector. Karo Healthcare was incorporated in 1987 and is no longer listed on Nasdaq First North Growth Market where it was listed until that date.

#### Significant events in 2022

On 13 January 2022, Karo Healthcare completed the acquisition of the expanding Belgian enterprise Sylphar International NV, which specialises in e-commerce in consumer health. The three largest brands in its portfolio are Nutravita®, Alpha Foods® and Remescar®.

On 9 March 2022, Karo Healthcare completed an add-on acquisition of Satin Naturel®, an exclusive skincare brand mainly sold on Amazon in Germany. For strategic reasons, the company's Board of Directors also decided to apply for a de-listing of the company's share from Nasdaq Stockholm, and a listing on Nasdaq First North Growth Market.

Karo Healthcare gained approval for the de-listing on 10 March 2022. The final day of trading on Nasdaq Stockholm was 24 March 2022, and the first day of trading on Nasdaq First North Growth Market was 25 March 2022.

On 16 March 2022, Karo Healthcare decided on a fully guaranteed Rights Issue and announced its terms. The prospectus was published on 23 March 2022, and fully subscribed on 19 April 2022.

The overall outcome was that 47,954,417 shares were subscribed with subscription rights. The remaining 266,983 shares were granted to individuals that had subscribed for shares without subscription rights. Karo Healthcare raised some SEK 2,508 m before issue expenses. The subscription price in the Rights Issue was SEK 52 per new share.

On 1 April 2022, Karo Healthcare completed the acquisition of the E45® skincare brand from Reckitt for GBP 200 m. Net sales of E45® were GBP 43 m in 2021, and this transaction is expected to make a positive contribution to the group's market position in skincare, primarily in the UK, South Africa and Spain.

On 31 May 2022, Claire Hennah was elected as a new Director at the AGM, and KPMG AB, with Authorised Public Accountant Håkan Olsson Reising as Key Audit Partner, was

elected as auditor. Karo Healthcare's AGM was held without shareholders, proxies or external parties being in attendance, in accordance with temporary legislation.

On 16 August 2022, Karo Intressenter AB announced a cash public takeover Offer to the shareholders of Karo Healthcare AB to acquire the shares of Karo Healthcare not previously held by Karo Intressenter at a price of SEK 60 per share.

On 26 August 2022, Karo Intressenter held 236,720,058 shares of Karo Healthcare, or 86.6% of the share capital and votes. Accordingly, Karo Intressenter became Karo Healthcare's parent company.

The Directors evaluated the effect on their investments in Karo Intressenter and concluded that Directors may have an interest in the Offer that conflicts with shareholders' interests. Consequently, the Board of Directors decided not to issue an opinion on the Offer pursuant to point 11.19 of the Takeover Rules.

To resolve this conflict of interest, and observe the provisions of the Takeover Rules, the Board of Directors authorised Karo Healthcare's Head of Legal, Richard Edström, to represent the company on matters related to the Offer. Roschier Advokatbyrå AB ("Roschier") was appointed legal counsel. After consulting with Roschier, Richard Edström appointed Nordea Bank Abp, Sweden branch Corporate Finance ("Nordea"), to issue an independent fairness opinion.

According to Nordea's fairness opinion of 25 August 2022, the consideration for Karo Healthcare's shareholders was reasonable from a financial perspective.

On 10 November 2022, the Board of Directors of Karo Healthcare AB decided to apply for a de-listing of the company's shares from Nasdaq First North Growth Market due to Karo Intressenter AB controlling over 90% of the shares of Karo Healthcare and invoking compulsory redemption of the remaining shares of the company. The application for de-listing was approved by Nasdaq, and the final day of trading was 24 November 2022.

On 5 December 2022, at an Extraordinary General Meeting (EGM), the Articles of Association were amended as proposed by the Board of Directors. The amendment consisted of changing the company's corporate name to Karo Healthcare AB. At this time, the total number of shares and votes of the company was 273,254,604.

#### Significant events after the end of the financial year 2022

On 16 January 2023, Michael Kaltenborn was appointed Chief Strategy & Corporate Development Officer (CSDO). The appointment of Michael Kaltenborn reflects the company's ambition to grow through acquisitions and continue to acquire attractive brands and product portfolios in healthcare. This appointment also enhances the international profile of Karo Healthcare's organisation and management.

#### COVID-19

Some impacts on consumption patterns from Covid-19 were still apparent in early-2022, but as societies opened up, demand normalised.

The impact of Covid-19 on financial targets and cash flow throughout the pandemic was limited and did not create additional financial risks for Karo Healthcare.

**Effects of the war in the Ukraine**

In the context of events in the Ukraine and sanctions against Russia, the company has taken measures against the financial risk this presents for the company. Yearly sales, which are exclusively through external distributors without direct employees in Russia, are estimated at some SEK 20 m, and outstanding accounts receivable at year-end were some SEK 7m.

At present, Karo Healthcare has no direct exposure to suppliers of goods in this region, but subcontractors from other parts of Europe have been impacted by rising energy prices and the business cycle was affected by inflation as a consequence of this situation.

**Organisation**

Operations are conducted within the parent company Karo Healthcare AB and its wholly owned subsidiaries Karo Healthcare Sverige AB, Karo Healthcare AS, BioPhausia AB, Karo Healthcare ApS, Karo Healthcare AG, Karo Healthcare Oy, Karo Healthcare S.L., Karo Healthcare S.R.L., Karo Healthcare UK Ltd., Trimb Holding AB and Trimb's directly and indirectly wholly owned subsidiaries, as well as Sylphar International NV, and Sylphar's first and second-tier wholly owned subsidiaries. The head office is in Stockholm, Sweden.

In tandem with the acquisition of Sylphar, its CEO Robin List became a member of management.

Michael Kaltenborn, Chief Strategy and Corporate Development Officer joined the management team as he was onboarded post year end. Otherwise, management has the same members in the year, and at the end of the financial year, consists of the Chief Executive Officer, the Chief Financial Officer and another eight individuals

At year-end, Karo Healthcare had 369 (225) permanent employees.

**Revenue and earnings**

Revenue increased to SEK 4,138.4 m (2,961.4) in the year 2022, compared to the previous year, a 40% increase for the period.

Cost of goods sold were SEK 1,869.8 m (1,255.0) in January-December 2022. The gross margin was 54.8% (57.6) in same the period, and was negatively impacted by an altered product mix from acquisitions.

Operating expenses including depreciation and amortisation, other operating income and other operating expenses were SEK 2,340.5 m (1,500.4) for 2022, a 56% increase. Selling expenses increased to SEK 1,702.0 m (1,090.2). Administrative expenses were SEK 642.4 m (422.7).

Other operating income decreased in the year, mainly because of exchange rate effects in working capital, and the effects of acquisitions.

EBITDA was SEK 769.1 m (771.8) for the year. Basic and diluted earnings per share for 2021 were SEK -1.82 (-0.08).

**Investments**

Investments amounted to SEK 5,310.4 m (822.7) net, with acquisitions representing SEK 5,277.2 m. The remainder of investments were made in implementing systems and equipment, as well as investments in securities, etc.

**Significant acquisitions**

On 13 January 2022, Karo Healthcare completed the acquisition of the Sylphar International NV group and its subsidiaries.

On 9 March 2022, Karo Healthcare completed the acquisition of the Satin Naturel® brand.

On 1 April 2022, Karo Healthcare completed the acquisition of the E45® brand.

**Cash flow and financial position**

Cash flow from operating activities was SEK 387.4 m (532.6) in the year. The group's cash and cash equivalents were SEK 452.4 m (260.7) at the end of the period.

Total assets as of 31 December were SEK 18,597.1 m (12,593.4), with intangible assets representing SEK 15,731.8 m (10,342.4) of total assets. Cash flow from changes in working capital increased by SEK 15.3 m in the year.

Consolidated equity was SEK 7,966.1 m (5,814.3). The equity/assets ratio was 42.8% (46.2).

**Equity and share data**

The total number of Karo Healthcare shares is 273,254,604, of which 0 were held in treasury as of 31 December 2022.

Consolidated equity increased to SEK 7,966.1 m (5,814), which after considering earnings for the year, corresponded to SEK 29.15 (25.82) per share.

**Parent company**

The parent company's net sales for 2022 were SEK 1,635.7 m (1,390.4). Profit/loss before tax was SEK -494.1 m (-31.0). The parent company's cash and cash equivalents and other investments in securities, etc. were SEK 391.4 m (209.6 as of 31 December 2021).

**Remuneration guidelines for senior executives**

No proposals to amend remuneration guidelines for senior executives are being submitted to the AGM 2023. The applicable guidelines, approved by the AGM 2022, follow. These guidelines do not include compensation resolved by shareholders' meetings.

*Promotion of Karo Healthcare's business strategy, long term interests and sustainability by the guidelines*

The purpose of the guidelines is to provide a structure that adapts remuneration to Karo Healthcare's business strategy, long-term goals and sustainability. Karo Healthcare's goal is to grow through acquisitions that fit well with the company's structure in combination with organic growth. Karo Healthcare's business strategy, which means an increased commercial focus, has resulted in the group now being more dependent on employees with specialist marketing & sales skills. The company's business strategy is described in more detail at [www.karo.com](http://www.karo.com) and in this Annual Report.

Karo Healthcare's business strategy requires Karo Healthcare remaining capable of recruiting and retaining key employees. The guidelines must therefore enable efficient and competitive remuneration to senior executives within group.

*Decision-making process to formulate, review and implement guidelines*

Karo Healthcare's Board of Directors has decided not to establish a remuneration committee. The Board's opinion is that it is more expedient for the whole Board to perform the duties that otherwise would have been incumbent on a remuneration committee established by the Board. This has implications including the Board of Directors formulating, reviewing and implementing the remuneration guidelines for senior executives.

## STATUTORY ADMINISTRATION REPORT

Form of compensation	Relation to the company's business strategy	Implementation	Evaluation
<b>Basic salary</b>	Basic salary should reflect the responsibility the position entails. Basic salary levels aim to facilitate recruitment and enabling long-term retention of Karo Healthcare's senior executives.	Review during the year possible when changing roles.	Based on market levels for the relevant position and country. Levels adapted after evaluation to individual performance and responsibility.
Variable remuneration	Variable salary promotes achieving or exceeding Karo Healthcare's predetermined yearly goals through measurable financial and non-financial criteria such as growth, earnings and cash flow. Additionally, performance indicators can be used to put a focus on issues of special interest for Karo Healthcare, and for hiring and retaining key staff.	At the end of the measurement period, the Board of Directors judges the extent the criteria for payment of variable cash compensation have been satisfied.	Satisfaction of criteria for defined goals.
<b>Pension and other benefits</b>	Pension and other benefits of senior executives are part of enabling competitive total compensation to be offered, to facilitate hiring and enabling long-term retention of Karo Healthcare's senior executives.	Offered through the term of employment, and can require revision depending on factors such as age, level of basic salary, and role.	Based on custom and practice, as well as market levels for the relevant position and country.

The Board of Directors should prepare proposals for new guidelines when there is a need for significant changes to these or at least every four years and submit the proposal for a decision at the AGM. These guidelines should apply from AGM approval until new guidelines are adopted by the AGM (and for a maximum of four years). The Board can apply approval of new guidelines at an earlier point in time if circumstances arise that affect the purpose of the guidelines.

The Board should monitor and evaluate programs for variable remuneration to company management that are active or conclude during the year. The Board also monitors and evaluates the application of these guidelines for remuneration to senior executives such as the AGM approves and the applicable remuneration structures and compensation levels in Karo Healthcare. The Board must also leave an account of the results of the evaluation that has taken place.

All members of the Board are independent of Karo Healthcare and its management.

### *Consideration of salaries and terms of employment for employees*

The Board's consultation on proposals for guidelines for the remuneration of senior executives considered information on employees' total remuneration, the components of the remuneration and the remuneration increase and rate of increase over time. Progress in the difference between the remuneration of senior executives and of other employees will be stated in the annual remuneration report.

### *Forms of compensation*

The overall guidelines for remuneration to senior executives mean that remuneration should be based on position, individual performance and the group's results of operations. Karo Healthcare should maintain the level of remuneration and terms of employment required to recruit and retain a management with good skills and the ability to achieve designated business objectives. Accordingly, market levels should be the overarching principle of salary and other remuneration to senior executives.

Total remuneration to senior executives should consist of basic salary, variable remuneration in the form of short-term incentives based on annual performance targets, as well as pension and other benefits. Conditions applying to employment termination and severance pay are additional. Senior executives should also be able to serve on a consulting basis, with consultancy fees accommodated in the same framework as compensation payable for employment. To the extent the Board member serves Karo Healthcare in addition to service on the Board of Directors, market level consulting fees should be payable.

### *Basic salary*

For satisfactory service, compensation should be paid in the form of a basic salary.

### *Variable remuneration*

In addition to basic salary, variable remuneration should be offered as clearly rewards target-related performance according to simple and transparent structures. Senior executives' variable compensation should depend on the degree of achievement of predetermined business objectives. Senior executives' variable remuneration is designed to promote Karo Healthcare's ability to offer market-based and competitive remuneration levels and terms of employment that enable senior executives with good skills and the ability to achieve designated business goals to be recruited, motivated and retained.

The business objectives to be considered are different forms of financial target related to the group's financial performance including organic growth, earnings and cash flow. In addition, financial and non-financial performance indicators used to focus on issues of particular interest in Karo Healthcare.

By applying predetermined and measurable financial and non-financial targets and performance indicators reflecting Karo Healthcare's business priorities, Karo Healthcare believes that its potential to attract, motivate and retaining key employees improves, which contributes to Karo Healthcare's business strategy, long-term interests and sustainability.

When the measurement period for fulfilment of payment criteria of variable remuneration concludes, there should be an assessment of the extent to which the criteria were satisfied.

Prior to the payment of variable cash compensation, the Board should consider whether any pay-out is reasonable. This consideration is in relation to Karo Healthcare's results of operations and financial position.

Variable remuneration should include pension and vacation allowance in accordance with the Swedish Vacation Act, so is not pensionable.

Variable compensation should be a maximum of 125% of basic salary for the CEO and maximum of 100% for other senior executives.

#### *Pension and other benefits*

Senior executives' pension terms should be at market levels in relation to what generally applies to corresponding executives in the market and should be based on defined contribution pension solutions or linked to the ITP plan. Pension benefits should be based on a retirement age of 65.

Pension benefits should amount to a maximum of 30% of the pensionable basic salary of the CEO and other senior executives. Other benefits may include non-monetary benefits; such as company car benefits. Other benefits should be a maximum of 25% of the basic salary of the CEO and other senior executives.

The non-monetary benefits of senior executives (for example, company car benefit and healthcare) should facilitate the performance of duties and correspond to what can be considered reasonable in relation to market practice and benefit Karo Healthcare.

#### *Termination and severance pay*

In the event of termination by Karo Healthcare, the period of notice may not exceed twelve months. In the event of termination by the CEO or senior executive, the period of notice may not exceed six months.

Upon termination of employment on Karo Healthcare's side, The CEO and other senior executives should be entitled to severance pay of a maximum of 12 months' basic salary. No severance pay should be payable on termination on the employee's side.

#### *Executives covered*

The above guidelines should include the CEO of Karo Healthcare Aktiebolag and senior executives that report directly to the CEO, as well as the Presidents of Karo Healthcare's subsidiaries.

#### *Authorisation for the Board to depart from the guidelines*

The Board is entitled to depart from the guidelines if there are special reasons for this in an individual case. The Board may decide to temporarily depart from the guidelines wholly or partly if there are special reasons for this in an individual case, and a departure is necessary to serve the company's long-term interests and sustainability, or to ensure the financial viability of Karo Healthcare.

The Board of Directors performs the duties otherwise incumbent on a remuneration committee established by the Board, which includes decisions to depart from the guidelines. Any departures must be stated in the annual remuneration report.

## **Information on Karo Healthcare's shares**

On 31 December 2022, there were a total of 273,254,604 shares (225,033,204). Each share carries one vote, and equal entitlement to the company's distributable earnings. As of 31 December 2022, Karo Healthcare AB held no shares in treasury. Treasury shares do not confer rights to dividends, and do not carry votes.

There are no limitations to the transferability of Karo Healthcare's shares due to legal restrictions or stipulations of the Articles of Association.

To the best of Karo Healthcare's knowledge, there are no agreements between shareholders that could limit the transferability of shares.

### **Authorisation to issue new shares**

The AGM 2022 authorised the Board to decide on the issue of shares on one or more occasions until the AGM 2023. The number of shares that may be issued supported by this authorisation should not exceed 10% of the registered share capital at the time of the decision to issue. Such issue should be possible with or without waiving shareholders' preferential rights, and with or without provisions on contribution in kind, set-off or other terms.

The purpose of this authorisation is to increase the company's financial flexibility and enable acquisitions through payment in shares. If the Board decides to issue shares waiving shareholders' preferential rights, possible justifications may be providing the company with new capital and/or new shareholders of strategic significance to the company, and/or acquisitions of other companies or operations. When waiving shareholders' preferential rights, the issue price should be determined on an arm's length basis. The Board of Directors is permitted to decide on other terms and conditions.

## **Dividend**

Due to the company's ambition to grow through acquisitions and other means, as well as the company's debt/equity ratio, the Board of Directors is proposing that no dividend is paid for the financial year 2022.

## **Corporate Governance Report**

Because of the de-listing from Nasdaq, Karo Healthcare's Corporate Governance Report will not be published for the financial year 2022.

### **Sustainability reporting and the Sustainability Report**

Karo Healthcare's Sustainability Report, published as a separate appendix at [www.karo.com](http://www.karo.com), is for the financial year 1 January-31 December 2021. This Report is the Statutory Sustainability Report.

### **EU Taxonomy**

The EU Taxonomy Regulation applies from 1 January 2021. The taxonomy is a collective classification system for environmentally sustainable investments and financial products, is part of the EU Sustainable Finance Action Plan (SFAP), and came into effect in July 2020.

The requirement to apply the Taxonomy is set at EU and not national level, which means public interest entities (PIEs),

which according to the EU definition have over 500 employees, are covered. Karo Healthcare has not reached this threshold, and accordingly, has no reporting obligation under the Taxonomy Regulation.

### Future progress

The company's Board of Directors has an express objective to create a profitable company and increase shareholder value.

### Risk factors

The group's operations may be affected by a variety of events. The main risks considered material to operations by them potentially having a material impact on financial position, results of operations and/or reputation follow. These risks have not been stated in any particular order of priority. Other risks, which are either unknown or currently not considered material to Karo Healthcare, could have a similar impact on operations.

#### Risks related to the market and company

##### *Acquisition-related risks*

The company is executing an active acquisition strategy, and within the company's business strategy, and in addition to the above acquisitions, may acquire new, more mature projects, and enter partnerships with players with the aim of creating cash flows for the company. Karo Healthcare continuously screens potential acquisitions. If Karo Healthcare is unable to find suitable acquisition targets and/or find the necessary funding of future acquisition targets on acceptable terms, this may result in Karo Healthcare's growth declining, which may have a negative impact on the company's operations, financial position and results of operations. If the company can identify a suitable acquisition target, there is a risk that competitors are also interested in the same target, which may mean that the company is not successful in acquiring the target, or on terms that are unfavourable to the company. Acquisitions may also be obstructed by competition legislation. There is also a risk that executed acquisitions are not received positively by the market. This may have a negative impact on the company's operations, financial position and results of operations.

