



# Strong presence on a growing global market

Annual and consolidated accounts 2022

# Global operations anchored in the family

Being a fast growing global group that is also characterised by a local, familiar company culture, is something we are very proud of. Since the turn of the millennium, Swedencare has grown in the global marketplace, both organically and through acquisitions of companies that share our vision – to become a leading pet health company globally. The companies we have acquired are often owner-managed businesses that have been built from the ground up by an entrepreneur and have developed into successful companies, usually on their home turf but with the ambition to reach out internationally. We own 100% of the companies, while many of the sellers have switched to ownership in Swedencare, something we are pleased about because the focus is on developing the Swedencare group together.

It is an arrangement based on reciprocity, exchange of knowledge and experience as well as access to each

other's distribution and marketing channels. We have direct communication with an open and honest dialogue, proximity to quick decisions and a generous transfer of skills and networks. This ownership model together with our corporate culture is positive for all of us and for our common goals – both for the Group as a whole and for each company in the Swedencare family.

Our approach to products and product range is also based on a family approach. Increasingly, pets - cats, and dogs - have come to be regarded as members of the family. And within the family we all care for and take care of each other, which means that the pets should also be given the best conditions for a good and healthy life.

We also count our external shareholders as members of the Swedencare family. Our operations must live up to their expectations of us, a belief in a future with good development and good dividends.

Since the turn of the millennium, Swedencare has grown in the global marketplace, both organically and through acquisitions of companies that share our vision – to become a leading pet health company globally.





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# Q1

- Acquisition of NaturVet, a leading American company within dietary supplements for pets.
- Acquisition of Innovet, an Italian company aimed at veterinarians.
- NaturVet launches the Evolution product line, which is GMO-free (non- genetically modified), soya-free, wheat-free and corn-free.
- The management has been reinforced with a North American COO for veterinary and on-line channels as well as with a production manager.

# Q2

- ProDen PlaqueOff® Dental Bones is awarded VOHC (Veterinary Oral Health Council) approval.
- Patent is obtained for the process for soft chews (soft chew products) in the EU and USA.
- Launch of ProDen PlaqueOff® Holistic Soft Bites in the USA – oral health with the requested functional added value.
- Expos open up again after covid lock-down.

# Q3

- Nutravet extends a long term agreement with Europe's largest veterinary group for the supply of the premium range VetPro in the United Kingdom and Ireland up to 2029.
- Updated design of ProDen PlaqueOff®.
- Launched several ESG initiatives as whistle blower function, Codes of conduct and installation of solar panels on the manufacturing factory.

# Q4

- Acquisition of Custom Vet Products, a British company with unique expertise within soft chew manufacture.
- Reopened logistics centre in UK.
- Launch of self manufactured ProDen PlaqueOff® Soft Chews on the North American market.
- Launch of stockoptions program for key personnel.
- Increased brand awareness of ProDen PlaqueOff® by 67% since 2020.







# Swedencare in brief

Swedencare is a fast-growing global companion animal health group that develops, manufactures, markets and sells premium products to a growing global pet market. The Group has a number of strong brands and products in most therapeutic areas.

Operations are managed from the headquarters in Malmö, Sweden, with subsidiaries in nine countries. The products are sold in 60 markets and in all relevant sales channels.



**SALES CHANNELS**

Veterinary clinics, pet shops, pharmacies and on-line.

**DISTRIBUTION**

The distribution network comprises 19 subsidiaries and an international network of retailers.

**PRODUCTION**

76%

Approximately 76% of production is done in-house

**ACQUISITIONS**

10

10 acquisitions since June 2020

**2022**

1,829.5

Net turnover, MSEK

430.5

Op. EBITDA, MSEK

23.5

EBITDA margin, %

**2022 PROFORMA**

1,923

Net turnover, MSEK

*For more key figures and definitions, see pages 65 and 116.*

**ProDen PlaqueOff®**

16%

Growth during 2022



**TARGET**

Being a leading companion animal health company globally.

**THE MOVEMENT OF THE BRAND:**

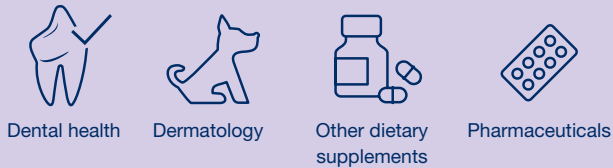
From dental health to companion animal health with rapid global growth and with activities ranging from R&D, product development and in-house production to sales to end-customers.



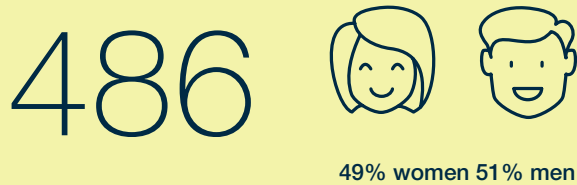
GEOGRAPHICAL BUSINESS AREAS

- Europe
- North America
- Asia
- Rest of the world

PRODUCT GROUPS



EMPLOYEES



FINANCIAL TARGETS 2026

SEK 4 billion

Swedencare's financial objective is to achieve revenues of 4 billion SEK during 2026 with an EBITDA-margin exceeding 30%.

A SELECTION OF PRODUCTS/BRANDS



UN GLOBAL GOALS

In the context of our activities, we have identified the following five of the UN Global Goals as possible and relevant for Swedencare to influence and contribute to:



# 2022, a year with our largest acquisition ever, NaturVet, strong end customer demand but overstocking led to lower B2B sales



2022 continued in the same vein as the previous year, with further new acquisitions that are significantly transforming and strengthening the Group. We have created a unique organisation, which is being watched with great interest by the more established players in the industry. Having a strong position within all important channels; veterinary, pet retail and not least on-line, means that we have a number of business opportunities to manage.

## The world around us and the market

We achieved sales of SEK 1,829.5 million in 2022, an increase of 137%, of which organic growth was 2%. The results showed an operational EBITDA of 430.5 MSEK, an increase of 126% and a margin of 23.5%.

With the dissipation of COVID being replaced by the Russian invasion of Ukraine, this was another year that must be regarded as abnormal. We saw interest rates starting to climb, which resulted in a major focus by large customers on reducing their stock levels. The reduction was also due to the fact that we, like other manufacturers, could begin to deliver both faster and more reliably after the pandemic.

We, like other players in the industry, implemented unusually high price adjustments due to strong increases in costs for everything from packaging materials and ingredients to wages and transport. In terms of price increases being passed on to consumers, we can still see a high degree of acceptance and continued strong demand. We have known that pet owners prioritise their four-legged family members and related expenditure for a long time and it has recently been confirmed.

## Three new acquisitions

We started the year with two transformative acquisitions that have primarily increased our sales in the USA and Italy. We acquired NaturVet (Garmon Corp.) on 1 February 2022. NaturVet, which was founded in 1994, has its own portfolio of premium products manufactured in the company's own production facility in California. The products are marketed primarily to the retail-segment with approx. 15,000 pet shops, including Petco and Tractor Supply and on the major on-line platforms, such as Chewy and Amazon. The company's production facility maintains a high standard both for quality and efficiency, at the same time as handling most distribution forms such as powder, liquid, chews and soft chews. Through the year, we continued to invest in further manufacturing capacity to meet future demand.

On 1 March 2022 we completed the acquisition of Innovet, which was founded in 1996 and has its own self developed and patent protected portfolio of scientifically based, OTC products in a number of categories. The products are marketed primarily to the Italian veterinary segment, on-line and internationally. Innovet's



products are in categories such as joints, dermatology and pain relief. The company's product development is largely based on scientific studies on the replication of the body's natural defence mechanisms.

Our last and smallest acquisition of the year was Custom Vet Products (CVP), which was finalised on 1 November 2022. CVP designs and manufactures high quality veterinary and dietary supplement products. Customer relationships are long term and based on expertise and knowledge of the veterinary sector. CVP has a brand that is sold to veterinary clinics, but the majority of sales is the manufacture of private label or contract manufacture for veterinary companies, chains and clinics. Demand has increased sharply in recent years.