Generally, acquisitions imply integration risks. Over and above company-specific risks, the acquired company's relationships with key individuals, customers and suppliers may be negatively affected. There is also a risk that the integration processes take more time, or prove costlier, than estimated. Additionally, the expected synergies and targets of the transaction may not be realised, wholly or partly. The integration of acquisitions can mean organisational changes, which in the short term, delay the implementation and execution of plans and objectives. Upon consummation, all these risks may have a negative impact on Karo Healthcare's operations, financial position and results of operations.

##### *Product launches*

Launching a new pharmaceutical and/or other product takes time and can involve significant investments in marketing, product inventories before launch and other types of expense. There is a risk that launches of new products on existing or new markets are unsuccessful. If Karo Healthcare's launches of forthcoming products are unsuccessful, this may exert a negative impact on operations, financial position and results of operations.

Some of the company's products are available on prescription only, and sold exclusively through pharmacy chains. There is a risk that physicians decide not to prescribe the company's pharmaceuticals to their patients, which could imply declining sales for the company's prescription pharmaceuticals. Regardless of whether a physician prescribes one of the company's pharmaceuticals, each pharmacy chain is free to offer patients whichever corresponding compound they prefer. If one or several pharmacy chains discontinue offering patients Karo Healthcare's pharmaceuticals, this may exert a material negative impact on operations, financial position and results of operations.

##### *Competitive market*

A large number of companies that provide healthcare products, or compounds and therapies, or are active in research and development of compounds and therapies, may compete with products from Karo Healthcare or its potential collaborative partners. Some of these companies may have significantly greater financial and/or other resources than Karo Healthcare, and accordingly, enjoy better potential to achieve success in contact with regulatory authorities, for example, and in marketing, sales and distribution resources, as well as in research and development. More intense competition may imply a risk that Karo Healthcare is unable to maintain its current margins on its products, which may exert a negative impact on operations, financial position and results of operations.

There is also a risk that candidate drugs or products developed by collaborative partners do not achieve preference above currently extant or new products. Some of Karo Healthcare's products are procured, or confer entitlement to compensation for end-customers from, the paying third party. Changes to such structures may imply negative commercial and financial effects for Karo Healthcare. Intense competition may impact Karo Healthcare's operations, financial position and results of operations negatively.

##### *Rapid changes in the pharmaceutical industry*

One of the distinguishing features of the sector where Karo Healthcare is active is its changeability and rapid pace of development. This means that products and improve therapeutic methods are continuously emerging.

There is a risk that Karo Healthcare does not develop at the same rate, or its products do not satisfy the standards the market is applying. If Karo Healthcare is unable to satisfy the market's new standards, there is a risk that operations, financial position and results of operations are negatively impacted.

##### *Key individuals and recruitment*

The company's business strategy, which involves a focus on sales, unlike previously, where the emphasis was on research and development, has resulted in Karo Healthcare now being more dependent on employees with specialist marketing and

sales skills. There is a risk that the company is unable to adapt its organisation correspondingly, which may result in increased expenses, and management's focus moving from operating activities. This may have a negative impact on operations, financial position and results of operations. Karo Healthcare is heavily dependent on a number of key individuals, particularly individuals in management, who possess substantial experience, and considerable specialist knowledge, of the development of pharmaceutical companies, as well as the acquisition and integration of new businesses. The potential departure of one or more of these individuals may have negative financial and commercial effects.

The ability to hire and retain qualified professionals is extremely important to ensuring the skills level of the organisation. There is a risk that Karo Healthcare is not successful in attracting and retaining qualified professionals on acceptable terms, or at all, which may have a negative impact on operations, financial position and results of operations.

*Finance*

Acquisitions have been financed with bank loans. There is a risk that in future, Karo Healthcare is unable to generate sufficient cash flow to meet the expenses associated with these loans. There is also a risk that the terms of loans alter, or that Karo Healthcare breaches current covenants and obligations in loan agreements.

An inability to satisfy the covenants in loan agreements may imply that Karo Healthcare is compelled to repay part, or all, of the outstanding debt. If one or more of these risks is actualised, operations, financial position and results of operations may be materially negatively impacted.

*Need for additional finance*

Karo Healthcare may need to approach the capital markets to arrange financing through loans or similar arrangements. There is a risk that it is unable to access new capital when the need arises, that it cannot be secured on favourable terms, or such raised capital is not sufficient to finance operations as planned. If Karo Healthcare is unsuccessful in raising further capital, this may have implications including the company foregoing potential acquisitions or other opportunities on the market, which may have a negative impact on operations, financial position and results of operations. An inability to raise capital on favourable terms, may also have a negative impact on financial position and results of operations.

*Supplier and collaborative agreements*

The group's products consist of raw materials and input goods from several different suppliers. To ensure its sales, the group is dependent on deliveries from third parties being consistent with agreed volumes, quality and delivery requirements. Incorrect or missed deliveries from suppliers may mean production being delayed, which in the short term, may reduce sales.

*Product quality*

Karo Healthcare applies standards consistent with those within the EU to ensure the safety and quality of all products the company markets. The Good Manufacturing Practice standard (GMP) applies to all pharmaceutical products, and its requirements are identical wherever production is conducted. Quality and safety guidelines are also in place for non-pharmaceutical products, and Karo Healthcare holds ISO 13485 certification.

*Patient safety*

All product usage is associated with the risk of adverse events of various forms, and of varying severity. Karo Healthcare has an in-house function that works to ensure safe usage of its products. All potential adverse events are reported to the pharmaceutical regulator, pursuant to the regulatory standards applicable to product classifications.

*Logistics*

Incorrect or delayed deliveries, or non-delivery from the group's suppliers, may then mean the group's shipments being inadequate or incorrect. The group is also exposed to exchange rate fluctuations. There can be no guarantee that the group's operations are not subject to regulatory restrictions, or that the group receives the necessary future regulatory approvals. There is a risk that the group's capability to develop products reduces, or products cannot be launched on schedule. These risks may involve reduced sales and negatively impact the group's results of operations.

*IT*

The company is exposed to risks related to IT. This may involve unauthorised access to the company's data systems, email and network connections. In exposed circumstances, virus and spam attacks can impact the company's whole operations.

*Risk of production disruptions*

Production consists of a chain of processes, in which downtime or disruptions at any link may have consequences for its ability to manufacture the company's products to the extent required. Such downtime may have a negative impact on operations, financial position and results of operations.

*Product liability insurance*

Karo Healthcare's operations involve a risk of product liability. There is a risk of claims relating to damages arising as a result of using the company's products so substantial that they are not covered by insurance. A damages claim not covered by insurance may impact operations, financial position and results of operations negatively. Additionally, claims, even if covered by insurance, may result in an increase of the premiums the group pays pursuant to its insurance arrangements. There is also a risk that in future, the group is unable to arrange or retain the necessary insurance cover on acceptable terms. Significant increases to insurance premiums or insurance arranged on unfavourable terms may have a negative impact on operations, financial position and results of operations.

*Intellectual property*

Karo Healthcare has acquired intellectual property developed by other companies. There is a risk that one of these brands is affected by reputational damage, which may have a negative impact on the sales potential of the pharmaceutical involved.

Karo Healthcare's potential for success is partly dependent on its ability to arrange and defend patent protection for potential and/or existing products, and also put patent protection for these products in place.

There is a risk that Karo Healthcare or its collaborative partners develop products that cannot be patented, that granted patents cannot be retained, that future discoveries do not result in patents, or that granted patents do not provide sufficient protection for Karo Healthcare's rights. There is also risk that patents do not confer a competitive advan-



tage to the company's products, or that competitors are able to circumvent patents. If Karo Healthcare is compelled to defend its rights against a competitor, this may generate significant costs, which in turn may have a negative impact on operations, financial position and results of operations.

If, in their research, the company and its collaborative partners utilise compounds or methods that are patented or have patent applications filed by third parties, the holders of these patents could assert that Karo Healthcare or its collaborative partner have breached those patents. A third party's patent or patent application could prevent one of Karo Healthcare's licensees from using a licensed compound freely. The expense of such dispute may have a material negative impact on operations, financial position and results of operations.

There is a risk that granted patents do not provide lasting protection, that infringements or other invalidity claims against granted patents may be made after the patents are granted. Karo Healthcare and its subsidiaries own brand registrations for some of its brands. There is always a risk that disputes may arise regarding infringement of brand rights or other intellectual property, or that brand protection is not obtained. Additionally, Karo Healthcare is dependent on know-how, and the possibility that competitors develop corresponding know-how or that Karo Healthcare is successful in protecting its know-how effectively, which may have a negative impact on operations, financial position and results of operations, cannot be ruled out.

### *Currency, interest rates and credit risks*

Karo Healthcare's operations are exposed to exchange rate risks because some of Karo Healthcare's purchasing and sales of products is denominated in foreign currencies. Exchange rates can fluctuate significantly, which may impact the company's operations, financial position and results of operations negatively.

A portion of the group's operating expenses arise in certain currencies, while its revenues are generated in others. Altered exchange rates risk having a negative impact on operations, financial position and results of operations.

Because the company's financing currently partly consists of, and may in future consist of, interest-bearing liabilities, the company's net earnings would be negatively affected by changes in general interest rate levels. Altered interest rate levels may have a negative impact on operations, financial position and results of operations. Current economic environment with rapidly increased interest rates compared to the last couple of years may have an effect on the ability of Karo Healthcare to cover the financial expenses and the company's net earnings would be negatively affected by changes in general interest rate levels.

Credit risk arises through cash and cash equivalents and credit exposure to customers, including outstanding receivables and contracted transactions. There is a risk that the company's risk assessment of a customer's creditworthiness, and credit risk management otherwise, is insufficient, which may have a negative impact on operations, financial position and results of operations.

### *Tax-related risks*

The company conducts, and in future may conduct, its operations in Sweden and other countries. The company intends for its operations to be conducted in accordance with relevant interpretations of tax legislation, tax treaties and other tax regulations in each relevant jurisdiction, and the standpoints

the relevant tax agencies apply. Tax regulation is complex and subject to differing interpretations, and accordingly, there is a risk that Karo Healthcare's interpretation and application of applicable laws, regulation, legal or other practice has not been, or in future may not be, correct.

Additionally, such laws, regulation and practice may also imply that Karo Healthcare's current interpretation and application is considered incorrect. In cases where Karo Healthcare's interpretation and/or application of tax legislation, tax treaties and other similar tax regulation is incorrect, or if tax agencies succeed in making negative tax adjustments, or the aforementioned laws and regulations are reformed with retroactive effect, the company's current and historical treatment of tax issues may come under question. If tax agencies make successful claims, this may result in increased tax expenses, tax surcharges and interest, which may have a material negative impact on operations, financial position and results of operations.

### *Goodwill and product rights*

Goodwill is recognised at cost, as determined at the acquisition date of the business, after deducting for any accumulated impairment. Goodwill is allocated to the cash-generating units expected to benefit from the synergy effects of the business combination. Impairment tests are conducted at least yearly, or when there are indications of impairment. Impairment tests are conducted at the level goodwill is monitored in the company's internal controls. Karo Healthcare's three product groups, Rx, OTC and Digital First, have been identified as cash-generating units. Goodwill is recognised as an intangible asset with an indefinite useful life.

Significant impairment may arise in the future for different reasons, such as unfavourable market conditions, which either apply to the company specifically, the whole pharmaceutical or healthcare segment, or more generally. Significant investment may also be required for other reasons. This may impact Karo Healthcare's operations, financial position and results of operations negatively.

### *Agreements with collaborative partners*

Karo Healthcare may collaborate with other pharmaceutical companies in marketing and development work. The absence of collaborative agreements or inadequate fulfilment of counterparty obligations pursuant to collaborative agreements, or work whose quality does not match the desired level, may have a negative impact on operations, financial position and results of operations.

### *Regulatory processing and product standards*

Research and development work, as well as the production and marketing of pharmaceuticals, is subject to the control of several regulators. Prior to launch, a pharmaceutical developed by Karo Healthcare, its collaborative partners or under license from Karo Healthcare, must undergo an extensive process to secure regulatory approval. There is a risk that regulators do not approve pharmaceuticals developed by Karo Healthcare, its collaborative partners or under license from the company. There is a risk that the approval process results in a requirement for further trials and additional documentation of a pharmaceutical compound, and expenses and delays on the project, or discontinuation of the project due to unmanageably high development expenses. This may have a material negative impact on operations, financial position and results of operations.

Even if regulatory approval for the launch of the pharmaceutical is obtained, there is a risk that administration on patients has such undesirable effects that the product has to be withdrawn from the market, with lost revenues as a consequence. If Karo Healthcare's products or operations are covered by additional or altered measures or restrictions from regulatory authorities, this may have negative commercial and financial effects for Karo Healthcare, which may have a negative impact on operations, financial position and results of operations.

*Regulatory and healthcare reform*

Future reforms of healthcare systems may occur in those countries where the company and its collaborative partners intend to market pharmaceuticals. Such reforms may affect the sales potential of these products and the ability to secure new collaborative partners.

*Regulatory expenses and resources*

The pharmaceutical industry that the company operates in is subject to extensive regulation. To succeed in regulatory compliance, Karo Healthcare must have the necessary permits and comply with the regulations that its operations are governed by. Such regulatory compliance is resource intensive, financially and operationally, and there is a risk that Karo Healthcare is not successful in maintaining the standard necessary for acceptable cost, or at all. If the company is unsuccessful, this may have a material negative impact on operations, financial position and results of operations.

**Risks relating to the share**

*New share issues and sales of securities*

Karo Healthcare may need to issue additional shares or other securities in future, which may have a negative impact on the value of outstanding shares. The issue of new shares may also mean existing shares are diluted if they do not utilise, or cannot utilise, preferential rights, or shareholders' meetings resolve to depart from such preferential rights.

Additionally, significant sales of shares from major shareholders or a general perception that a share issue may occur, may affect the market price of Karo Healthcare's shares negatively.

*Dividends*

Decisions on future dividends are taken by shareholders at the AGM. Potential future dividends, and the amount of such dividends, is dependent on factors including Karo Healthcare's future operations, future prospects, results of operations, financial position, unappropriated earnings, cash flow, working capital requirement, and general financial and legal restrictions. There are many risks that may impact Karo Healthcare's operations negatively, thus resulting in Karo Healthcare not generating earnings that enable a dividend on shares in the future.

*Listing standards*

The company's shares are no longer listed for trading on Nasdaq First North Growth Market.

**Proposed appropriation of earnings**

The following funds are at the disposal of the Annual General Meeting 2022:

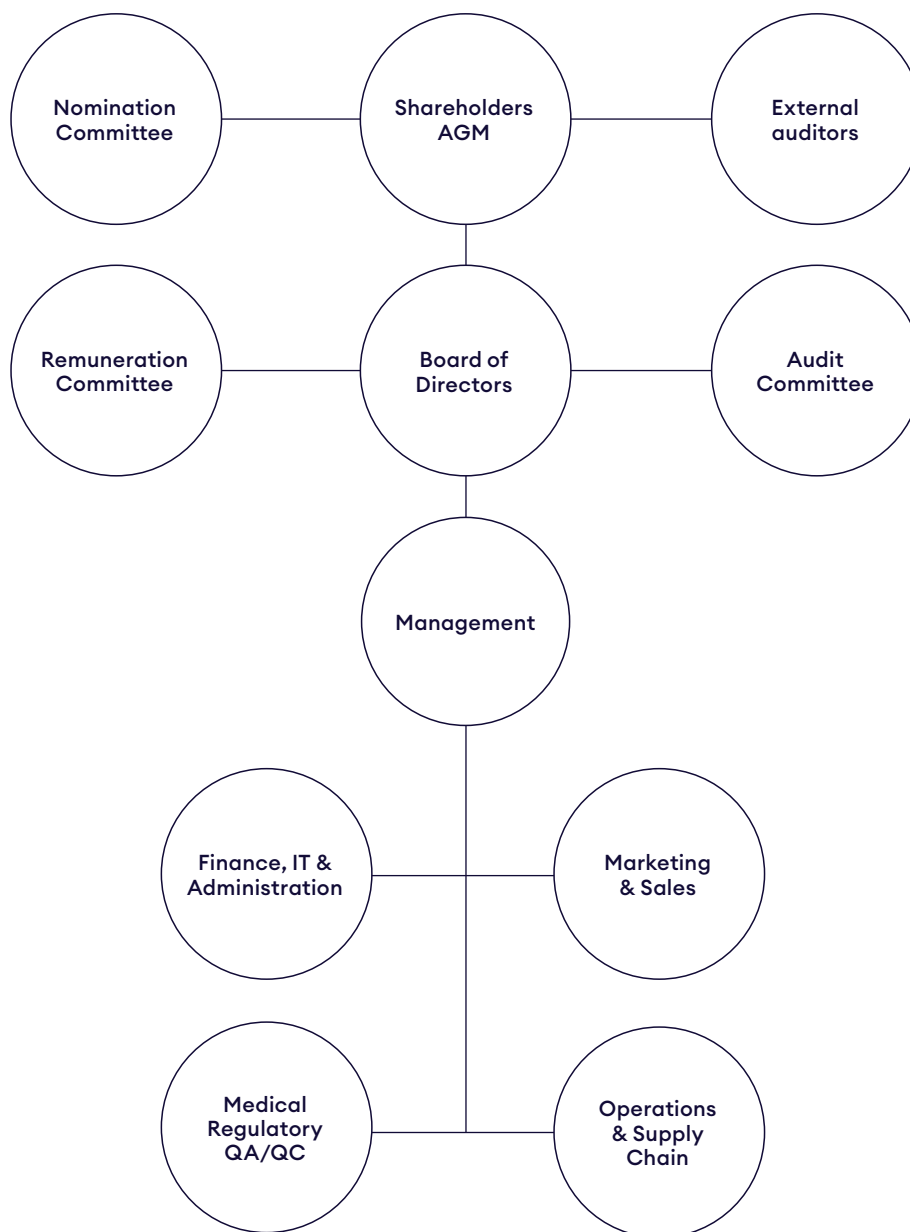
- Share premium reserve SEK 7,370,972,000
  - Retained earnings SEK 683,341,000
  - Profit/loss for the year SEK -461,422,000
- Total unappropriated earnings SEK 7,592,891,000

The Board of Directors proposes that the funds that the disposal of the meeting of SEK 7,592,891,000 are carried forward.

## FIVE-YEAR SUMMARY

The tables below present financial information in summary for the financial years 2018-2022. Effective 1 January 2019, the Group applies IFRS 16 Leases. The comparative figures for 2018 have not been restated as the Group applied the prospective method in the implementation of IFRS 16.

SEK m unless otherwise stated	GROUP				
	2022	2021	2020	2019	2018
<b>Income Statement</b>					
Revenues	4 138,4	2 961,4	2 882,9	1 901,2	1 615,1
Cost of goods sold	-1 869,8	-1 255,0	-1 287,5	-917,2	-676,3
Selling expenses	-1 702,0	-1 090,2	-955,2	-600,3	-443,0
Administrative expenses	-642,4	-422,7	-395,9	-188,4	-78,5
Research and development expenses	-	-	-	-	-0,6
<b>Operating profit</b>	<b>-71,9</b>	<b>205,9</b>	<b>230,3</b>	<b>172,1</b>	<b>414,3</b>
<b>Profit after tax</b>	<b>-485,8</b>	<b>-17,0</b>	<b>82,9</b>	<b>8,9</b>	<b>657,4</b>
<b>Balance Sheet</b>					
Total non-current assets	16 499,9	11 102,1	10 786,5	9 723,5	5 972,6
Other current assets	1 619,8	1 230,6	1 160,7	926,3	513,5
Cash and cash equivalents	477,5	260,7	570,4	248,8	398,6
Total current assets	2 097,2	1 491,3	1 731,0	1 175,1	912,1
<b>Total assets</b>	<b>18 597,1</b>	<b>12 593,4</b>	<b>12 517,5</b>	<b>10 898,5</b>	<b>6 884,6</b>
Equity	7 966,1	5 814,3	5 638,5	5 641,9	3 611,0
Non-current liabilities	9 656,9	6 192,8	1 657,5	1 720,5	1 980,6
Current liabilities	974,1	586,3	5 221,5	3 536,1	1 293,1
<b>Total liabilities and equity</b>	<b>18 597,1</b>	<b>12 593,4</b>	<b>12 517,5</b>	<b>10 898,5</b>	<b>6 884,6</b>
<b>Cash Flow Statement</b>					
Cash flow from operating activities	387,4	532,6	329,2	106,8	318,0
Cash flow from investing activities	-5 310,4	-822,7	-1 544,3	-2 441,7	-2 692,1
Cash flow from financing activities	5 107,8	-20,8	1 543,5	2 184,6	1 931,2
<b>Cash flow for the year</b>	<b>184,7</b>	<b>-310,8</b>	<b>328,4</b>	<b>-150,2</b>	<b>-442,9</b>
<b>Key indicators</b>					
Equity/assets ratio, %	42,8	46,2	45,0	51,8	52,5
Average number of employees	333,0	241,5	243,0	129,1	90,0
<b>Number of shares (000)</b>					
Average number of outstanding shares	261 199	224 433	222 608	174 477	141 888
Number of shares at end of year	273 255	225 033	225 033	225 033	164 333
Number of shares, full dilution	273 255	225 033	225 033	225 033	164 333



### Significant external and internal regulations and policies impacting corporate governance

#### Significant internal regulations and policies

- Articles of Association
- Board of Directors' Rules of Procedure
- Instructions for the CEO including instructions on financial reporting
- Instructions for each Board committee
- Corporate Communication Policy
- Insider Policy
- Risk Management Policy
- Accounting Handbook
- Code of Conduct and business ethics provisions

#### Significant external regulations

- Swedish Companies Act
- Swedish Accounting Act
- Swedish Annual Accounts Act
- Nasdaq Stockholm's Rulebook for Issuers
- Swedish Code of Corporate Governance

# Board of Directors



**Name:** Patrick Smallcombe  
Chairman of the Board  
**Born:** 1963  
**Elected:** 2021

**Education:** MBA, Southampton University

**Other assignments and previous experience:** Chairman of the Board of Sibelius Natural Products and Board member of Metagenics Inc. Patrick Smallcombe previously held the position of Company Group Chairman of Johnson & Johnson for EMEA and headed up Johnson & Johnson's overall SEA footprint covering its Janssen, Medical Device and Consumer businesses. He also served in various roles for Johnson & Johnson Asia Pacific, EMEA and North America after joining Johnson & Johnson in 2006. Also served as President of Consumer Healthcare for Pfizer, and EVP of Research & Development Europe.

**Independent of company and management:** Yes

**Independent of principal shareholder:** Yes

**Shareholding:** 0 shares



**Name:** Erika Henriksson  
Board member  
**Born:** 1981  
**Elected:** 2019

**Education:** MBA, Stockholm School of Economics

**Other assignments and previous experience:** Partner of EQT Partners and Board member of Recipharm. Former Board member of Eton, AcadeMedia and Scandic Hotels Group.

**Independent of company and management:** Yes

**Independent of principal shareholder:** No

**Shareholding:** 0



**Name:** Mark Keatley  
Board member  
**Born:** 1957  
**Elected:** 2021

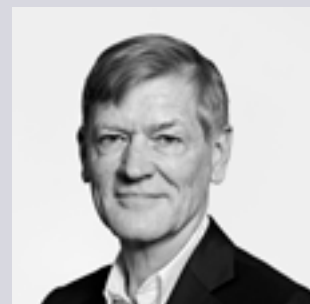
**Education:** MA and MPhil, Cambridge University, MBA, Stanford Graduate School of Business

**Other assignments and previous experience:** Board member of Neuraxpharm, Recipharm and Medlab Services Ghana Limited. Mark Keatley's previous service includes CFO of STADA AG and Actavis Group, two leading European producers of generic and OTC Medicines, and a Board member of MS Pharma and Medichem, S.A. Mark was also a Senior Partner at Albrecht Prock & Partners AB, CFO of contract manufacture, biotech and natural resources companies, as well as a Division Manager at International Finance Corporation.

**Independent of company and management:** Yes

**Independent of principal shareholder:** Yes

**Shareholding:** 0 shares



**Name:** Flemming Ørnsvov  
Board member  
**Born:** 1958  
**Elected:** 2019

**Education:** MD, University of Copenhagen, MBA, INSEAD and MPH, Harvard University

**Other assignments and previous experience:** CEO of Galderma SA. Chairman of the Board of Waters Corporation and Board member of CENTOGENE. Flemming Ørnsvov previously held positions as CEO of Shire Plc., and senior positions at Bayer, Merck & Co. and Novartis.

**Independent of company and management:** Yes

**Independent of principal shareholder:** Yes

**Shareholding:** 0



**Name:** Kristofer Tonström  
Board member  
**Born:** 1979  
**Elected:** 2020

**Education:** BSc (Econ.), Gothenburg University

**Other assignments and previous experience:** CEO of Clas Ohlson. Previous positions include serving as CEO of Filippa K and Omega Pharma Nordics, as well as being General Manager of Perrigo Northern Europe. Also served in different positions within P&G for 11 years.

**Independent of company and management:** Yes

**Independent of principal shareholder:** Yes

**Shareholding:** 0



**Name:** Uta Kemmerich-Keil  
Board member  
**Born:** 1966  
**Elected:** 2020

**Education:** MSc, Economics, Freiburg University

**Other assignments and previous experience:** Board member and Chairman of the Audit Committee of Affimed N.V Heidelberg and Biotest AG, Board member of Schott AG, Beiersdorf AG and Klosterfrau Zürich AG. Advisory Board member of Röchling S.E. & Co KG. Previously Board member and Audit Committee member of Gothaer Krankenversicherung AG and Gothaer Allgemeine Versicherungs AG. Most recently headed up P&G's Personal Healthcare International operation, and possesses long-term experience from Merck KGaA, where her service included being Global President of OTC and Allergy, and EVP of Finance and M&A.

**Independent of company and management:** Yes

**Independent of principal shareholder:** Yes

**Shareholding:** 0



**Name:** Claire Hennah  
Board member  
**Born:** 1982  
**Elected:** 2022

**Education:** BSc, Media & Communications, Loughborough University

**Other assignments and previous experience:** Beauty & Wellbeing Chief Customer & Digital Commerce Officer at Unilever. Claire previously served as VP of Global Digital Commerce and Global eCommerce Beauty, and Personal Care Director at Unilever, Head of Digital Marketing & Customer Engagement at Selfridges & Co., and Head of Marketing and Content for Virgin Atlantic Airways.

**Independent of company and management:** Yes

**Independent of principal shareholder:** Yes

**Shareholding:** 0

**Auditors:**

Registered public accounting firm KPMG AB is the auditor appointed by the AGM 2022.

Key Audit Partner:

Håkan Olsson Reising, Authorised Public Accountant, Stockholm. Born: 1961

Auditor of the company since May 2022

Other assignments: EQT AB, Bergman & Beving AB, Lagercrantz Group AB, AddLife AB, ABB AB

# Management



**Name:** Christoffer Lorenzen  
**Title:** Chief Executive Officer  
**Born:** 1975  
**Employed:** 2019

**Education:**  
MSc, Business (Marketing & Management),  
Copenhagen Business School

**Main experience:**  
Executive Vice President and member of the Executive Board of Chr. Hansen Holding A/S and various roles in Sales and Marketing; Head of Corporate Strategy and M&A at H. Lundbeck A/S. Board member of Schultz Holding A/S and Oterra A/S.

**Shareholding:** 0



**Name:** Jon Johnsson  
**Title:** Chief Financial Officer  
**Born:** 1975  
**Employed:** 2019

**Education:**  
BSc (Econ.), Gothenburg School of Economics

**Main experience:**  
Vice President of Finance, Atlas Copco Industrial Assembly Solutions, CFO of CEVT AB, Vice President of Finance, Atlas Copco Tools & Assembly Systems, Manager of Group Controlling for Atlas Copco, and various financial control and accounting roles with companies including DeLaval and Addnature.

**Shareholding:** 0



**Name:** Michael Kaltenborn\*  
**Title:** Chief Strategy & Corporate Development Officer  
**Born:** 1974  
**Employed:** 2023

**Education:**  
BA and MSc (Econ.), University of Muenster,  
Germany

**Main experience:**  
Global Head of M&A for Consumer Health at Bayer. Adviser to Corporate and Private Equity clients in transactions and M&A at Ernst & Young (EY).

**Shareholding:** 0

\*Member of the Corporate Management team from 1 February 2023.



**Name:** Robin List  
**Title:** Chief Digital & Transformational Officer  
**Born:** 1970  
**Employed:** 2022

**Education:**  
 Bachelor of Business Administration from Rotterdam University of Applied Sciences.

**Main experience:**  
 Founder/CEO of Sylphar NV, Founder/CEO of Remedent Inc & NV, COO of DMS Ltd., Managing Partner of Wave Imaging.

**Shareholding:** 0



**Name:** Anna Hale  
**Title:** Chief Marketing Officer  
**Born:** 1975  
**Employed:** 2021

**Education:**  
 BA (Hons), University of Nottingham

**Main experience:**  
 VP & Global Brand Lead at GSK Consumer Marketing (GSK), VP of Marketing Northern Europe at GSK, Marketing Director for Central & Eastern Europe, and for Asia-Pacific at GSK. Previously, various global and local marketing roles at Reckitt.

**Shareholding:** 0



**Name:** Matt Roberts  
**Title:** Chief Commercial Officer  
**Born:** 1974  
**Employed:** 2021

**Education:**  
 BSc (Econ) in Modern History and Politics, Cardiff University, UK. Executive programs at Said Business School, London Business School and Rutgers Business School.

**Main experience:**  
 Commercial Director–Northern Europe, Global Tesco Leader, Managing Director Northern Europe and Global Head–Shopper and Customer Strategy at Johnson & Johnson Consumer Health.

**Shareholding:** 0



**Name:** Sofia Kylhstedt  
**Title:** Vice President of Scientific Affairs  
**Born:** 1982  
**Employed:** 2019

**Education:**  
 MSc, Pharmacy, Gothenburg University.

**Main experience:**  
 Head of Scientific Affairs, Head of RA Pharma and Director RAQA at Trimb, RA Manager/RP Bausch & Lomb, RA Specialist, Actavis, RAQA/ Medical Officer, Orion Pharma.

**Shareholding:** 0



**Name:** Jonathan Kimber  
**Title:** Vice President of Operations  
**Born:** 1970  
**Employed:** 2019

**Education:**  
 MBA, Stockholm School of Economics

**Main experience:**  
 Head of Supply, Trimb, EVP Product Range and R&D, and EVP Operations at Oriflame Cosmetics, Senior Manager, Bain & Company.

**Shareholding:** 0



**Name:** Lisa Westerdaal  
**Title:** VP of People, Sustainability & Corporate Communications  
**Born:** 1974  
**Employed:** 2018

**Education:**  
 MSc, Chemistry, Karlstad University. Marketing and Management, IUP, US

**Main experience:**  
 Global Marketing Manager, Meda and Mylan. Nordic Marketing Manager, Dentsply Sirona and Antula Healthcare.

**Shareholding:** 0



## Consolidated Income Statement

SEK 000	Note	GROUP	
		2022	2021
Revenues	2,31	4,138,430	2,961,354
Cost of goods sold	4	-1,869,832	-1,255,029
<b>Gross earnings</b>		<b>2,268,598</b>	<b>1,706,325</b>
<b>Other operating income and expenses</b>	4-6		
Selling expenses		-1,701,999	-1,090,176
Administrative expenses		-642,350	-422,748
Other operating income and expenses	6	3,857	12,503
		<b>-2,340,492</b>	<b>-1,500,421</b>
<b>Operating profit</b>		<b>-71,895</b>	<b>205,905</b>
<b>Profit/loss from financial income and expenses</b>			
Interest income and similar profit/loss items	7	66,266	21,778
Interest expenses and similar profit/loss items	8	-522,128	-215,166
		<b>-455,862</b>	<b>-193,388</b>
<b>Profit/loss after financial items</b>		<b>-527,757</b>	<b>12,516</b>
Tax	9	41,935	-29,506
<b>PROFIT FOR THE YEAR</b>		<b>-485,822</b>	<b>-16,990</b>
Profit attributable to:			
Equity holders of the parent		-485,822	-17,451
Non-controlling interests		-	461

## Consolidated Statement of Comprehensive Income

SEK 000	GROUP	
	2022	2021
Profit for the year	-485,822	-16,990
Other comprehensive income for the year net of tax <i>Items reclassifiable to profit or loss</i>		
Translation differences	245,993	89,329
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>-239,829</b>	<b>72,339</b>
Total comprehensive income attributable to:		
Equity holders of the parent	-239,829	71,878
Non-controlling interests	-	461

## Consolidated Statement of Financial Position

SEK 000		GROUP	
ASSETS, 31 DECEMBER	Note	2022	2021
<b>NON-CURRENT ASSETS</b>			
<b>Intangible assets</b>			
Capitalised development expenditure	13	77,733	111,581
Licenses and product rights		10,158,718	6,911,907
Distribution channels		176,763	-
Goodwill		5,318,608	3,318,893
<b>Total intangible assets</b>		<b>15,731,822</b>	<b>10,342,381</b>
<b>Property, plant and equipment</b>			
Equipment, buildings and land	14	39,213	21,861
Right-of-use assets	28	91,029	73,035
<b>Total property, plant and equipment</b>		<b>130,242</b>	<b>94,897</b>
<b>Financial assets</b>			
Deferred tax asset	22	634,516	661,980
Other financial assets	16	3,329	2,869
<b>Total non-current assets</b>	31	<b>16,499,909</b>	<b>11,102,126</b>
<b>CURRENT ASSETS</b>			
Inventories	17	675,152	497,550
Accounts receivable	18	787,327	627,397
Current tax asset		52,391	45,353
Other receivables		42,766	20,872
Prepaid expenses and accrued income	19	62,122	39,405
Investments in securities, etc.		25,039	-
Cash and cash equivalents	20	452,427	260,715
<b>Total current assets</b>		<b>2,097,224</b>	<b>1,491,292</b>
<b>TOTAL ASSETS</b>		<b>18,597,133</b>	<b>12,593,418</b>
<b>EQUITY AND LIABILITIES, 31 December</b>			
<b>EQUITY</b>			
Share capital	21	109,301	90,012
Other paid-up capital		8,588,320	6,010,261
Translation reserves		263,681	17,688
Profit brought forward including profit for the year		-995,206	-306,543
Non-controlling interests		-	2,903
<b>Total equity</b>		<b>7,966,095</b>	<b>5,814,321</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	22	723,173	513,370
Liabilities to credit institutions	23	8,863,063	5,581,166
Lease liabilities	28	60,921	51,391
Other non-current liabilities and provisions		9,776	46,832
<b>Total non-current liabilities</b>		<b>9,656,933</b>	<b>6,192,758</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	23	-	74,345
Lease liabilities	28	31,979	24,407
Accounts payable		349,341	231,002
Current tax liability		110,904	6,820
Other current liabilities	24	128,133	64,685
Accrued expenses and deferred income	25	353,746	185,081
<b>Total current liabilities</b>		<b>974,104</b>	<b>586,339</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>18,597,133</b>	<b>12,593,418</b>

## Consolidated Statement of Cash Flows

SEK 000	Note	GROUP	
		2022	2021
<b>Operating activities</b>			
Profit/loss after financial items		-527,757	12,516
<b>Non-cash items</b>			
Depreciation, amortisation and impairment	5	841,009	565,939
Other	27	104,380	54,388
		<b>417,632</b>	<b>632,843</b>
Income taxes paid/recovered		-44,457	-24,440
<b>Cash flow from operating activities before change in working capital</b>		<b>373,174</b>	<b>608,403</b>
<b>Change in working capital</b>			
Change in inventories		-54,917	-56,335
Change in current operating receivables		-105,419	-374
Change in accounts payable		38,793	-3,448
Change in other current operating liabilities		136,888	-15,641
<b>Cash flow from operating activities</b>		<b>388,519</b>	<b>532,604</b>
<b>Investing activities</b>			
Business combinations		-2,486,711	-
Investments in property, plant and equipment	14	-10,180	-6,877
Investments in intangible assets	13	-2,790,512	-894,016
Investments in other financial assets		-24,129	-422
Sale of property, plant and equipment		-	78,658
<b>Cash flow from investing activities</b>		<b>-5,311,531</b>	<b>-822,657</b>
<b>Financing activities</b>			
New share issue	27	2,493,856	-
Dividend		-2,693	-
Repayment of conditional shareholders' contribution		-1,000	-
Sale of treasury shares		-	103,492
Loans arranged		5,827,129	592,564
Repayment of loans		-3,183,573	-693,223
Repayment of lease liability		-25,961	-23,585
<b>Cash flow from financing activities</b>		<b>5,107,758</b>	<b>-20,752</b>
<b>CASH FLOW FOR THE YEAR</b>			
Cash and cash equivalents at beginning of year	20	260,715	570,391
Exchange difference in cash and cash equivalents		6,966	1,129
<b>Cash and cash equivalents at end of year</b>	20	<b>452,427</b>	<b>260,715</b>

## Consolidated Statement of Changes in Equity

GROUP

SEK 000	Share capital	Other paid-up capital	Translation reserves	Profit brought forward including profit for the year	Non-controlling interests	Total
<b>Opening balance as of 1 January 2021</b>	<b>90 012</b>	<b>6 010 261</b>	<b>-71 641</b>	<b>-392 584</b>	<b>2 442</b>	<b>5 638 490</b>
Comprehensive income	-	-	89 329	-17 451	461	<b>72 339</b>
<b>Transactions with shareholders</b>						
Sale of treasury shares	-	103 492	-	-	-	<b>103 492</b>
<b>Total transactions with shareholders</b>	<b>-</b>	<b>103 492</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>103 492</b>
<b>Opening balance as of 1 January 2022</b>	<b>90,012</b>	<b>6,113,753</b>	<b>17,688</b>	<b>-410,035</b>	<b>2,903</b>	<b>5,814,321</b>
Restatement of opening balance	-	-	-	-94,992	-	<b>-94,992</b>
Comprehensive income	-	-	245,993	-485,822	-	<b>-239,829</b>
<b>Transactions with shareholders</b>						
New share issue	19,288	2,474,567	-	-	-	<b>2,493,856</b>
Dividend	-	-	-	-	2,693	<b>-2,693</b>
Repayment of conditional shareholders' contribution	-	-	-	-	1,000	<b>-1,000</b>
Acquisition of non-controlling interest	-	-	-	-4,357	790	<b>-3,567</b>
<b>Total transactions with shareholders</b>	<b>19,288</b>	<b>2,474,567</b>	<b>-</b>	<b>-4,357</b>	<b>-2,903</b>	<b>2,486,596</b>
<b>CLOSING BALANCE AS OF 31 DECEMBER 2022</b>	<b>109,301</b>	<b>8,588,320</b>	<b>263,681</b>	<b>-995,206</b>	<b>-</b>	<b>7,966,095</b>

Restatement of the opening balance is a correction of a misstatement related to income tax for 2015 and 2018.