### Synergies and organisation

From focusing on growth in oral health products for many years, we have now strengthened Swedencare to have a very broad product range across multiple therapies, which are now being launched worldwide. During the year, we have gained a completely different breadth and also long-awaited production capacity, which is a necessity in order to grow faster than the market.

The organic growth did not fully meet our expectations during 2022, but as the external stock adjustments start to ebb, at the same time that we have made progress in integration, product and customer work we should display significantly better organic growth during 2023. All acquisitions in 2022 are excellent fits for our group and bring new dimensions in product range, expertise and customer relations.

Our long term financial goal is challenging, but achievable. In principle we should double the turnover from 2022 and improve the EBITDA margin to exceed 30%. This will primarily be delivered through organic growth but also by some acquisitions during the coming years.

We have strong financial development with strong cash flow and we will prioritise amortisation of our debt levels going forward as we see benefits in doing that. A stronger balance sheet creates flexibility for both acquisition and other business development projects.

We will work hard in the coming years to exploit all synergies that we have within the group and to develop new business propositions towards the market. The

breadth we can offer is market-leading and we will market both our own brands and various other private label solutions.

Organisationally, we created a new Group Management team during 2022 and we will continue to strengthen the organisation during the year with new key colleagues to leverage on the business opportunities we have.

The consequences of the climate crisis are becoming ever clearer, this has led to discussions about what we can do to speed up the journey towards reduced climate impact. We have long term responsibility for the impact our activities have on our planet. We see that the scope of sustainability has widened and has significance for most things that we do, for board and management decisions, work at our headquarters and at our production facilities. For us sustainability is about awareness, knowledge and behaviour. We focus on responsible control, with respect and responsibility for customers, colleagues and our environment. In order to succeed with our long term responsibility to contribute to the global sustainability goals, we are implementing a framework for our sustainability work, which is based on our established sustainability policy.

We are convinced that care for animals, people and the environment is strengthening for our business, as well as in the long term. You can find more information about what activities we have implemented under the section about sustainability. During 2023 we will push our sustainability work further and develop clear and well supported sustainability goals for 2030 and onwards in dialogue with our stakeholders.

2023 has started at a high speed and I look forward to being able to report on new interesting collaborations, which mean that we will grow faster than the market in this and in coming years.

Finally, I want to thank our customers, investors and, most of all, the Swedencare employees for all your hard work, commitment and results during 2022.

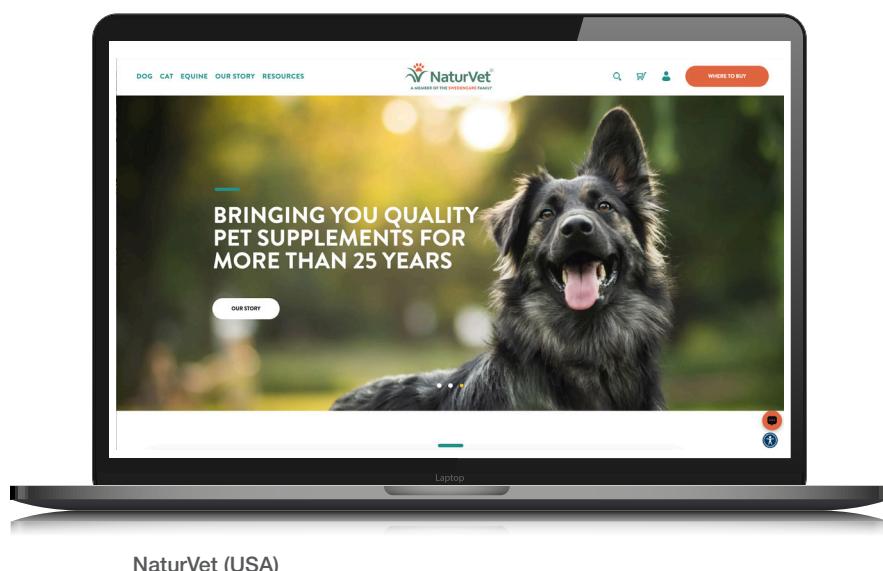
Regards,



Håkan Lagerberg

“We will work hard in the coming years to exploit all synergies within the group and to develop new business propositions towards the market. The breadth we can offer is market-leading and we will market both our own brands and various other private label solutions.”