## Parent Company Income Statement

SEK 000	Note	PARENT COMPANY	
		2022	2021
Net sales		1,635,747	1,390,387
Cost of goods sold	4	-625,455	-499,139
<b>Gross earnings</b>		<b>1,010,292</b>	<b>891,248</b>
<b>Other operating income and expenses</b>	4-6		
Selling expenses		-845,976	-512,928
Administrative expenses		-315,123	-442,570
Other operating income and expenses	6	8,253	-3,165
		<b>-1,152,846</b>	<b>-958,663</b>
<b>Operating profit</b>		<b>-142,553</b>	<b>-67,415</b>
<b>Profit/loss from financial income and expenses</b>			
Profit/from participations in group companies		-59,504	-
Interest income and similar profit/loss items	7	130,798	47,679
Interest expenses and similar profit/loss items	8	-508,679	-205,407
		<b>-437,384</b>	<b>-157,728</b>
<b>Profit/loss after financial items</b>		<b>-579,937</b>	<b>-225,142</b>
Group contributions		85,863	194,102
<b>Profit before tax</b>		<b>-494,075</b>	<b>-31,040</b>
Tax	9	32,653	2,140
<b>PROFIT FOR THE YEAR</b>		<b>-461,422</b>	<b>-28,900</b>

## Parent Company Statement of Comprehensive Income

SEK 000	PARENT COMPANY	
	2022	2021
Profit for the year	-461,422	-28,900
Other comprehensive income for the year net of tax	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>-461,422</b>	<b>-28,900</b>

## Parent Company Balance Sheet

SEK 000		PARENT COMPANY	
ASSETS, 31 December	Note	2022	2021
<b>NON-CURRENT ASSETS</b>			
<b>Capitalised development expenditure</b>			
Licenses and product rights	13	51,015	99,873
Goodwill		6,283,682	4,046,605
Total intangible assets		218,936	260,639
<b>Summa Immateriella anläggningstillgångar</b>			
<b>Property, plant and equipment</b>			
Equipment, buildings and land	14	8,110	10,535
<b>Financial assets</b>			
Participations in group companies	15	7,865,483	5,232,006
Deferred tax asset	22	500,865	494,739
Other financial assets	16	1,733,982	1,243,347
<b>Total non-current assets</b>			
		<b>16,662,073</b>	<b>11,387,743</b>
<b>CURRENT ASSETS</b>			
Inventories	17	220,095	152,923
Accounts receivable	18	276,529	235,046
Other receivables		3,350	12,375
Receivables from group companies		318,600	567,523
Prepaid expenses and accrued income	19	101,940	112,829
Investments in securities, etc.		25,039	-
Cash and cash equivalents	20	366,360	209,642
<b>Total current assets</b>			
		<b>1,311,913</b>	<b>1,290,337</b>
<b>TOTAL ASSETS</b>			
		<b>17,973,986</b>	<b>12,678,080</b>
SEK 000		PARENT COMPANY	
EQUITY AND LIABILITIES, 31 December	Note	2022	2021
<b>EQUITY</b>			
21			
Share capital		109,301	90,012
<i>Total restricted equity</i>		<i>109,301</i>	<i>90,012</i>
Share premium reserve		7,370,972	4,896,405
Retained earnings		683,341	712,240
Profit for the year		-461,422	-28,900
<i>Total non-restricted equity</i>		<i>7,592,891</i>	<i>5,579,746</i>
<b>Total equity</b>			
		<b>7,702,192</b>	<b>5,669,758</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	22	-	26,527
Other provisions	23	16	42,119
Liabilities to credit institutions	23	8,863,063	5,581,883
Other non-current liabilities and provisions	23	8,721	-
<b>Total non-current liabilities</b>			
		<b>8,871,799</b>	<b>5,650,529</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	23	-	74,345
Accounts payable		120,502	92,112
Liabilities to group companies		1,029,732	981,809
Other current liabilities	24	25,914	2,350
Accrued expenses and deferred income	25	223,847	207,177
<b>Total current liabilities</b>			
		<b>1,399,995</b>	<b>1,357,792</b>
<b>TOTAL EQUITY AND LIABILITIES</b>			
		<b>17,973,986</b>	<b>12,678,080</b>

## Parent Company Cash Flow Statement

SEK 000	Note	PARENT COMPANY	
		2022	2021
<b>Operating activities</b>			
Profit before tax		-494,075	-31,040
<b>Non-cash items</b>			
Depreciation, amortisation and impairment	5	498,748	352,131
Other	27	166,187	-121,868
		<b>170,860</b>	<b>199,223</b>
Income taxes paid/recovered		-	-
<b>Cash flow from operating activities before change in working capital</b>		<b>170,860</b>	<b>199,223</b>
<b>Change in working capital</b>			
Change in inventories		-67,172	-4,505
Change in current operating receivables		261,008	-374,848
Change in accounts payable		20,379	-24,261
Change in other current operating liabilities		4,942	1,298,963
<b>Cash flow from operating activities</b>		<b>390,016</b>	<b>1,094,572</b>
<b>Investing activities</b>			
Investments in property, plant and equipment	14	-	-4,194
Investments in intangible assets	13	-2,669,286	-891,181
Investments in shares in subsidiaries	15	-2,689,548	-102
Sale of intangible assets		-	4,668
Investments in other financial assets		-27,513	-
Issuance and repayment of loans to group companies, net		-334,251	-103,875
<b>Cash flow from investing activities</b>		<b>-5,720,599</b>	<b>-994,684</b>
<b>Financing activities</b>			
Sale of treasury shares	27	-	103,492
New share issue		2,493,856	-
Loans arranged		5,827,129	592,564
Repayment of loans		-2,833,683	-689,713
<b>Cash flow from financing activities</b>		<b>5,487,301</b>	<b>6,343</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>156,719</b>	<b>106,232</b>
Cash and cash equivalents at beginning of year	20	209,642	103,410
Exchange difference in cash and cash equivalents		-	-
Cash and cash equivalents at end of year	20	366,360	209,642

## Parent Company Statement of Changes in Equity

PARENT COMPANY

SEK 000	Share capital	Share premium reserve	Retained earnings	Net profit/loss	Total
<b>Opening balance as of 1 January 2021</b>	<b>90,012</b>	<b>4,896,405</b>	<b>575,104</b>	<b>33,645</b>	<b>5,595,166</b>
Comprehensive income	-	-	-	-28,900	<b>-28,900</b>
<b>Transactions with shareholders</b>					
Sale of treasury shares	-	-	103,492	-	<b>103,492</b>
Appropriation of earnings	-	-	33,645	-33,645	-
<b>Opening balance as of 1 January 2022</b>	<b>90,012</b>	<b>4,896,405</b>	<b>712,240</b>	<b>-28,900</b>	<b>5,669,758</b>
Comprehensive income	-	-	-	-461,422	<b>-461,422</b>
<b>Transactions with shareholders</b>					
New share issue	19,288	2,474,567	-	-	<b>2,493,855</b>
Appropriation of earnings	-	-	-28,900	28,900	-
<b>CLOSING BALANCE AS OF 31 DECEMBER 2022</b>	<b>109,301</b>	<b>7,370,972</b>	<b>683,340</b>	<b>-461,422</b>	<b>7,702,192</b>



# NOTES ON THE FINANCIAL STATEMENTS

## Note 1 Accounting policies

### GROUP

Unless otherwise stated, all amounts are in thousands of Swedish kronor (SEK 000).

### Basis of preparation of the financial statements

The consolidated accounts of Karo Healthcare have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as endorsed by the European Union (EU) and the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups.

### Amended and new accounting policies

No amended accounting standards or interpretations that came into effect as of 1 January 2022 had any impact on the contents of the financial statements. The new or amended accounting standards or interpretations that come into effect on 1 January 2023 are not expected to have any material impact on the contents of the financial statements.

### Consolidation principles

#### Subsidiaries

Subsidiaries are all companies over which the company exerts a direct or indirect controlling influence. Control occurs when the parent company has influence over a company, is exposed, or entitled, to variable returns from its involvement in the company and can influence this return through its interest. The subsidiaries' financial statements are consolidated from the date when controlling influence occurs and are included in the consolidated accounts until it ceases.

#### Business combinations and goodwill

Business combinations are accounted using the purchase method. The acquisition analysis prepared for the acquisition states the fair value of the acquired identifiable assets and liabilities taken over. The difference between the purchase consideration and fair value of the identifiable net assets is consolidated goodwill, which is recognised as an intangible asset in the Balance Sheet. However, if the difference is negative, the corresponding income is recognised in profit or loss. Acquired goodwill is allocated to the group's cash-generating units and the allocated value per unit is tested for impairment at least yearly. When the recoverable amount of a cash-generating unit is less than its carrying amount, firstly, goodwill impairment is taken. The recoverable amount is the greater of the asset's fair value less expenses for disposal or sale, and value in use.

Acquisition-related expenses are recognised in profit or loss as they occur. Any contingent considerations are reported at fair value at the acquisition date. Changes in this value are recognised continuously in profit or loss.

#### Asset acquisitions

When an acquisition of a subsidiary fundamentally involves only an acquisition of net assets (no operation) the acquisition is recognised as an asset acquisition and not a business combination. Such transactions may include a contingent variable consideration. Transaction expenditure is added to the cost of acquired net assets in asset acquisitions. Changes in the estimated value of contingent considerations after the acquisition are added to the cost of the acquired assets.

### Translation of foreign currency

The Consolidated Accounts are presented in Swedish kronor (SEK), which is the group's presentation currency and the parent company's functional currency. Transactions in foreign currency are recognised at the rate of exchange ruling on the transaction date. Monetary assets and liabilities in foreign currency are translated to the functional cur-

rency at closing day rates. Exchange gains and exchange losses on operating assets and operating liabilities are recognised in operating profit or loss, while exchange gains and exchange losses on financial receivables and liabilities are recognised as financial items. Non-monetary assets and liabilities recognised at cost are reported at the rates of exchange ruling when the asset or liability was recognised for the first time.

Assets and liabilities reported by owned foreign operations, including goodwill and other consolidated values, are translated from the foreign operation's functional currency to the group's presentation currency at closing day rates. Revenue and expenses are translated to Swedish krona at average rates of exchange for the year.

Translation differences occurring in the currency translation of foreign operations are recognised in other comprehensive income and accumulated in the translation reserve within equity.

### Revenue from customer contracts

Revenue is recognised when control over the sold good or service transfers to the buyer, which is normally when the agreed performance obligation has been satisfied. Revenue is recognised to the extent it is likely that the economic benefits will flow to the group, and their value can be measured reliably.

#### Goods

Karo Healthcare's contracts with customers generally involve the delivery of specific goods against agreed compensation (without associated ancillary services), and Karo Healthcare is considered to have fulfilled its performance obligation when the goods have been delivered pursuant to the agreed terms & conditions (incoterms), and control over the goods has thus transferred to the customer.

Revenue is recognised after deducting for VAT, discounts, pharma taxes and product taxes. Discounts include compensation paid to customers for their expenditure for marketing products to end-customers. Compensation is for marketing expenditure depends on sold volumes, so the total compensation is variable. A minority of sales are to external wholesalers. Revenues are adjusted for the value of returns, which for Karo Healthcare, have been insignificant historically.

#### Other revenue

In addition to revenue from sales of goods, Karo Healthcare receives certain royalties, which are the compensation paid to other companies when they use one of Karo Healthcare's intellectual property assets (according to contract). Government subsidies are recognised as other operating income in the period the expenses the subsidies are intended to compensate for are recognised.

### Financial income and expenses

Financial income consists of exchange rate effects occurring as an effect of the group's finance and interest income.

Financial expenses mainly consist of interest expenses for loans, and currency effects related to liabilities in foreign currency. Financial expenses are charged to profit or loss in the period they relate to.

### Income taxes

Income taxes consist of current tax and deferred tax. Income tax is recognised in profit or loss for the year apart from when the underlying transaction is recognised in other comprehensive income, or in equity, whereupon the related tax effect is recognised in other comprehensive income or equity respectively.

## Note 1, cont.—Accounting policies

Current tax is the tax to be paid or recovered for the relevant year including adjustment of current tax relating to previous periods. Current deferred tax is computed by applying the tax rates and tax rules that are enacted or substantively enacted on the reporting date. Deferred tax is recognised in accordance with the balance sheet method on all temporary differences occurring between the taxable value of assets and liabilities, and their carrying amounts.

Deferred tax assets for deductible temporary differences and loss carry-forwards are recognised only to the extent it is likely that they will be used. The value of deferred tax assets is impaired when it is no longer considered likely that they can be used. In business combinations, deferred tax related to acquired surplus values is recognised. However, in asset acquisitions, no deferred tax is recognised at the time of acquisition. Deferred tax is only recognised on temporary differences that occur after the asset acquisition.

### Non-current assets

All intangible assets are recognised at their individual cost and amortised over their useful life, apart from in those cases of intangible assets with indefinite useful lives, which in Karo Healthcare's case applies to goodwill only. Other intangible assets have a definite useful life and are amortised over their determined useful life and tested for impairment when there is an indication of impairment. The amortisation period and amortisation method of an intangible asset is reviewed at least at the end of each financial year. For more information, see note 13.

#### Goodwill

Consolidated goodwill is measured at cost less any accumulated impairment.

#### Licenses, products rights and trademarks

Acquired licenses, product rights and trademarks are recognised as assets in the Balance Sheet. These assets are recognised at their individual costs, and amortised over their individual useful lives. Amortisation is recognised in profit or loss in the cost class that corresponds to the function of the intangible asset; mainly in selling expenses.

Gains or losses occurring on the sale or retirement of an asset consist of the difference between the selling price and the carrying amount of the assets less direct selling expenses.

Gains and losses are recognised as other operating income/expense.

#### Capitalised development expenditure

Development expenditure is capitalised when it satisfies specific criteria, the main criterion being that they will generate economic benefits for the company. Karo Healthcare's capitalised expenditure for development work primarily relates to investments in IT systems. Otherwise, development expenditure is expensed as incurred as operating expenses.

### Property, plant and equipment

Property, plant and equipment is recognised at the cost of each item less accumulated depreciation and potential accumulated impairment. In addition to the purchase price, cost includes expenditure directly related to enable usage of the asset. Cost is depreciated on a straight-line basis over the asset's estimated useful life.

The residual value and estimated useful life is tested and adjusted as required at the end of each financial year. Gains or losses occurring when an item of property, plant and equipment is sold or retired consist of the difference between the selling price and the carrying amount of the asset less direct selling expenses. Gains and losses are recognised as other operating income/expense.

The carrying amount of property, plant and equipment is impairment tested whenever events or change circumstances indicate that the carrying amount is not recoverable.

### Right-of-use assets/leases

Karo Healthcare recognises leased assets in the Balance Sheet from the date the leased asset is available for use. The obligation to make lease payments during the relevant lease term is recognised as a current and non-current liability. The interest on the reported lease liability is recognised in financial income/expense in profit or loss. The financial expense should be allocated over the lease term so that each accounting period is charged with an amount corresponding to a fixed interest rate.

The leased asset is depreciated on a straight-line basis over the shorter of the asset's useful life and term of the lease arrangement. Lease payments are recognised partly as payment of interest, and partly as repayment of the lease liability. The repayment is recognised as financing activities in the Cash Flow Statement, and the portion of the lease payment that consists of an interest payment is presented in operating activities.

Most of the group's right-of-use assets consist of premises leases. Normally, the lease term is 3 to 5 years, and there are individual cases of extension options. The lease liability initially consists of the present value of future payment obligations. Lease payments are discounted at the implicit interest rate in the arrangement. If an implicit interest rate cannot be determined, the company's incremental borrowing rate is used. The incremental borrowing rate is determined based on the country, maturity and credit rating of each entity. Leased assets are classified in the Balance Sheet as the underlying assets in the arrangement. Cost includes the following:

- the amount the lease liability was originally measured at
- lease payments made at the commencement date, after deducting for any benefits received on entering the lease
- initial direct expenditure
- expenditure to restore the asset to the condition prescribed in the terms of the lease

Leases of less than 12 months are not included. Nor are leases on low-value assets (under SEK 50,000). Payments for short leases and low-value leases are expensed on a straight-line basis in profit or loss.

### Depreciation and amortisation of non-current assets

Depreciation and amortisation is recognised in profit or loss for the year on a straight-line basis over the estimated useful lives of the assets. Depreciable and amortisable assets are depreciated and amortised from the date when they are available for use as following:

	Years
Licenses, product rights and trademarks	15–20
Capitalised expenditure for development	2–10
Premises conversions, IT equipment and other equipment	5–7
Right-of-use assets	2–10

### Impairment of intangible and tangible non-current assets, and right-of-use-assets

Goodwill is not amortised but tested for impairment at least each year. The value is also tested as soon as there are indications of impairment. Other assets are impairment tested if there is any indication of value impairment.

If there is an indication of impairment, the recoverable amount of the asset or assets is measured. For goodwill and intangible assets that are not yet ready for use, i.e. current development projects, the recoverable amount is also calculated yearly.

If the essentially independent cash flows of individual assets cannot be determined in the impairment test, the assets should be grouped at the lowest level when significant independent cash flows can be identified—a cash-generating unit. The recoverable amount consists of the greater of the value in use and the value that would be obtained if the asset was sold to an independent party after deducting for selling expenses, net sales value. Value in use consists of the present value of all payments made and received related to the asset in the period it is expected to be used in operations, plus the present value of net sales value at the end of the useful life.

If the estimated recoverable amount is less than carrying amount, the asset is impaired to recoverable amount. The impairment is recognised in profit loss in the period it is established. For more information on impairment tests, see note 13.

An impairment loss is reversed if there is both an indication that the impairment no longer exists, and a change has occurred to the underlying assumptions of the measurement of recoverable amount. However,

## Note 1, cont.—Accounting policies

impairment of goodwill is never reversed. A reversal is only taken to the extent the asset's carrying amount after reversal does not exceed the carrying amount that would have been recognised, less any depreciation or amortisation, if no impairment had been taken.

### Financial instruments

Reported financial assets mainly include accounts receivable and other receivables, as well as cash and cash equivalents. On the liabilities side, there are non-current and current loan liabilities, accounts payable, and where applicable, contingent considerations. A financial asset or liability is recognised in the Balance Sheet when the company becomes party to its contract terms.

A financial asset, or part of a financial asset, is derecognised when the rights in the agreement are realised or have expired. A financial liability, or part of a financial liability is derecognised when settled once the contractual obligation is satisfied or otherwise ceases.

All financial assets are classified and measured at amortised cost. The business model of receiving contracted cash flows, i.e. principal and interest, applies to all the group's financial assets.

The terms of long and short-term loans are stated in a separate note disclosure, other financial liabilities are non-interest-bearing.

Estimation of fair value of financial assets measured at fair value  
When the group measures a financial instrument at fair value, fair value is measured on the basis of a valuation hierarchy. The various levels are defined as follows:

- Level 1: quoted prices (unadjusted) on active marketplaces of identical assets or liabilities.
- Level 2: other observable data for the asset or liability other than quoted prices included in level 1, either directly (as price quotations) or indirectly (resulting from price quotations).
- Level 3: data for the asset or liability not based on observable market data.

### Accounts receivable and other receivables

Accounts receivable are reported net after reserving for expected credit losses. Accounts receivable are reported at their nominal amounts because there is no financing component in their value.

### Factoring

In special circumstances, Karo Healthcare sells its accounts receivables to a credit institution. In normal circumstances, control over these receivables transfers to the buyer when they are sold, and they are then derecognised. Essentially, the credit risk transfers to the buyer, but in those cases a minority remains with Karo Healthcare, the remaining risk is reported as a guarantee, if not considered insignificant. The charge paid to the counterparty is accounted against net financial income/expense.

### Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances.

### Borrowings

Borrowings are initially recognised at fair value, net of transaction expenses. Borrowing is then recognised at amortised cost and potential differences between amounts received (net of transaction expenses) and repayment amounts are recognised in profit or loss allocated over the term of the loan, by applying the effective interest method.

### Inventories

Goods in inventory are recognised at the lower of cost or market. The cost of goods in inventory shall include all expenditure for purchasing, expenditure for manufacture and other expenditure for transportation to the current location and condition. Inventory is measured by applying a standard cost model that includes planned the plan purchase price of finished goods, and the cost computed for delivery, quality assurance testing and quality approval.

Inventories are depreciated in cases where net sales value is less than cost.

### Provisions and contingent liabilities

Provisions are recognised when the group has a legally enforceable or constructive obligation resulting from an event that has occurred, and when it is probable that an outflow of resources will be necessary to fulfil that obligation, and the amount can be measured reliably. Expenses relating to provisions are recognised in profit or loss net of potential settlement.

A contingent liability is recognised when there is a potential obligation sourced from events that have occurred, and whose incidence is confirmed only by one or several uncertain future events, or where there is an obligation that is not recognised as a liability or provision due to it not being probable that an outflow of resources will be required.

### Pension expenses and other obligations regarding benefits after terminated employment

For salaried employees in Sweden, the defined benefit pension obligations for retirement and survivors' pensions in the ITP 2 plan (Supplementary Pensions for Salaried Employees) are vested through insurance with Alecta. In accordance with a statement from the Swedish Financial Reporting Board, UFR 3 Classification of ITP Plans Vested through Insurance with Alecta, this is a defined benefit multi-employer plan. For the financial year 2022, the company did not have access to such information enabling it to report the company's proportional share of plan obligations, and plan assets.

This implies that the plan is counted as a defined contribution pension plan. The premiums for defined contribution retirement and survivors' pensions are individually computed depending on factors including salary, previously vested pension and expected remaining length of service.

The collective consolidation ratio consists of the market value of Alecta's assets as a percentage of insurance commitments computed according to Alecta's actuarial methods and assumptions, which are not consistent with IAS 19. Normally, the collective consolidation ratio is permitted to vary between 125 and 155%. If Alecta's collective consolidation ratio is below 125% or above 155%, measures should be taken to create the conditions for the consolidation ratio to return to the normal interval. If consolidation is low, one potential action is to increase the contracted pricing of new subscriptions and extension of existing benefits. If consolidation is high, one potential action may be to introduce premium reductions. Compensation on termination should be paid when employment terminates before normal retirement age, and an employee accepts voluntary termination in exchange for this compensation. Karo Healthcare reports this compensation on termination when the company has a demonstrable obligation to either terminate employment of current employees according to a detailed, formal irrevocable plan, or provision compensation on termination as a result of an offering to encourage voluntary termination.

### Equity

Issue expenses directly attributable to the issue of new ordinary shares or options are recognised in equity net of tax, as a deduction from issue proceeds. More information in note 21.

### Material estimates and judgements for accounting purposes

Preparing financial statements consistent with IFRS requires the use of some critical estimates for accounting purposes. This also requires management to make certain assumptions on application of the group's accounting policies. Actual outcomes may differ from these estimates. Estimates and judgements are evaluated continuously, and primarily based on historical experience and other factors, including expectations of future events that are considered reasonable in prevailing circumstances. Amendments to estimates are recognised in the period the amendment is made.

Those areas with a high degree of complexity, or such areas where assumptions and estimates are of material significance for other reasons to the consolidated accounts, relate primarily to:

- the measurement of goodwill and other intangible assets,
- the measurement of tax-loss carry-forwards, licenses, products rights and trademarks & brands

## Note 1, cont.—Accounting policies

The assumptions necessary and that have a direct impact on the financial statements include forecasting any future sales revenue, contribution margin and costs at product level. Assumptions are also made regarding discount rates, product lifetimes and royalty levels. The maximum amortisation period of licenses, product rights and trademarks that the group applies is 20 years. The possibility that the measurement of licenses, product rights and trademarks need to be reassessed, which materially impacts the group's financial position and results of operations, cannot be ruled out. The group regularly tests for impairment of licenses, product rights and trademarks.

For more information, see the relevant accounting and valuation policy below, as well as notes 11, 12 and 13.

### PARENT COMPANY ACCOUNTING POLICIES

The annual accounts of the parent company have been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. According to RFR 2, the parent company shall apply all International Financial Reporting Standards endorsed by the EU as far as possible within the provisions of the Swedish Annual Accounts Act. The amendments of RFR 2 that apply for the financial year beginning 1 January 2022 did not have any impact on the Financial statements. There are a few discrepancies between IFRS and RFR 2 that have been considered when preparing the parent company's financial statements.

### Shares and participations in subsidiaries

Contingent considerations are measured on the basis of the likelihood that the purchase consideration will be paid. Any changes to provisions affect cost. In the consolidated accounts, contingent considerations are recognised at fair value, and any value changes are recognised in profit or loss. The balance sheet item Shares and participations includes transaction expenditure.

### Tax

The amounts provisioned to untaxed reserves are taxable temporary differences. Because of the relationship between accounting and taxation, the legal entity does not disclose the deferred tax liability related to the untaxed reserves separately. According to practice in Sweden, changes to untaxed reserves are recognised in profit or loss in individual companies under the "appropriations" heading. In the Balance Sheet, the accumulated value of provisions, including deferred tax liability, is reported under the "untaxed reserves" heading.

### Group contributions and shareholders' contributions

Shareholders' contributions paid are reported as an increase in the value of shares and participations. An assessment of whether the value of shares and participations in question is impaired is made subsequently. Group contributions are accounted according to the alternative rule, which means that all group contributions, made and received, are recognised as appropriations.

### Pensions

Pursuant to RFR 2, the stipulations of IAS 19 applying to defined benefit pension plans need not be applied to a legal entity. However, disclosures should be made regarding applicable parts of IAS 19. RFR 2 refers to the Swedish Pension Obligations Vesting Act for stipulations on accounting provisions to pensions and similar commitments, as well as accounting of plan assets in pension funds.

### Leases

RFR 2 contains an exemption implying that all lease arrangements should be accounted as operating leases when the parent company is lessee.

## NOTES

### Note 2 Revenues

Revenues for 2022 were SEK 4,138,430,000 (2,961,354,000), and essentially consisted of product sales. 25% (35) of this total consisted

of Rx pharmaceuticals, 56% (65) of OTC products, and 19% (0) Digital First.

Category KSEK	GROUP	
	2022	2021
RX	1,044,145	1,029,180
OTC	2,312,235	1,932,174
Digital First *	782,050	-
<b>TOTAL</b>	<b>4,138,430</b>	<b>2,961,354</b>

\*Brands mostly sold through e-commerce

Reconciliation, gross to net sales SEK 000	GROUP	
	2022	2021
Gross sales	4,239,828	3,064,116
Discounts	-79,915	-82,942
Shared marketing	-143,530	-113,443
Royalties and license revenue	117,137	91,981
Other	4,910	1,642
<b>NET SALES/REVENUE</b>	<b>4,138,430</b>	<b>2,961,354</b>

Discounts: a reduction of the list price for a customer at purchase for any given reason

Shared marketing: an agreement where the customer is compensated for marketing products to end-customers, and where compensation depends on sales volumes

#### Contract assets and contract liabilities

Karo Healthcare reports accounts receivable when there is a contracted right to payment for performance completed, which means delivery of goods. Accrued income associated with sales of goods is recognised in respect of accrued fees and other compensation for performance completed, which had not been invoiced as of the reporting date. Payments related to advance-invoiced contracts are recognised as deferred income in the Balance Sheet.

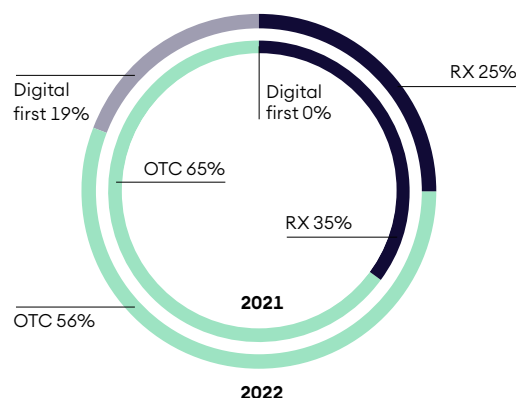
#### Accrued income

Of the opening balance for the year of SEK 2,628,000, SEK 2,628,000 has been invoiced, and thus transferred to accounts receivable in 2022. No impairment of recognised accrued income had occurred by year-end.

SEK 1,251,000 of income recognised in 2022 is included in accrued income at year-end.

#### Deferred income

Of the opening balance for the year of SEK 6,585,000, SEK 6,585,000 of revenue was recognised in 2022. SEK 2,205,000 of deferred income at the beginning of the year is included in advance-invoiced contracts in 2022.



### Note 3 Personnel and remuneration to the Board of Directors and senior executives

Average number of employees	2022			2021		
	Number	women	men	Number	women	men
Parent company	2.0	0.0	2.0	2.0	0.0	2.0
<b>Group companies</b>						
Sweden	141.0	105.0	36.0	153.0	107.0	46.0
Denmark	12.0	7.0	5.0	11.0	7.0	4.0
Finland	9.0	4.0	5.0	9.0	5.0	4.0
Norway	25.0	17.0	8.0	22.0	15.0	7.0
Lithuania	4.0	4.0	0.0	4.0	4.0	0.0
Netherlands	27.5	19.5	8.0	20.0	13.0	7.0
Germany	22.0	12.0	10.0	12.0	5.0	7.0
Switzerland	2.0	1.0	1.0	3.0	2.0	1.0
UK	49.0	32.0	17.0	4.0	3.0	1.0
Italy	2.0	1.0	1.0	1.5	0.6	0.9
Belgium	33.0	21.0	12.0	-	-	-
Spain	4.0	1.0	3.0	-	-	-
<b>TOTAL</b>	<b>333.0</b>	<b>225</b>	<b>108.0</b>	<b>241.5</b>	<b>161.6</b>	<b>79.9</b>

As of 31 December 2022, there were 369 (225) employees.

**Note 3, cont.—Personnel and remuneration to the Board of Directors and senior executives**

SEK 000	2022			2021		
	Salary and other benefits	Social security expenses incl. pension expenses	Total	Salary and other benefits	Social security expenses incl. pension expenses	Total
Salary, other benefits and social security contributions						
<b>Board of Directors and CEO</b>						
Board of Directors	1,807	568	<b>2,375</b>	2,191	721	<b>2,912</b>
CEO	10,556	4,558	<b>15,114</b>	8,438	3,904	<b>12,342</b>
<b>Other employees</b>						
<b>Parent company</b>						
Sweden	7,005	3,125	<b>10,130</b>	3,957	1,893	<b>5,850</b>
<b>Group companies</b>						
Sweden	128,903	59,256	<b>188,159</b>	107,500	51,472	<b>158,972</b>
Denmark	15,973	1,827	<b>17,800</b>	12,789	1,331	<b>14,120</b>
Finland	9,257	1,965	<b>11,222</b>	8,247	1,951	<b>10,198</b>
Norway	24,788	6,948	<b>31,736</b>	22,114	6,017	<b>28,132</b>
Lithuania	1,196	20	<b>1,216</b>	1,216	18	<b>1,234</b>
Netherlands	17,740	3,603	<b>21,343</b>	14,003	3,279	<b>17,282</b>
Germany	24,854	3,265	<b>28,119</b>	13,169	2,479	<b>15,648</b>
Switzerland	1,863	299	<b>2,162</b>	2,711	476	<b>3,187</b>
UK	36,733	5,378	<b>42,111</b>	3,458	393	<b>3,851</b>
Italy	1,941	585	<b>2,526</b>	1,450	484	<b>1,934</b>
Belgium	26,245	5,157	<b>31,402</b>	-	-	-
Spain	4,197	736	<b>4,933</b>	-	-	-
<b>TOTAL</b>	<b>313,058</b>	<b>97,290</b>	<b>410,348</b>	<b>201,244</b>	<b>74,418</b>	<b>275 662</b>

## Compensation and other benefits to senior executives in 2022

	Director's fee/basic salary	Variable remuneration	Other benefits	Other compensation	Social security expenses	Pension expenses, incl. special employer's contribution	Summa
<b>Board of Directors</b>							
Patrick Smallcombe, Chairman of the Board	780				245		<b>1,025</b>
Erika Henriksson <sup>1)</sup>	0				0		<b>0</b>
Uta Kemmerich-Keil	390				123		<b>513</b>
Kristofer Tonström	300				94		<b>394</b>
Flemming Ørnskov	394				124		<b>518</b>
Mark Keatley	585				184		<b>769</b>
Claire Henna from 21 April	0			105	0		<b>0</b>
<b>Total, Board of Directors</b>	<b>2,449</b>	<b>-</b>	<b>-</b>	<b>105</b>	<b>770</b>	<b>-</b>	<b>3,219</b>
<b>Senior executives</b>							
Christoffer Lorenzen, Chief Executive Officer	4,832	6,104	3	219	3,506	-	<b>14,664</b>
Other senior executives <sup>2)</sup>	13,904	7,279	302	1,659	7,270	-	<b>30,414</b>
<b>Total, senior executives</b>	<b>18,736</b>	<b>13,383</b>	<b>305</b>	<b>1,878</b>	<b>10,776</b>	<b>-</b>	<b>45,078</b>
<b>TOTAL</b>	<b>21,185</b>	<b>13,383</b>	<b>305</b>	<b>1,878</b>	<b>11,546</b>	<b>-</b>	<b>48,297</b>

<sup>1)</sup> Erika Henriksson, a Board member from EQT, has reported that she intends to donate her Directors' fee to aid organisations to benefit the Ukraine and current crisis resulting from its invasion.

<sup>2)</sup> There was an average of 9 people in management in addition to the CEO in 2022, 4 of whom were women.

More detail on the Board of Directors and group management is on pages 13-16.

**Note 3, cont.—Personnel and remuneration to the Board of Directors and senior executives**

Compensation and other benefits to senior executives in 2021

		Director's fee/basic salary	Variable remunera- tion	Other benefits	Other compen- sation	Social security expenses	Pension expenses, incl. special employer's contribution	Total
<b>Board of Directors</b>								
Patrick Smallcombe, Chairman of the Board	from 21 April	420				132		<b>552</b>
Bo Jesper Hansen, Chairman of the Board	to 21 April	180				57		<b>237</b>
Erika Henriksson <sup>1)</sup>		300				94		<b>394</b>
Uta Kemmerich-Keil		300				94		<b>394</b>
Vesa Koskinen <sup>1)</sup>	to 21 April	91				29		<b>120</b>
Kristofer Tonström		300				94		<b>394</b>
Håkan Åström	to 21 April	91				29		<b>120</b>
Flemming Ørnskov		300				<b>94</b>		<b>394</b>
Mark Keatley	from 21 April	209			105	99		<b>413</b>
<b>Total, Board of Directors</b>		<b>2,191</b>	<b>-</b>	<b>-</b>	<b>105</b>	<b>721</b>	<b>-</b>	<b>3,017</b>
<b>Senior executives</b>								
Christoffer Lorenzen, Chief Executive Officer		4,500	3,938	222	-	2,721	1,183	<b>12,563</b>
Other senior executives <sup>2)</sup>		13,665	2,662	764	4,798	5,370	3,684	<b>30,943</b>
<b>Total, senior executives</b>		<b>18,165</b>	<b>6,600</b>	<b>986</b>	<b>4,798</b>	<b>8,091</b>	<b>4,867</b>	<b>43,506</b>
<b>TOTAL</b>		<b>20,356</b>	<b>6,600</b>	<b>986</b>	<b>4,903</b>	<b>8,812</b>	<b>4,867</b>	<b>46,524</b>

<sup>1)</sup> Erika Henriksson and Vesa Koskinen, Board members from EQT, have reported that they intend to donate their Directors' fees to aid organisations or other charities to counter the effects of the corona pandemic.

<sup>2)</sup> There was an average of 10 people in management in addition to the CEO in 2021, 5 of whom were women.

**Remuneration of the Board of Directors**

The AGM on 31 May 2022 resolved that the number of Directors and Deputy Directors, as well as auditors and deputy auditors should be seven (7) with no deputies for the period until the end of the next AGM. The AGM also approved Karo Intressenter's proposal regarding election of the Board of Directors, involving the re-election of current Directors Erika Henriksson, Mark Keatley, Uta Kemmerich-Keil, Kristofer Tonström, Flemming Ørnskov, and the election of Claire Hennes. The AGM resolved to re-elect Chairman of the Board Patrick Smallcombe. More detail on the Board is on pages 13–14.

Fees in accordance with AGM resolution are payable to the Chairman of the Board and Directors. Karo Intressenter's proposal of Director's fees of SEK 300,000 per Director, and SEK 600,000 for the Chairman of the Board, was approved. The Meeting noted that the Director representing EQT—Erika Henriksson—announced that she intends to donate her Director's fee to aid organisations or other charities to benefit the Ukraine and the current crisis relating to its invasion. All committee work was conducted by the whole Board, so no special committee fees were paid. To the extent a Board member render service on the company's behalf in addition to service on the Board, consulting fees should be payable on market terms. No Board fees are payable to subsidiary Boards of Directors.

**Remuneration of senior executives**

Guidelines adopted by the AGM 2022 imply market principles as the overall basis of salary and other benefits to senior executives. Satisfactory performance should be compensated by basic salary. Variable compensation will be available that rewards clearly target-related performance in straightforward and transparent structures, and should be based on the achievement of predetermined operational targets. Variable compensation may be a maximum of 125% of the CEO's basic salary, and 100% of other senior executives' basic salaries.

Other benefits may include non-monetary benefits such as company cars. Other benefits may be a maximum of 25% of the basic salary of the CEO, and other senior executives.

Additionally, senior executives enjoy pension benefits in pension plans comparable to ITP, similar to other employees. Pensionable salary is basic salary.

One senior executive served as a consultant, and received a consulting fee: Jonathan Kimber, VP of Operations. The remaining senior executives accrue basic monthly salary. More detail on the group management is on pages 15–16.

**Agreements on severance pay**

A maximum 12-month notice period applies to termination from Karo Healthcare's side. On termination from Karo Healthcare's side, the CEO and other senior executives may receive severance pay of a maximum of 12 months' basic salary, or the corresponding amount of extension of notice periods. A maximum notice period of six months applies to termination from the CEO's or senior executive's side. No severance pay should be payable on termination on the employee's side.