# Crucial acquisitions for faster growth



NaturVet (USA)



Innovet (Italy)



Custom Vet Product (UK)

1 February 2022

## NaturVet (USA) – Acquisition of the leading American pet supplement company

NaturVet (The Garmon Corp.) is a dream partner and the acquisition means that we have now taken a big step towards being a leading pet health company group in dietary supplements and premium dermatological products. The company's products are ranked as the number one dietary-supplements by four of the five largest pet supply chains in the United States. The product portfolio covers categories such as joints, digestion and allergies.

NaturVet has a proprietary portfolio of premium products in 20 categories manufactured in the company's own production facility in California. It can be considered a leader in soft chews. The products are primarily marketed at the consumer level in approximately 15,000 pet stores and on major on-line platforms such as Chewy.com and Amazon.com.

The acquisition provides us with a broad, well-known and valued product portfolio. To this can be added fantastic customer coverage in the US, because we now add to our approximately 15,000 veterinary-clinics an equivalent number of pet stores, while significantly increasing our on-line share. We have identified a number of very interesting synergy projects that will further accelerate our growth rate.

NaturVet turned over SEK 701.5 million during the year 2022 with an EBITDA of SEK 197.1 million, corresponding to an EBITDA margin of 28.1%. This is a growth of 26% compared to sales of SEK 557.4 million in 2021 with an adjusted EBITDA of SEK 177.5 million, corresponding to an EBITDA margin of 31.8%.

**“I am excited about our deal with Swedencare because it will enhance our ability to introduce new categories from the Swedencare Group's offerings and with continued growth for our industry-leading products such as ArthriSoothe, Quiet Moments, GrassSaver and No Scoot. We will also complete our third soft chew line, increasing production capacity by 100%.”**

Scott Garmon, Founder and CEO, Naturvet





1 March 2022

## Innovet (Italy) – Acquisition of an Italian company with a focus on the veterinary segment

Innovet has its own developed and patent protected portfolio of scientific products within several categories. The products are marketed primarily to the Italian veterinary segment, on-line and internationally. Innovet's products can be found in categories such as joints, dermatology and pain relief. The company's product development is largely based on scientific studies on the replication of the body's natural defence mechanisms.

Innovet has successfully marketed and sold ProDen PlaqueOff® in Italy (under the brands Restomyl® Supplemento and Dentalcroc) for many years. We have also got to know the owner and the company well and identified

them as a good and strong partner for our continued efforts in science-based product development in the premium segment. At the same time, we now also contribute to a significant acceleration in Innovet's internationalisation. The synergies here are obvious and can be launched immediately.

Innovet turned over SEK 150.0 million during the year 2022 with an EBITDA of SEK 63.2 million, corresponding to an EBITDA margin of 42.1%. This is a growth of 13% compared to sales of SEK 132.9 million in 2021 with an adjusted EBITDA of SEK 45.6 million, corresponding to an EBITDA margin of 34.3%.

**“After 25 years of investment to transfer scientific innovations from our research network to the animal health field, we are delighted to join the growing international Swedencare family. Innovet and Swedencare share the same philosophy – pets deserve proven products of the highest quality for their well-being. We also share the ambition to grow with high profitability, which is a guarantee for continued development in everything we do.”**

Renato della Valle, co-founder and CEO, Innovet



1 November 2022

## Custom Vet Products (UK) – Acquisition of British company with a focus on manufacture of soft chew products for pets

Custom Vet Products (“CVP”) designs and manufactures high quality veterinary and dietary supplement products. The company manufactures soft chew products for pets that are primarily sold in Great Britain and certain European countries. Customer relationships are long term and based on expertise and knowledge of the veterinary sector. CVP has a brand that is sold to veterinary clinics, but the majority of sales is the manufacture of private label or contract manufacture for veterinary companies, chains and clinics.