**Note 4 | Operating expenses by nature of expense****Operating expenses are allocated by nature of expense as follows**

SEK 000	Note	GROUP		PARENT COMPANY	
		2022	2021	2022	2021
Depreciation/amortisation/impairment		-841,009	-565,939	-498,748	-352,131
Payroll expenses		-422,004	-292,616	-30,093	-30,486
Other external expenses		-1,081,336	-654,369	-632,258	-572,880
Other operating income and expenses	6	3,857	12,503	8,253	-3,165
		-2,340,492	-1,500,421	-1,152,846	-958,663
Cost of goods sold, SEK 000		2022	2021	2022	2021
Goods for resale		-1,869,832	-1,255,029	-625,455	-499,139
		-1,869,832	-1,255,029	-625,455	-499,139

**Note 5 | Depreciation, amortisation and impairment****Depreciation/amortisation/impairment are divided between Karo Healthcare's functions and asset classes as follows**

SEK 000	Note	GROUP		PARENT COMPANY	
		2022	2021	2022	2021
<b>Function</b>					
Selling expenses		-810,461	-541,163	-496,324	-350,179
Administrative expenses		-30,548	-24,775	-2,425	-1,952
		-841,009	-565,939	-498,748	-352,131
<b>Asset class</b>					
Capitalised development expenses	13	-23,377	-15,089	-17,086	-14,637
Licenses and product rights	13	-737,948	-521,578	-437,536	-312,374
Distribution channels	13	-40,443			
Goodwill	13	-	-	-41,702	-23,168
Equipment, buildings & land	14	-10,535	-4,139	-2,425	-1,952
Right-of-use assets	28	-28,706	-25,132	-	-
		-841,009	-565,939	-498,748	-352,131

**Note 6 | Other operating income and expenses**

SEK 000	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Exchange gains/losses, net	2,489	10,982	8,592	2,168
Municipal subsidies	682	-397	-	-
Other income and compensation	3,902	6,174	555	1,243
Capital gain/loss, sale of non-current assets	-3,216	-4,256	-894	-6,576
	3,857	12,503	8,253	-3,165

**Note 7 | Interest income and other profit/loss items**

SEK 000	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Interest income, capital gain and dividends from investments in securities, etc.	2,609	209	2,313	-
Interest income, group companies	-	-	84,108	39,757
Exchange rate gains	63,656	21,570	44,377	7,922
	66,266	21,778	130,798	47,679



## NOTES

<b>Note 8   Interest expenses and similar profit/loss items</b>				
SEK 000	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Interest expenses group companies	-	-	-11,359	-1,183
Interest expenses	-385,877	-182,901	-377,846	-176,253
Exchange rate effects	-136,251	-32,266	-119,473	-27,971
	<b>-522,128</b>	<b>-215,166</b>	<b>-508,679</b>	<b>-205,407</b>

<b>Note 9   Income tax</b>								
SEK 000	GROUP				PARENT COMPANY			
	2022	%	2021	%	2022	%	2021	%
Reported profit before tax	-527,757		12,516		-494,075		-31,040	
Tax at nominal tax rate	108,718	-20.6	-2,578	-20.6	101,780	-20,6	6,394	-20.6
Tax effect of foreign tax rates	10,945	2.1	-1,261	-10.1	-	-	-	-
Tax effect of changed tax rates, Finland	-12	0.0	-	-	-	-	-	-
Tax effect of deductible non-expensed items	7,604	1.4	-	-	2,813	0,6	-	-
Tax effect of adjustment of previous year's tax	25,675	4.9	-14,297	-114.2	-	-	2,141	-6.9
Tax effect of other non-deductible items	-23,540	-2.0	-3,514	-28.1	-14,092	-2,9	-1,786	5.8
Tax effect of non-taxable income	8,794	0.2	23,221	185.5	303	0,1	-	-
Tax effect of tax-related depreciation and amortisation	7,612	1.4	-23,580	-188.4	-	-	-4,573	14.7
Tax effect of interest deduction limitation rules	-41,914	-7.9	376	3.0	-39,622	-8,0	352	-1.1
Tax effect of tax assets not assigned value	-18,264	-3.5	494	4.0	-	-	-387	1.2
Tax effect of tax assets recognised as assets	-	-	-8,378	-66.9	-	-	-	-
Tax effect related to used tax loss carry-forwards from previous years	-383	-0.1	-	-	-	-	-	-
Tax effect of taxable income not reflected in statutory reporting	-43,364	-8.2	-	-	-18,529	-3,8	-	-
Other tax effects	62	0.0	11	0.1	-37	0,0	-	-
<b>TAX ON REPORTED PROFIT</b>	<b>41,935</b>	<b>-12.7</b>	<b>-29,506</b>	<b>-235,7</b>	<b>32,616</b>	<b>-14.0</b>	<b>2,140</b>	<b>-6.9</b>

### The tax expense consists of the following components:

SEK 000	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Current tax:				
On profit for the year	-39,727	-3,676	-	-
Adjustment of previous year's tax	954	-16,437	-	-
<b>Total current tax</b>	<b>-38,774</b>	<b>-20,113</b>	<b>-</b>	<b>-</b>
Deferred tax:				
Change in temporary differences	109,205	23,060	26,878	-4,538
Increase in deductible tax loss carry-forwards	7,351	15,813	5,739	6,679
Use of deductible tax loss carry-forwards	-35,848	-48,265	-	-
<b>Total deferred tax</b>	<b>80,708</b>	<b>-9,393</b>	<b>32,616</b>	<b>2,140</b>
<b>TOTAL REPORTED TAX</b>	<b>41,935</b>	<b>-29,506</b>	<b>32,616</b>	<b>2,140</b>

As of 31 December 2022, there were deductible loss carry-forwards of approximately SEK 3,156 m (3,118) in the group and SEK 2,431 m (2,404) in the parent company. Deferred tax assets attributable to deductible loss carry-forwards are only recognised to the extent it is likely that they will be used.

The change in the accounted accrued deferred tax on loss carry-forwards in the year is attributable to the parent company and the subsidiaries of the Trimb group, because after the acquisition, earnings capacity is good, and these accumulated loss carry-forwards are considered usable. See also note 22 Deferred tax.

**Note 10 Earnings per share**

Earnings per share are computed for earnings attributable to equity holders of the parent only.

Earnings per share are computed by dividing earnings for the year by the weighted average number of outstanding shares in the period.

The number of shares for each year before the rights issues have been adjusted for the bonus issue element of these rights issues, pursuant to IAS 33.

	<b>2022</b>	2021
Number of outstanding shares (000)		
At beginning of year	225,033	223,094
Average	261,199	224,433
At end of year	273,255	225,033
Earnings per share		
Earnings attributable to equity holders of the parent	-485,822	-17,451
Weighted average number of outstanding shares (000)	261,199	224,433
Basic earnings per share, SEK	-1.86	-0.08
Diluted earnings per share, SEK <sup>1)</sup>	-1.86	-0.08

**Note 11 Acquisitions and divestments**

On 13 January 2022, Karo Healthcare completed the acquisition of the expansive Belgian enterprise Sylphar International NV, which specialises in e-commerce in consumer health. The three largest brands in its

portfolio are Nutravita®, Alpha Foods® and Remescar®. This group's sales in 2022 were approx. SEK 670 m.

KSEK	<b>2022</b>
<b>Assets</b>	
Intangible assets	1,423,138
Property, plant and equipment	11,441
Financial assets	262
Inventories	107,933
Accounts receivable	42,851
Other current receivables	6,200
Cash and cash equivalents	89,957
<b>Liabilities</b>	
Provisions for tax	-282,865
Non-current liabilities	-402,786
Accounts payable	-178,673
Current tax liability	-3,648
Other current liabilities	-65,827
<b>ACQUIRED NET ASSETS</b>	<b>747,983</b>
Goodwill	1,822,858
<b>Total acquisition value</b>	<b>2,570,841</b>
Cash flow from acquisition of subsidiary	
Cash purchase consideration	-2,570,841
Cash and cash equivalents of acquired company	89,957
<b>TOTAL CASH FLOW FROM BUSINESS COMBINATION</b>	<b>-2,480,884</b>

**Note 12 Add-on acquisitions and divestments**

On 9 March 2022, Karo Healthcare completed an add-on acquisition of Satin Naturel®, an exclusive skincare brand mainly sold on Amazon in Germany. Sales of this brand in 2022 were approx. SEK 110 m.

On 1 April 2022, Karo Healthcare completed the acquisition of the E45® skincare brand from Reckitt for GBP 200 m. Sales of this brand in 2022 were approximately. SEK 180 m.

Note 13   Goodwill, products, licenses and similar rights		GROUP				
SEK 000	2022					
	Licenses and product rights	Capitalised development expenditure	Distribution channels	Goodwill	Total	
Opening cost	8,397,983	132,128	-	3,318,893	<b>11,849,004</b>	
Increase through business combination	1,197,168	42,314	202,213	1,822,858	<b>3,264,552</b>	
Purchases in the year	2,674,613	11,772	-	-	<b>2,686,384</b>	
Sale/retirement	-	-1,877	-	-	<b>-1,877</b>	
Reclassifications	31,557	-37,709	-	-	<b>-6,151</b>	
Translation difference	124,545	-6,058	16,883	176,857	<b>312,226</b>	
<b>Closing accumulated cost</b>	<b>12,425,865</b>	<b>140,570</b>	<b>219,095</b>	<b>5,318,608</b>	<b>18,104,138</b>	
Opening amortisation	-1,486,076	-20,547	-	-	<b>-1,506,623</b>	
Amortisation from business combination	-	-18,556	-	-	<b>-18,556</b>	
Amortisation for the year	-737,822	-21,811	-40,443	-	<b>-800,076</b>	
Impairment for the year	-	-1,566	-	-	<b>-1,566</b>	
Sale/retirement	-	983	-	-	<b>983</b>	
Reclassifications	-31,557	-308	-	-	<b>-31,865</b>	
Translation difference	-11,693	-1,032	-1,889	-	<b>-14,614</b>	
<b>Closing accumulated amortisation</b>	<b>-2,267,148</b>	<b>-62,837</b>	<b>-42,332</b>	<b>-</b>	<b>-2,372,317</b>	
<b>CLOSING RESIDUAL VALUE</b>	<b>10,158,718</b>	<b>77,733</b>	<b>176,763</b>	<b>5,318,608</b>	<b>15,731,822</b>	
GROUP						
SEK 000	2021					
	Licenses and product rights	Capitalised development expenditure	Goodwill	Work in progress	Total	
Opening cost	7,664,554	87,254	3,263,886	5,044	<b>11,020,739</b>	
Purchases in the year	880,392	37,291	-	-	<b>917,683</b>	
Sale/retirement	-195,032	-3,271	-	-	<b>-198,303</b>	
Reclassifications	-5,544	10,642	-	-5,098	<b>-</b>	
Translation difference	53,613	211	55,006	54	<b>108,885</b>	
<b>Closing accumulated cost</b>	<b>8,397,983</b>	<b>132,128</b>	<b>3,318,893</b>	<b>-</b>	<b>11,849,004</b>	
Opening amortisation	-985,873	-5,388	-	-	<b>-991,261</b>	
Amortisation for the year	-520,818	-15,089	-	-	<b>-535,908</b>	
Impairment for the year	-760	-	-	-	<b>-760</b>	
Sale/retirement	34,147	-	-	-	<b>34,147</b>	
Translation difference	-12,772	-70	-	-	<b>-12,842</b>	
<b>Closing accumulated amortisation</b>	<b>-1,486,076</b>	<b>-20,547</b>	<b>-</b>	<b>-</b>	<b>-1,506,623</b>	
<b>CLOSING RESIDUAL VALUE</b>	<b>6,911,907</b>	<b>111,581</b>	<b>3,318,893</b>	<b>-</b>	<b>10,342,381</b>	

## Note 13, cont.—Goodwill, products, licenses and similar rights

SEK 000	PARENT COMPANY			
	2022			
	Licenses and product rights	Capitalised development expenditure	Goodwill	Total
Opening cost	4,890,029	119,493	347,518	<b>5,357,040</b>
Purchases in the year	2,674,613	1,647	-	<b>2,676,260</b>
Sale/retirement	-	-1,877	-	<b>-1,877</b>
Reclassifications	-	-32,942	-	<b>-32,942</b>
<b>Closing accumulated cost</b>	<b>7,564,641</b>	<b>86,321</b>	<b>347,518</b>	<b>7,998,480</b>
Opening amortisation	-843,424	-19,620	-86,880	<b>-949,923</b>
Amortisation for the year	-437,536	-17,086	-41,702	<b>-496,324</b>
Sale/retirement	-	983	-	<b>983</b>
Reclassifications	-	417	-	<b>417</b>
<b>Closing accumulated amortisation</b>	<b>-1,280,959</b>	<b>-35,306</b>	<b>-128,582</b>	<b>-1,444,847</b>
CLOSING RESIDUAL VALUE	6,283,682	51,015	218,936	6,553,634

SEK 000	PARENT COMPANY			
	2021			
	Licenses and product rights	Capitalised development expenditure	Goodwill	Total
Opening cost	4,098,856	85,036	347,518	<b>4,531,410</b>
Purchases in the year	880,392	34,457	-	<b>914,849</b>
Sale/retirement	-89,219	-	-	<b>-89,219</b>
<b>Closing accumulated cost</b>	<b>4,890,029</b>	<b>119,493</b>	<b>347,518</b>	<b>5,357,040</b>
Opening amortisation	-609,077	-4,983	-63,712	<b>-677,771</b>
Amortisation for the year	-311,614	-14,637	-23,168	<b>-349,419</b>
Impairment for the year	-760	-	-	<b>-760</b>
Sale/retirement	78,027	-	-	<b>78,027</b>
<b>Closing accumulated amortisation</b>	<b>-843,424</b>	<b>-19,620</b>	<b>-86,880</b>	<b>-949,923</b>
CLOSING RESIDUAL VALUE	4,046,605	99,873	260,639	4,407,116

**Note 13, cont.—Goodwill, products, licenses and similar rights****Cash-generating units**

The cash-generating units were updated in 2022 as a consequence of the integration of operations and new acquisitions, as well as the incorporation of sales enterprises in several European countries. The new division is between Rx (prescription pharmaceuticals), OTC (over-the-counter), products mainly with pharmacies as customers, and Digital First (brands

primarily sold through e-commerce). Comparative figures have been restated. The allocation of assets and financial monitoring of these entities is by grouping existing brands in each category.

Goodwill per cash-generating unit, group	2022	2021	Product rights per cash-generating unit, group	2022	2021
Rx	752,023	838,297	Rx	2,745,872	2,814,282
OTC	2,591,538	2,480,596	OTC	6,199,283	4,097,625
Digital First (acquired operation 2022)	1,975,047	-	Digital First (acquired operation 2022)	1,213,563	-
<b>Total goodwill, group</b>	<b>5,318,608</b>	<b>3,318,893</b>	<b>Total value, licenses and product rights</b>	<b>10,158,718</b>	<b>6,911,907</b>

Product right	Cash-generating unit	Book value	Remaining amortisation period
Project Zuba (Leo acq. Apr 2018) // yr.	RX & OTC	1,584,393	10 yr.
Project Polo (Leo acq. Mar 2020)	RX & OTC	811,683	12 yr.
Project Ruffian (J&J acq. May 2020)	RX & OTC	511,503	12 yr.
Project Thor (Trimb acq. Sep 2019)	RX & OTC	1,845,513	17 yr.
Project Roadster (Teva acq. April 2021)	RX & OTC	756,773	13 yr.
Project Lys (Sylphar acq. Jan 2022)	Digital First	1,213,563	14 yr.
Project Aphrodite (Satin acq. Mar 2022)	Digital First	136,703	14 yr.
Project England (E45 acq. Apr 2022)	Digital First	2,383,128	14 yr.
Other	RX & OTC	915,460	8-10 yr.
<b>Total value, licenses and product rights</b>		<b>10,158,718</b>	

**Material assumptions for measuring value in use**

The group conducts impairment tests on product rights and goodwill yearly. Impairment tests are conducted on each cash-generating unit. The recoverable amount of these cash-generating units has been determined by computing value in use, which requires certain assumptions. The computations proceed from cash flow forecasts based on budgets and forecasts for the following years. These forecasts are based on growth rates as a parameter, which include assumptions on price growth and sales volumes. The gross margin parameter is also included, which incorporates assumptions regarding sales and the increase in the cost of goods, as well as the discount rate parameter.

Cash flow after the five-year term has been extrapolated with the aid of an average estimated growth rate of 2% for the product portfolio per year. Applying a weighted average cost of capital (WACC before tax) of 8.5%, the recoverable amounts of the tested units exceed the carrying amounts of the tested units. Given a change in the growth rate from 2% to 0% per year, recoverable amount would still exceed the carrying amounts of all the tested units. The company has concluded that reasonable changes in other parameters would not imply the carrying amount exceeding the recoverable amount. The company's long-term ability to generate future business is an important factor for justifying accounted goodwill.