Through the acquisition of CVP we can accelerate our plans to launch soft chews on the European markets. It will help us to quickly add new products to our existing brands and also make it possible for us to launch some of

our important USA based “private label” and contract manufacture customers in Europe. Together with our own expertise from Vetio and Garmon we create an important player for the European soft chew market. CVP will be renamed Vetio UK as the first Vetio unit in Europe which now means that we have production on both continents.

CVP turned over SEK 31.4 million (GBP 2.4 million) in the last financial year (April 2021 – March 2022) with an EBIT of SEK 13.1 million (GBP 1.0 million) corresponding to an EBIT margin of 44%. Through the acquisition, Swedencare gains a strong presence within manufacture and development of premium soft chews for the pet market in Great Britain and Europe.

**“Custom Vet Products is delighted to join Swedencare's corporate family. Custom Vet is proud to make high quality soft chews and other products for the veterinary and pet industry. Over the last few months we have already started collaborating with some of Swedencare's subsidiaries. I believe that the opportunity to be part of Swedencare will give excellent synergy effects and the opportunity to expand faster in the British and European markets. Swedencare's proven international leadership, ethos and expertise in our area is something that we are delighted to be a part of. We look forward to maximising future growth by making fantastic products for our partners and customers.”**

David Ryder, founder and CEO, Custom Vet Products



# High quality facilities and expertise within production develops Swedencare

Control over production, but also research and development are critical to our ambition and goal of offering high quality products in the premium segment. Our acquisition strategy is to attract companies who share our approach to quality, safety and science-based product development. Them having production and development departments that are at the cutting edge is an advantage of course. Here we present our six facilities that meet the high standards required to offer the best for our four-legged friends and thus create market confidence in our brands.

## **NaturVet (Garmon)**

Garmon is a versatile manufacturer of high quality dietary supplements for pets that serves both Private Label and their own Naturvet line. The reliable Naturvet brand is a leading supplier of dietary supplements for pets to the whole pet market. The facilities, which are based in southern California (Temecula) total 14,630 square metres in size, with several production lines that manufacture soft chews, tablets, liquids and powder. The latest addition of a third larger, high speed soft chew line will ensure that Garmon stays ahead of the growing demand. Garmon has a long successful list of successes in the category of dietary supplements for pets and is considered one of the pioneers within innovations that are “first to the market ” in a number of functional products.

## **Swedencare Tillverka Texas USA**

During 2020 Swedencare started a new manufacturing facility outside Houston that started production in the beginning of 2021. The production line manufactures all ProDen PlaqueOff® Powder products for the North American market.

This achieved the objective of taking control of production of our ProDen PlaqueOff® Powder packaging internally and in-house.

## **Vetio South, Florida USA**

Vetio South has two facilities in Jupiter, Florida. Building 1 is a 3,700 square metre FDA approved facility focussing on the manufacture of dermatological products such as shampoo, mousses, creams and gels. Building 2 was opened in late 2021 and is a 3,300 square metre FDA audited and approved facility with a focus on soft chews, tablets and powder. Building 2 has a complete R&D lab, warehousing and office area prepared for additional manufacture of soft chews.

Larger product portfolio and more own manufacture

Through our acquisitions and investments in existing facilities we now have a production and logistics centre for the European market in Swedencare Ireland. Similarly, Vetio and Stratford are hubs for the North American market. The acquisition of NaturVet in February 2022





**Vetio North, Montreal Canada**

The facility in Montreal is an FDA and Health Canada approved facility that includes full R&D, technical services and production capacity. The company focuses on all aspects of veterinary medicine/pharma and can manufacture tablets, non-sterile liquids and their patented starch-free soft chews. The 4,300 square metre facility employs 66 highly educated and experienced R&D/analytical chemists, engineers and production personnel who can handle a project from concept to FDA submission and finally completed goods.

**Swedencare Ireland**

In early 2019, Swedencare Ireland moved into a newly refurbished, state-of-the-art 2,000 square metre factory. The factory is GMP+ quality certified and produces the majority of all ProDen PlaqueOff® Powder sold outside North America and has production lines to manufacture animal dietary supplements in both powder and liquid form.

During 2022, Swedencare IRE worked closely with Nutravet (UK) and introduced a pellet manufacturing process that makes it possible to produce Nutravet's customers' demands for dog pellets in-house. This also allows development and production of further pellet-products both for in-house and external sales. Through collaboration with other soft chews manufacturers within the group the soft chew-manufacturing capacity for the factory is being planned and production is expected to start in Q3 2023.

**Custom Vet Products (CVP)**

CVP operates a slightly different model in that it develops the products and formulas itself but uses third party manufacturers to physically manufacture the products. CVP owns all the machines and equipment that are required and has the know how for product development. To double the capacity and meet the growing demand, CVP have worked on a new facility in the UK during 2022 and production started at the end of February 2023.

CVP has formulated a new ProDen PlaqueOff® Soft Chew for the European market that is expected to be ready for launch at the beginning of Q2 2023 within the Swedencare group. In addition, CVP works with other sister companies for customer launches during 2023. Through CVP it is also planned to transfer equipment and upgrades to bring soft chew production into the Irish production facility during 2023.

builds on the strategy to secure production while increasing our margins.

Several internal projects are underway to channel more and more production to our own facilities. The factories still have the capacity to scale up and adapt

production to our, and our customers', needs. During the year, efforts to streamline logistics, on-line trading and raw material purchasing have led to an increased concentration on our Irish facility, which has had an impact in terms of lower transport costs and reduced environmental impact.

A close-up, high-resolution photograph of a brown tabby cat's face. The cat's eyes are a striking green color and are looking slightly to the right. The fur is a mix of brown and tan, with darker stripes. The background is dark and out of focus. The text "Three good reasons to invest in Swedencare" is overlaid in white, sans-serif font across the upper portion of the image.

# Three good reasons to invest in Swedencare



# 1

## Strong brands and high quality products

Our Group companies are all focused on the premium segment. Our acquisition strategy is also based on investing in companies with existing clear and strong brands. The increase in demand for premium products, of which natural and organic products are an important part, has been one of the main drivers in the market. With the increasingly widespread view of pets as members of the family, pet owners have also increased their knowledge and awareness of their pets' specific behaviours and needs.

Pet owners are increasingly demanding the highest quality food and products for their pets. It is also considered that food and snacks for pets should be of the same high standard as the family's own food, or higher.

Swedencare ensures a range of high quality products through its own research and product development, at the same time as we analyse changing consumer needs, values and attitudes to their animals' well-being and health. The latter including increased investment in customer interaction on social media etc. In-house production facilities that meet the quality requirements of the products are another important factor in remaining at the forefront of innovation and quality.

# 2

## Presence in the major sales channels

Our products can be found in all major sales channels such as veterinarians, pet shops and on-line. We are represented in more than 20,000 veterinary clinics, and as many pet stores, in North America, Europe, Asia, South America and Australia. Many of our products are also sold on major on-line platforms such as Chewy.com and Amazon. We sell in-house to veterinarians and pet stores, through resellers and in partnership with licensees such as TV veterinarian Dr Pol.

In 2022, we also increased our investment in building a direct-to-consumer channel, an option that many customers are demanding.

# 3

## Higher than market growth

The pandemic has been a contributing factor in the increased awareness of health and well-being. This applies not only to us humans but also to our pets. Both the number of pets and the demand for pet supplements have increased in recent years, especially in the premium segment. The trend is clear: more animal owners will spend more money on products that contribute to healthier and better lives for their pets.