<b>Note 14</b>	<b>Equipment, buildings and land</b>
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SEK 000	GROUP					
	2022			2021		
	Equipment	Construction in progress and advances	Total	Equipment	Construction in progress and advances	Total
Opening cost	22,742	5,236	<b>27,977</b>	21,823	5,742	<b>27,565</b>
Increase from business combinations	38,394	-	<b>38,394</b>			
Purchases in the year	10,180	-	<b>10,180</b>	7,181	-	<b>7,181</b>
Sale and retirements	-2,333	-	<b>-2,333</b>	-6,996	-	<b>-6,996</b>
Reclassifications	5,443	-5,443	<b>-</b>	247	-604	<b>-357</b>
Translation difference	2,823	207	<b>3,030</b>	488	97	<b>585</b>
<b>Closing accumulated</b>	<b>77,249</b>	<b>-</b>	<b>77,248</b>	<b>22,742</b>	<b>5,235</b>	<b>27,977</b>
Opening depreciation	-6,116	-	<b>-6,116</b>	-8,524	-	<b>-8,524</b>
Depreciation from business combinations	-21,954	-	<b>-21,954</b>			
Sale and retirements	2,232	-	<b>2,232</b>	6,823	-	<b>6,823</b>
Depreciation for the year	-10,535	-	<b>-10,535</b>	-4,139	-	<b>-4,139</b>
Translation difference	-1,661	-	<b>-1,661</b>	-276	-	<b>-276</b>
<b>Closing accumulated depreciation</b>	<b>-38,035</b>	<b>-</b>	<b>-38,035</b>	<b>-6,116</b>	<b>-</b>	<b>-6,116</b>
CLOSING RESIDUAL VALUE	39,213	-	39,213	16,626	5,235	21,861

SEK 000	PARENT COMPANY			
	2022		2021	
	Equipment	Total	Equipment	Total
Opening cost	13,124	<b>13,124</b>	19,933	<b>19,933</b>
Purchases in the year	-	<b>-</b>	4,194	<b>4,194</b>
Sale and retirements	-	<b>-</b>	-11,002	<b>-11,002</b>
<b>Closing accumulated cost</b>	<b>13,124</b>	<b>13,124</b>	<b>13,124</b>	<b>13,124</b>
Opening depreciation	-2,589	<b>-2,589</b>	-11,640	<b>-11,640</b>
Sales and retirements	-	<b>-</b>	11,002	<b>11,002</b>
Depreciation for the year	-2,425	<b>-2,425</b>	-1,952	<b>-1,952</b>
<b>Closing accumulated depreciation</b>	<b>-5,014</b>	<b>-5,014</b>	<b>-2,589</b>	<b>-2,589</b>
CLOSING RESIDUAL VALUE	8,110	8,110	10,535	10,535

## NOTES

Note 15		Participations in group companies						
					PARENT COMPANY			
SEK 000					2022	2021		
Opening cost					5,241,300	5,241,199		
Purchase					2,633,476	102		
<b>Closing accumulated cost</b>					<b>7,874,777</b>	<b>5,241,300</b>		
Opening impairment					-9,294	-9,250		
Impairment for the year					-	-44		
<b>Closing accumulated impairment</b>					<b>-9,294</b>	<b>-9,294</b>		
<b>CLOSING BOOK VALUE</b>					<b>7,865,483</b>	<b>5,232,006</b>		
Name	Registered office	Corp. ID no.	Participat- ing interest	Number of shares	Book value	Equity	Net profit/ loss	
Karo Pharma AG	Steinhausen, Schweiz	CHE-109.884.033	100%	10,010	13,545	4,685	878	
Karo Healthcare UK Ltd (corporate name changed from Karo Pharma UK Ltd)	Guildford, UK	11784588	100%	1,000	19	5,660	3,686	
Karo Pharma Sverige AB	Stockholm, Sverige	556767-3784	100%	157,011	388,746	218,062	2,593	
Bio Phausia AB	Stockholm, Sverige	556485-0153	100%	342,564,194	928,973	150,205	481	
Karo Healthcare Norge AS (corporate name changed from Karo Pharma Norge AS)	Oslo, Norge	983.733.506	100%	36,472,069	1,334,994	1,502,882	104584	
Karo Healthcare ApS (corporate name changed from Karo Pharma ApS)	Köpenhamn, Danmark	39.503.778	100%	2,000	281	13,113	6,358	
Karo Pharma Oy	Åbo, Finland	2915559-1	100%	10,000	104	9,035	2,868	
Trimb Holding AB	Stockholm, Sverige	559018-4148	100%	2,544,839	2,565,243	1,392,409	44,190	
Karo Pharma S.R.L.	Milano, Italien	IT11511170968	100%	10,000	102	4,819	2,639	
Sylphar International NV	Deurle, Belgien	BE0675556203	100%	3,537,402	2,633,444	985,893	-4,373	
Eros NewCo Limited	Maidenhead, UK	13.807.078	100%	1,300,043	0	217	-15,976	
Karo Healthcare S.L.	Barcelona, Spanien	B67628446	100%	3,000	32	1,525	1,425	
<b>TOTAL BOOK VALUE IN GROUP COMPANIES</b>					<b>7,865,483</b>			
Indirect holdings								
Name	Registered office	Corp. ID no.	Participat- ing interest	Number of shares	Equity	Net profit/loss		
Karo Pharma AS	Oslo, Norway	917.296.200	100%	6,798,000	156,954	-3,974		
Trimb Healthcare AB	Stockholm, Sweden	556893-0795	100%	318,737	512,396	-11,220		
CCS Skincare Brands AB	Solna, Sweden	559170-0082	100%	50,000	11,818	-13,251		
Independent Beauty AB	Stockholm, Sweden	559121-8473	80%	50,000	3,041	-7,781		
Frasen AB	Kungälv, Sweden	556888-0412	100%	500	12,038	-33		
Trimb Netherlands BV	Amsterdam, Netherlands	63.994.437	100%	10,000	224,583	-775,62		
Karo Healthcare BV (corporate name changed from YouMedical BV)	Amsterdam, Netherlands	55.302.394	100%	180	150,874	13,970		
Bioclin BV	Delft, Netherlands	27.229.261	100%	400	313,946	5,099		
Bioclin Asia	Bangkok, Thailand	0105553081865	99%	20,000	0	0		
UAB Trimb	Kaunas, Lithuania	303208187	100%	100	-2,161	-589		
Karo Healthcare GmbH (corporate name changed from Karo Pharma GmbH)	Krailing, Germany	HRB 250663	100%	1	7,838	3,385		
Alpha Foods BV	Deurle, Belgium	BE0745397092	100%	3,557,000	40,151	-10,175		
Sylphar NV	Deurle, Belgium	BE0892362188	100%	100	802,897	-37,390		
Nutravita Limited	Maidenhead, UK	9297840	100%	111	78,689	18,131		
Pro Teeth Whitening Co Limited	Maidenhead, UK	9813660	100%	100	348	-389		

Note 16		Other financial assets			
		GROUP		PARENT COMPANY	
SEK 000		2022	2021	2022	2021
Guarantees and deposits		3,319	2,848	30	30
Receivables group companies		-	-	1,733,942	1,243,296
Non-current receivables, other		11	21	11	21
<b>CLOSING ACCUMULATED COST</b>		<b>3,329</b>	<b>2,869</b>	<b>1,733,982</b>	<b>1,243,347</b>

**Note 17 Inventories**

SEK 000	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Finished goods	669,881	487,724	215,629	147,766
Input goods	5,271	9,826	4,466	5,157
<b>CLOSING BOOK VALUE</b>	<b>675,152</b>	<b>497,550</b>	<b>220,095</b>	<b>152,923</b>

A portion of inventory has been reported at its net sales value, which means that a SEK 61,075,000 (20,686,000) impairment loss was reported in the year.

**Note 18 Accounts receivable**

SEK 000	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Not overdue	618,541	487,234	231,792	180,461
Overdue 1-30 days	119,793	95,133	17,386	30,597
Overdue 31-60 days	25,953	14,377	13,934	10,751
Overdue 61-90 days	16,436	14,133	12,125	690
Overdue > 90 days	13,859	18,635	8,468	14,018
Credit loss reserve	-7,255	-2,114	-7,175	1,471
<b>CLOSING BOOK VALUE</b>	<b>787,327</b>	<b>627,397</b>	<b>276,529</b>	<b>235,046</b>

SEK 000	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Credit loss reserve				
Not overdue	-234	-	-234	-
Overdue 1-30 days	-160	-	-160	-
Overdue 31-60 days	-28	-591	-28	-69
Credit loss reserve	-6,833	-1,523	-6,753	-1,402
<b>CLOSING BOOK VALUE</b>	<b>-7,255</b>	<b>-2,114</b>	<b>-7,175</b>	<b>-1,471</b>

Karo reserves for expected credit losses on reported accounts receivable. A reserve is created for the risk after case-by-case assessments at customer level. These estimates consider knowledge of customers' his-

torical solvency. The credit quality of un-reserved receivables is considered good. Interest income on accounts receivable in the year was SEK 0,000 (0).

**Note 19 Prepaid expenses and accrued income**

SEK 000	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Prepaid rent	447	2,809	3,528	3,170
Prepaid insurance	5,631	3,910	5,153	3,891
Prepaid bank charges	733	733	733	733
Prepaid licenses and other IT-related expenses	9,047	9,410	6,529	9,063
Accrued income	1,251	2,628	45,802	61,938
Tech transfer	39,821	-	37,602	-
Acquisition expenses	-	12,345	-	32,595
Prepaid pensions	-	2,709	-	-
Other items	5,192	4,860	2,594	1,438
	<b>62,122</b>	<b>39,405</b>	<b>101,940</b>	<b>112,829</b>

**Note 20 Cash and cash equivalents**

Amount as of 31 December, SEK 000	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Cash and bank balances	452,427	260,715	366,360	209,642
	<b>452,427</b>	<b>260,715</b>	<b>366,360</b>	<b>209,642</b>



## NOTES

### Note 21 | Equity

Total number of shares	2022	2021
As of 1 January	225,033,204	225,033,204
New share issue	48,221,400	-
<b>AS OF 31 DECEMBER</b>	<b>273,254,604</b>	<b>225,033,204</b>

Number of outstanding shares <sup>1)</sup>	2022	2021
Total number of shares	273,254,604	225,033,204
Shares in treasury	-	1,939,689
<b>TOTAL</b>	<b>273,254,604</b>	<b>226,972,893</b>

<sup>1)</sup> There was no dilution effect on the number of shares as of 31 December 2022.

Largest shareholders	Holding	Votes
Karo Stakeholders	264,963,127	97.0%
Morgan Stanley and Co LLC	4,424,457	1.6%
Clearstream Banking S.A.	2,123,070	0.8%
Total, other shareholders	1,743,950	0.6%
<b>SUMMA TOTALT 2022-12-31</b>	<b>273,254,604</b>	

On 16 March 2022, Karo Healthcare AB decided to conduct a Rights Issue for Karo Healthcare's shareholders supported by authorisation from the AGM on 21 April 2021. The Rights Issue was executed to repay the bridging loan facility raised in tandem with the acquisition of Sylphar International NV, and to consolidate Karo Healthcare's financial capacity to acquire companies and product portfolios, to exploit other market opportunities, and continue to work on insourcing sales resources.

In tandem with its share issue, Karo Healthcare also applied to de-list the company's shares from Nasdaq Stockholm. The final trading day on Nasdaq Stockholm was 24 March 2022, and the first trading day on Nasdaq First North Growth Market was 25 March 2022. Karo Healthcare's largest shareholder, Karo Intressenter AB (at the time holding 81.4% of Karo Healthcare shares), undertook to subscribe for its pro rata portion of the Rights Issue, and to guarantee the remaining portion of the Rights Issue.

The overall outcome was that 47,954,417 shares were subscribed with subscription rights. The remaining 266,983 shares were granted to individuals that had subscribed for shares without subscription rights. Accordingly, the Rights Issue was fully subscribed, and Karo Healthcare raised some SEK 2,508 m before issue expenses. The share capital increased by SEK 19,288,347 through the Rights Issue, from SEK

Shares in treasury	2022	2021
As of 1 January	-	1,939,689
Sales in the year	-	-1,939,689
<b>AS OF 31 DECEMBER</b>	<b>-</b>	<b>-</b>

Share capital, SEK	2022	2021
As of 1 January	90,012,291	90,012,291
New share issue	19,288,347	-
<b>AS OF 31 DECEMBER</b>	<b>109,300,638</b>	<b>90,012,291</b>

Quota value, SEK	2022	2021
	0,40	0,40

90,012,290 to SEK 109,300,638, and the number of Karo Healthcare shares increased by 48,221,400, from 225,033,204 shares to 273,254,604 shares. The subscription price was set at SEK 52 per share.

On 16 August 2022, Karo Intressenter AB announced a cash public take-over Offer to the shareholders of Karo Healthcare AB to acquire the shares of Karo Healthcare not previously held by Karo Intressenter at a price of SEK 60 per share. On 19 September 2022, Karo Intressenter declared the Offer unconditional, and consummated the Offer. On 1 November 2022, Karo Intressenter announced the outcome of the Offer for the second extension of the acceptance period, and at the time of publication, Karo Intressenter controlled a total of approx. 96.8% of the total number of shares and votes of Karo Healthcare. Simultaneously, Karo Intressenter announced that the acceptance period for the Offer would be extended until 18 November 2022, but the acceptance period was not extended subsequently.

Against the background of Karo Intressenter AB controlling over 90% of the shares of Karo Healthcare, and in accordance with Karo Intressenter's wishes, Karo Healthcare's Board of Directors applied for a de-listing of the company's shares from Nasdaq First North Growth Market. The final day of trading in Karo Healthcare's shares on Nasdaq First North Growth Market was 24 November 2022.

#### Management of capital

The group's objective in terms of managing its capital structure is to safeguard the group's ability to continue operations, so that it can continue to generate returns for shareholders and benefits for other stakeholders, and maintain an optimal capital structure to limit the cost of

capital. Like other companies in its sector, the group assesses its capital on the basis of debt/equity ratio. This metric is computed as net debt divided by total assets. The debt/equity ratio as of 31 December 2022 and 2021 was as follows:

SEK 000	2022	2021
Total borrowing	8,955,964	5,731,308
Less: cash and cash equivalents	-452,427	-260,715
<b>Net debt</b>	<b>8,503,537</b>	<b>5,470,593</b>
Total equity	7,966,095	5,814,321
Total capital	18,596,366	12,593,418
Debt/equity ratio	46%	43%

**Note 22 | Deferred tax****Amounts relating to deferred tax assets and liabilities in the Balance Sheet are as follows:**

SEK 000	GROUP 2022			GROUP 2021			PARENT COMPANY 2022			PARENT COMPANY 2021		
	Receivables	Liabilities	Net	Receivables	Liabilities	Net	Receivables	Liabilities	Net	Receivables	Liabilities	Net
Untaxed reserves	-	-719,725	-719,725	-	-495,255	-495,255	-	-	-	-	-26,527	-26,527
Loss carry-forwards	619,165	-	619,165	647,657	-	647,657	500,865	-	500,865	494,739	-	494,739
Other	15,351	-3,448	11,903	13,825	-17,617	-3,792	-	-	-	-	-	-
<b>TAX ASSETS AND LIABILITIES, NET</b>	<b>634,516</b>	<b>-723,173</b>	<b>-88,657</b>	<b>661,980</b>	<b>-513,370</b>	<b>148,610</b>	<b>500,865</b>	<b>-</b>	<b>500,865</b>	<b>494,739</b>	<b>-26,527</b>	<b>468,211</b>

**The change relating to deferred tax for the group is as follows: SEK 000**

SEK 000	Non-current assets	Loss carry-forwards	Other	Total
As of 31 December 2021	-495,255	647,657	-3,792	<b>148,610</b>
Business combination	-282,865	-	-	<b>-282,865</b>
Translation difference	-26,702	2,746	-339	<b>-24,296</b>
Via equity	-1,648	-	-9,167	<b>-10,815</b>
Via profit or loss	86,746	-31,239	25,201	<b>80,709</b>
<b>AS OF 31 DECEMBER 2022</b>	<b>-719,725</b>	<b>619,165</b>	<b>11,903</b>	<b>-88,657</b>

KSEK	Non-current assets	Loss carry-forwards	Other	Total
As of 31 December 2020	-524,885	670,451	14,831	<b>160,397</b>
Translation difference	-7,501	4,586	2,833	<b>-88</b>
Via profit or loss	37,137	-27,380	-21,456	<b>-11,699</b>
<b>AS OF 31 DECEMBER 2021</b>	<b>-495,255</b>	<b>647,657</b>	<b>-3,792</b>	<b>148,610</b>

Because of altered formatting of this note, there have been some reclassifications compared to the annual accounts for 2021.

**The change relating to deferred tax for the parent company is as follows:**

SEK 000	Intangible assets	Loss carry-forwards	Other	Total
As of 31 December 2021	-26,527	494,739	-	<b>468,211</b>
Via profit or loss	26,527	6,125	-	<b>32,653</b>
<b>AS OF 31 DECEMBER 2022</b>	<b>-</b>	<b>500,865</b>	<b>-</b>	<b>500,865</b>

KSEK	Intangible assets	Loss carry-forwards	Other	Total
As of 31 December 2020	-21,989	488,060	-	<b>466,071</b>
Via profit or loss	-4,538	6,679	-	<b>2,140</b>
<b>AS OF 31 DECEMBER 2021</b>	<b>-26,527</b>	<b>494,739</b>	<b>-</b>	<b>468,211</b>

The group has deductible deficits totalling SEK 3,155,537,000 (3,118,377,000), which corresponds to a value for tax purposes totalling SEK 661,704,000 (647,657,000). The parent company has deductible deficits totalling SEK 2,431,381,000 (2,403,523,000), which corresponds to a value for tax purposes of SEK 500,865,000 (494,739,000). The group has deferred tax assets relating to loss carry-forwards not recognised in its Balance Sheet of SEK 42,540,000 (0). The deferred tax assets on loss carry-forwards recognised in the Consolidated Balance Sheet of SEK 619,165,000 (647,657,000) are those the company estimates that it will be able to utilise in the foreseeable future.

In its assessment of the possibility of utilising loss carry-forwards, factors limiting Karo Healthcare's scope to utilise loss carry-forwards have been considered. Significant factors for Karo Healthcare are that there is no possibility to use loss carry-forwards between different jurisdictions, and limitation rules such as restrictions regarding group contributions. The group's existing loss carry-forwards have no time limitation.

<b>Note 23   Financial liabilities</b>				
SEK 000	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Amount as of 31 December				
Within one year	464,436	333,577	196,385	169,139
Between two and five years	8,922,910	5,645,072	8,863,063	5,581,883
Later than five years	1,074	89	-	-
	<b>9,388,420</b>	<b>5,978,738</b>	<b>9,059,448</b>	<b>5,751,022</b>
Accounts payable	349,341	231,002	122,112	92,112
Liabilities to credit institutions	8,863,063	5,655,511	8,863,063	5,656,228
Accrued interest expenses	31,956	2,603	31,956	2,682
Lease liabilities	92,901	75,798	-	-
Other current liabilities	51,159	13,825	42,317	-
	<b>9,388,420</b>	<b>5,978,738</b>	<b>9,059,448</b>	<b>5,751,022</b>
<b>Overdraft limit</b>	<b>200,000</b>	<b>200,000</b>	<b>200,000</b>	<b>200,000</b>
- of which unused portion	200,000	200,000	200,000	200,000

When preparing this Report, it became apparent that accounts payable, current liabilities and accrued interest expenses were not present in the note in 2021, and that deposits of SEK 26,000 and provisions of SEK 46,806,000 had been included. The corresponding figures for the parent company were SEK 26,000 and SEK 42,094,000. This has been restated this year, explaining the comparative year's note disclosure not being consistent with the annual accounts for 2021. The net effect of these restatements are an increase in liabilities within one year of SEK 234,825,000, and SEK 94,794,000 for the parent company. After re-arranging finance on 15 December, the group has three loans with different

interest terms. All loans mature in December 2027. One loan of SEK 5,299,459,080 accrues STIBOR +4.75% interest. The second loan of EUR 96,000,000 accrues EURIBOR +4.75% interest. The third, a loan of GBP 212,062,500 accrues the SONIA daily rate + 5% interest.

In addition, as of 31 December 2022, there is a SEK 200 m overdraft facility and a EUR 175 m multi-purpose facility commitment, both of which were unused at year-end.

Loan covenants require the company's net loan liabilities in relation to EBITDA to not exceed a predetermined level. Karo Healthcare satisfied its financial covenants in 2022.

Maturity structure per year, principal and interest	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
2022	-	3,008,759	-	2,783,671
2023	704,398	249,663	704,398	212,385
2024	706,328	5,592,264	704,398	5,586,313
2025	704,398	5,248	706,328	-
2026	704,398	10,495	704,398	-
2027	6,311,920	8	6,311,920	8
	<b>9,131,442</b>	<b>8,866,437</b>	<b>9,131,442</b>	<b>3,582,377</b>

Collateral of SEK 0 m (5,383) has been pledged for liabilities to credit institutions.

The fair value of the group's liabilities to credit institutions is consistent with the reported values.

<b>Note 24   Other current liabilities</b>				
SEK 000	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Value added tax, withholding tax, etc.	128,133	64,685	25,914	2,350
	<b>128,133</b>	<b>64,685</b>	<b>25,914</b>	<b>2,350</b>

<b>Note 25   Accrued expenses and deferred income</b>				
SEK 000	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Accrued personnel-related items	83,986	60,386	10,256	6,839
Delivered, not invoiced	79,984	29,994	49,827	10,246
Accrued interest expenses	31,956	2,603	31,956	2,603
Accrued product tax	6,688	2,839	2,665	1,737
Accrued customer returns for product expiration	-	995	-	995
Accrued expenses for organisational development	15,693	13,939	15,593	13,939
Accrued auditing expenses	6,291	3,294	1,400	84
Accrued accounting services	4,374	3,023	234	295
Accrued shipping & distribution expenses	3,359	1,189	3,292	1,189
Accrued expenses for market support and kickbacks	67,464	39,625	8,688	13,311
	3,479			140,749
Accrued royalties		1,708	75,008	
Deferred income	2,205	6,585	-1,007	5,958
Other revenue adjustments	4,683	-	4,402	-
Other items	43,583	18,901	21,533	9,232
	353,746	185,081	223,847	207,177

<b>Note 26   Pledged assets</b>				
SEK 000	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Pledged assets				
Shares in subsidiaries	-	5,288,667	-	5,217,956
Corporate mortgages	94,250	94,250	-	-

<b>Note 27   Supplementary information, Cash Flow Statement</b>				
SEK 000	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
Other non-cash items:				
Capital gain non-current assets	3,216	4,256	-894	6,523
Group contributions	-	-	-85,863	-194,102
Financial items	99,980	28,808	248,649	47,285
Other items	1,184	21,325	4,295	18,426
	104,380	54,388	166,187	-121,868
Interest received	2,609	209	77,343	39,333
Interest paid	-344,879	-167,918	-294,165	-163,153
Loan arrangement fee paid	-2,403	-18,353	-2,403	-18,353
SEK 000				
Group-Reconciliation of net debt	Cash and cash equivalents	Liabilities to credit institutions	Lease liabilities	<b>Total</b>
<b>Net debt as of 1 January 2022</b>	<b>260,715</b>	<b>-5,655,511</b>	<b>-75,798</b>	<b>-5,470,593</b>
Cash flows:				
- Loans arranged/repaid	-	-2,991,042	-25,961	<b>-3,017,534</b>
- Payments made and received, other	184,746	-2,403	-	<b>182,343</b>
Non-cash items:				
- Additional lease arrangements	-	-	8,858	<b>9,389</b>
- Exchange differences	6,966	-148,420	-	<b>-141,454</b>
- Allocated loan arrangement expenses	-	-65,687	-	<b>-65,687</b>
<b>NET DEBT AS OF 31 DECEMBER 2022</b>	<b>452,427</b>	<b>-8,863,063</b>	<b>-92,901</b>	<b>-8,503,537</b>

## Note 27, cont.—Supplementary information, Cash Flow Statement

SEK 000	Cash and cash equivalents	Liabilities to credit institutions	Lease liabilities	Total
Group—Reconciliation of net debt				
<b>Net debt as of 1 January 2021</b>	<b>570,391</b>	<b>-5,799,175</b>	<b>-48,548</b>	<b>-5,277,332</b>
Cash flows:				
- Loans arranged/repaid	-	100,659	23,585	<b>124,244</b>
- Payments made and received, other	-310,805	-	-	<b>-310,805</b>
Non-cash items:				
- Additional lease arrangements	-	-	-50,792	<b>-50,792</b>
- Exchange differences	1,129	-29,868	-43	<b>-28,743</b>
- Allocated loan arrangement expenses	-	-22,544	-	<b>-22,544</b>
- Other non-cash items	-	95,418	-	<b>95,418</b>
NET DEBT AS OF 31 DECEMBER 2021	260,715	-5,655,511	-75,798	-5,470,593

SEK 000	Cash and cash equivalents	Other financial assets	Liabilities to credit institutions	Total
Parent company—Reconciliation of net debt				
<b>Net debt as of 1 January 2022</b>	<b>209,642</b>	<b>1,243,347</b>	<b>-5,656,228</b>	<b>-4,203,239</b>
Cash flows:				
- Loans arranged/repaid	-	448,459	-2,991,042	<b>-2,542,583</b>
- Payments made and received, other	156,718	-	-2,403	<b>154,315</b>
Non-cash items:				
- Exchange differences	-	42,176	-148,420	<b>-106,243</b>
- Allocated loan arrangement expenses	-	-	-64,970	<b>-64,970</b>
NET DEBT AS OF 31 DECEMBER 2022	366,360	1,733,982	-8,863,063	-6,762,720

SEK 000	Cash and cash equivalents	Other financial assets	Liabilities to credit institutions	Total
Parent company—Reconciliation of net debt				
<b>Net debt as of 1 January 2021</b>	<b>103,410</b>	<b>1,139,428</b>	<b>-5,698,105</b>	<b>-4,455,267</b>
Cash flows:				
- Loans arranged/repaid	-	103,875	97,149	<b>201,024</b>
- Payments made and received, other	106,232	-	-	<b>106,232</b>
Non-cash items:				
- Exchange differences	-	44	-33,426	<b>-33,382</b>
- Allocated loan arrangement expenses	-	-	-21,845	<b>-21,845</b>
- Other non-cash items	-	-	-	<b>-</b>
NET DEBT AS OF 31 DECEMBER 2021	209,642	1,243,347	-5,656,228	-4,203,239

**Note 28 | Leases**

The following amounts are recognised in the Consolidated Balance Sheet related to leases.

SEK 000	GROUP	
	2022	2021
<b>Right-of-use assets</b>		
Premises	66,504	66,212
Vehicles	24,524	6,823
<b>Total</b>	<b>91,028</b>	<b>73,035</b>
<b>Lease liabilities</b>		
Non-current	60,921	51,391
Current	31,979	24,407
	<b>92,901</b>	<b>75,798</b>

For information on the maturity structure of lease liabilities, see note 30. Right of-use assets additional in 2022 amounted to SEK 48,730,000

(39,673,000). The Income Statement discloses the following amounts related to leases:

SEK 000	GROUP	
	2022	2021
<b>Amounts recognised in Consolidated Income Statement</b>		
Amortisation of right-of-use assets		
– Premises	21,378	20,859
– Vehicles	7,394	4,273
<b>Total amortisation</b>	<b>28,772</b>	<b>25,132</b>
Interest expenses for lease liability	4,703	4,588
Expenses related to short-term leases	-2,326	466
<b>Total expenses related to leases</b>	<b>31,149</b>	<b>30,187</b>

Total cash flow related to leases was SEK 25,960,000 (23,585,000). Future obligations related to short-term leases (excluding the measurement of right-of-use assets and lease liability), amount to SEK 828,000 (0) as of 31 December 2022.

Accordingly, right-of-use assets and lease liabilities are not reported in the Parent Company Balance Sheet. The parent company's operating leases mainly consist of rented premises.

**Operating leases, parent company**

Effective 1 January 2019, the group recognises lease arrangements pursuant to IFRS 16 Leases. The parent company does not apply IFRS 16, and lease payments are allocated on a straight-line basis over the lease term.

SEK 000	PARENT COMPANY	
	2022	2021
Operating lease payments for the year are for:		
Premises rent	13,193	12,835
Other lease payments	-	-
	<b>13,193</b>	<b>12,835</b>

SEK 000	PARENT COMPANY	
	2022	2021
Future minimum operating lease payments payable:		
Within one year	11,456	12,468
Later than one year but within five years	11,429	27,836
Later than five years	-	-
	<b>22,885</b>	<b>40,304</b>

## NOTES

Note 29   Audit fees				
KSEK	GROUP		PARENT COMPANY	
	2022	2021	2022	2021
<b>EY</b>				
Auditing	1,306	6,554	203	2,284
Auditing in addition to audit assignment	13	377	-	276
Tax consultancy	378	469	378	469
Other	295	6,847	275	27
<b>Total, EY</b>	<b>1,992</b>	<b>14,247</b>	<b>855</b>	<b>3,056</b>
<b>KPMG</b>				
Auditing	6,500	-	2,900	-
Auditing in addition to audit assignment	-	-	-	-
Tax consultancy	370	-	370	-
Other	106	-	-	-
<b>Total, KPMG</b>	<b>6,976</b>	<b>-</b>	<b>3,270</b>	<b>-</b>
<b>Total, other audit firms -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL FEES TO AUDITORS</b>	<b>8,969</b>	<b>14,247</b>	<b>4,125</b>	<b>3,056</b>

Note 30   Financial instruments, risks and sensitivity analysis			
Financial instruments by category			
Financial assets	2022	2021	
Assets in Balance Sheet			
Accounts receivable and other receivables	830,093	648,269	
Cash and cash equivalents	452,427	260,715	
	1,282,520	908,984	
<b>Financial assets</b>	<b>2022</b>	<b>2021</b>	
Liabilities in Balance Sheet			
Liabilities to credit institutions	8,863,063	5,655,511	
Lisa liabilities	92,901	75,798	
Other financial liabilities	432,456	247,430	
	9,388,420	5,978,738	

All financial instruments are measured at amortised cost. Fair value is consistent with carrying amounts.

Maturity analysis and credit risk					
31 December 2022 (SEK 000)	Less than 12 months	Between 1 and 2 years	Between 3 and 5 years	Later than 5 years	Total contracted cash flows
Accounts payable and other liabilities (excl. non-financial liabilities)	432,456	-	-	-	432,456
Loans, credit institutions	-	-	8,863,063	-	8,863,063
Lease liabilities	31,979	23,241	36,606	1,074	92,901
	464,436	23,241	8,899,669	1,074	9,388,420
31 December 2022 (SEK 000)	Not overdue	Overdue 0-3 months	Overdue 3-6 months	Overdue +6 months	Total
Accounts receivable	618,541	162,182	13,859	-	794,583
Credit loss reserve	-	-422	-6,833	-	-7,255
	618,541	161,760	7,026	-	787,327

The fair value of accounts receivable is consistent with carrying amounts. The credit quality of unreserved receivables is considered good. The group has no collateral pledged as security for these receivables.

**Note 30, cont. – Financial instruments, risks and sensitivity analysis****Sensitivity analysis**

Effect on consolidated sales and EBIT before hedging transactions, if the Swedish krona appreciated by 10%

Currency (SEK m)	Revenues	Operating profit
DKK	-31.0	6.1
EUR	-168.0	-295.5
NOK	-78.7	-31.6
GBP	-48.6	1.8
Other	-15.8	11.4

Like all other business enterprises, Karo Healthcare is exposed to various risks, which change over time. Relevant risks in Karo Healthcare's case can be divided between business risks and financial risks. Karo Healthcare's Finance Policy stipulates the segregation of duties for financing operations, which financial risks the company is willing to assume, and the guidelines on how such risks should be reduced and managed. Financial risk management is centralised, and is the CFO's responsibility. The Policy, which is subject to annual review and approval by Karo Healthcare's Board of Directors, has been designed to control and manage the following risks:

- Currency risk
- Financing risk
- Liquidity risk
- Interest risk
- Credit risk

**Currency risk**

Fluctuations in exchange rates affect Karo Healthcare's earnings and equity in different ways:

- Earnings are affected when revenues and expenses are denominated in different currencies – transaction risk
- Earnings are affected when assets and liabilities are denominated in different currencies – translation risk

**Operational currency risks**

Karo Healthcare is active in an international sector. Approximately 16.5% (24.5) of the group's revenues are denominated in Swedish kronor, and some 20.4% (57.7) of expenses arise in Swedish kronor. Most of the remainder of Karo Healthcare's expenses are in euro (EUR), Norwegian kroner (NOK), Danish kroner (DKK) and UK sterling (GBP). This results in exposure to currency fluctuations, a combination of translation and transaction risks. Karo Healthcare's presentation currency is Swedish kronor.

The above table illustrates the effect on Karo Healthcare's revenues and EBIT if the Swedish krona appreciates by 10%. This considers both translation and transaction risks. The total effect on EBIT would be SEK -307.8 m (-142.8).

There were no forward contracts at year-end 2022. EBIT in 2022 and 2021 were not affected by any maturing forward contracts.

**Financial currency risks**

Currency risks in financial flows that can be attributed to liabilities and investments are reduced by making investments in Swedish kronor, providing such investments in foreign currency do not constitute hedging of existing exposure.

**Financing risk**

The risk that the company does not have continuous access to necessary finance is defined as financing risk. From time to time, the company has raised additional capital on the capital markets to ensure sufficient funds in terms of the company's operations and stability. The objective is to always maintain capital to enable continued operations for at least 12 months. A continuous review of the need for finance is conducted involving an evaluation of the progress of the capital markets combined with the potential of securing external finance to produce appropriate financing strategies.

**Liquidity risk**

Liquidity risk is the risk that the company does not have sufficient funds available to meet short-term predicted or unpredicted expenditure. This risk is associated with access to, and the maturity structures of, short-term investments, and the risk that there is no market for a specific instrument that the company intends to sell. Liquidity risk is managed by structuring maturity dates on investments based on cash flow forecasts, and also by limiting investments in bonds with low liquidity on the secondary market. The weighted average remaining maturity on short-term investments at year-end was 0 (0) months.

**Interest risk**

Interest risk is the risk that fair value of future cash flows fluctuates because of changes to market interest rates. The company is mainly exposed to interest risk through its loan finance. Its loans partly accrue variable STIBOR and EURIBOR, which means the company's future financial expenses are affected if market interest rates change.

The group's total interest-bearing loans amount to SEK 8,863.4 m (5,731.3), consisting of bank loans and lease liabilities, of which the short-term portion is SEK 0.4 m (98.8).

**Credit risk in investments and accounts receivable**

Credit risk is the risk that Karo Healthcare does not secure payment for investment. Credit risk is divided between issuer risk and counterparty risk. Issuer risk is the risk that a security that Karo Healthcare owns loses value because the issuer is unable to fulfil its obligations in the form of interest payments and payments on maturity. Counterparty risk is the risk that the party that Karo Healthcare purchases securities from or sells securities to is unable to supply the security or make payments as agreed.

The Policy deals with credit risk by formalising which parties Karo Healthcare may execute transactions with, and the necessary credit ratings for investments. There is no material concentration of credit risk. Credit risk in accounts receivable is very low because customers are regular, and primarily consist of major pharmacy chains.



**Note 31 | Segment information**

Based on the information considered by the company's management and that is used to make strategic decisions, Karo Healthcare's operations consist of a single operating segment, the development and sale of products to pharmacies, digital distribution channels and food

stores. When evaluating operations, and in strategic discussions and decisions, there is currently no breakdown of operations into further operating segments.

SEK 000	GROUP	
	2022	2021
<b>Revenues by customer domicile</b>		
Sweden	753,590	711,401
Norway	709,959	616,833
Denmark	304,153	292,118
Finland	141,989	152,305
France	250,719	171,309
Germany	459,642	169,284
Italy	252,818	126,547
UK	580,224	110,145
Rest of Europe	409,811	404,000
USA	19,878	19,145
Rest of world	255,647	188,268
	<b>4,138,430</b>	<b>2,961,354</b>
<b>Non-current assets by Karo Healthcare's domicile</b>		
Sweden	11,614,018	9,771,345
Norway	1,430,024	1,293,864
Belgium	3,405,759	36,918
Rest of Europe	50,107	-
	<b>16,499,909</b>	<b>11,102,126</b>

**Note 32 | Transactions with related parties**

On 16 August 2022, Karo Intressenter AB announced a cash public takeover Offer to the shareholders of Karo Healthcare AB to acquire the shares not already held by Karo Intressenter. Pursuant to the Takeover Rules issued by the Swedish Corporate Governance Board, one of the company's Directors, Erika Henriksson, a Partner of EQT Partners, did not participate in the consideration or decision on this Offer. Additionally, as previously reported by Karo Healthcare and/or Karo Intressenter, other members of the Board, as well as the company's CEO and CFO, had either invested, or intend to invest, in Karo Intressenter Holding AB, which in turn, owns the shares of Karo Intressenter. Karo Intressenter Holding AB and Karo Intressenter are controlled by EQT VIII.

Each of the Directors considered the effect on their individual investments in Karo Intressenter and concluded that the Directors could have an interest related to the Offer that conflicted with shareholders' interests.

Accordingly, the Board decided not to issue an opinion on the Offer pursuant to point II.19 of the Takeover Rules. To resolve the conflict of interest and observe the provisions of the Takeover Rules, the Board authorised Karo Healthcare's Head of Legal, Richard Edström, to represent the company on matters relating to the Offer.

Roschier Advokatbyrå AB was appointed as legal counsel, and Nordea Bank Abp issued an independent fairness opinion in accordance with the Takeover Rules.

Apart from the above, as well as compensation and salaries to the Board of Directors and senior executives, no transactions with related parties were executed in the financial year, or the previous financial year.

**Note 33 | Significant events after the end of the financial year 2022**

On 16 January 2023, Michael Kaltenborn was appointed Chief Strategy & Corporate Development Officer (CSDO).

The appointment of Michael Kaltenborn reflects the company's ambition to grow through acquisitions and continue to acquire attractive brands

and product portfolios in healthcare. This appointment also enhances the international profile of Karo Healthcare's organisation and management.

**Note 34 Proposed appropriation of profit**

The following amounts are stated in thousands of Swedish kronor (SEK 000)

According to the Balance Sheet of Karo Healthcare AB (publ), the following non-restricted equity is at the disposal of the Annual General Meeting

Profit brought forward	683,341
Share premium reserve	7,370,972
Profit/loss for the year	-461,422
<b>TOTAL</b>	<b>7,592,891</b>

The Board of Directors proposes that these funds are appropriated as follows:

Carried forward	7,592,891
<b>TOTAL</b>	<b>7,592,891</b>

**Definitions of key indicators**

Key indicator	Definition	Purpose
Operating profit	Earning/loss including all operating income and expenses, i.e. earnings excluding financial items and income tax	Normal earnings metric in Swedish annual reporting standards
Equity/assets ratio	Equity as a percentage of total assets	The equity/assets ratio is relevant to investors and other stakeholders that want to assess the company's financial stability and viability for the longer term
Gross margin	Gross earnings in relation to revenues	Gross margin is used to illustrate the company's margin before the effect of expenses such as selling and administrative expenses, and research & development expenses

## BOARD OF DIRECTORS' SIGNATURES

The Board of Directors and Chief Executive Officer certify that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU, and give a true and fair view of the group's financial position and results of operations. The Annual Accounts have been prepared in accordance with generally accepted accounting practice and give a true and fair view of the parent company's financial position and results of operations.

The Statutory Administration Report of the group and parent company gives a true and fair view of the progress of the group's and parent company's operations, financial position and results of operations, and reviews the material risks and uncertainty factors that are facing the parent company and companies in the group. The Income Statements and Balance Sheets will be presented to the AGM on 5 May 2023 for adoption.

Stockholm, Sweden, 21 April 2023

Patrick Smallcombe  
Chairman of the Board

Erika Henriksson  
Board member

Mark Keatley  
Board member

Uta Kemmerich-Keil  
Board member

Kristofer Tonström  
Board member

Claire Hennah  
Board member

Flemming Ørnskov  
Board member

Christoffer Lorenzen  
Chief Executive Officer

Our Audit Report was presented on 21 April 2023

KPMG AB

Håkan Olsson Reising  
Authorised Public Accountant

# AUDITOR'S REPORT

To the general meeting of the shareholders of Karo Healthcare AB, corp. id 556309-3359

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of Karo Healthcare AB for the year 2022.

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 group.

### Basis for Opinions

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

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

### Other Matter

The audit of the annual accounts for year 2021 was performed by another auditor who submitted an auditor's report dated 12 April 2022, with unmodified opinions in the Report on the annual accounts and consolidated accounts.

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

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

material misstatement, whether due to fraud or error.

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

### Auditor's responsibility

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

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

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

## AUDITOR'S REPORT

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 Karo Healthcare AB 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 ensur-

ing 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.

Stockholm, 21 April, 2023  
KPMG AB

Signed on the Swedish Original

Håkan Olsson Reising  
Authorized Public Accountant

## **ANNUAL GENERAL MEETING**

The Annual General Meeting of Karo Healthcare AB (publ) will be held on Friday 5 May 2023. The invitation to the AGM will be published on Karo Healthcare's website, [www.karohhealthcare.se](http://www.karohhealthcare.se).

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