Added to this is an ambition to grow faster than the market by finding export opportunities for our new products within the Swedencare family, in-house product development with rapid launch and in-house production to avoid bottlenecks.

# Continued strong growth

Swedencare focuses on the important markets, with the greater part of operations on the strong American market. Despite different types of concerns around the world, we see continued strong growth within the pet sector and people's care of their pets. Our end customers, the pet owners, are increasing in number while spending more money on their pets. All signs indicate that this development will continue, with good growth figures in the coming years.

## Strong growth in the USA

With an estimated growth rate of 6.1% per year, the global pet market is expected to be worth USD 350 billion in 2027. This is primarily due to a large number of new pet owners combined with more money being spent per pet. USA is the largest market and is calculated to be worth USD 275 billion in 2030. Swedencare, which has the greater part of its operations in USA, has a strong position to take market share in all the important channels: veterinary clinic, physical stores and on-line.

## The fastest growing segment

That more people are getting pets is both a trend and, for a few years now, an actual condition. Although a peak in the trend was reached during the pandemic, the curve does not seem to be slowing down. Healthcare products for pets, both prescription and over the counter, are the fastest growing of the segments and are expected to remain so. Our position within product development and production capacity covers both areas, at the same time as direct sales of OTC products occur.

## More aware and digital generations

Surveys show that people want the same standard of food for their pets as for the rest of the family. Awareness of what is natural and authentic will therefore become self-evident, likewise investing more in premium products. Surveys show that this is particularly found among the younger generation. Today "millennials" are the largest age group that own pets. Within a five year period 65% of them plan to get more pets. They also spend more money per pet than other groups. We have a strong

on-line presence, a channel that has grown significantly since the pandemic and that also suits the target group, at the same time that a specific range, "Evolutions", has been launched for those specific purchasers.

## More money on animals

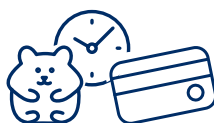
When pets grow older more money is spent per year on the animals. Swedencare has products that cover all major age related therapy areas. At the same time as there is continued development of targeted and more effective products. Health products for pets are primarily used in the latter half of a pet's lifetime. This means that most of those people who purchased pets during the Covid pandemic have still not become purchasers of products for animal health. We are well prepared for and have invested in meeting the expected increased demand in the coming five years. We have the capacity to supply this group of customers with unique and high quality products from our own production in both the USA and Europe.

## A collaboration model with synergies

With our ownership model, our parent company, with the subsidiaries/brands in the international market, has great opportunities to develop and grow organically. Many of our companies have few employees and through our organisational structure, our marketing and distribution channels have the opportunity for support of a type that they would not have if they worked on their own. Newly acquired companies enter straight into a collaboration model, which for them means faster development. This in a market with continued clear growth.



Today "millennials" are the largest age group that own pets. Within a five year period 65% of them plan to get more pets.



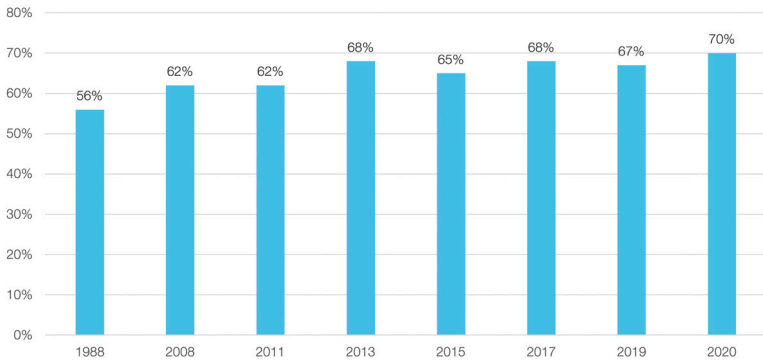
When pets grow older more money is spent per year on the animals. Swedencare has products that cover all major age related therapy areas.

USD 350 billion

The global market for pets is expected to reach USD 350 billion by 2027.

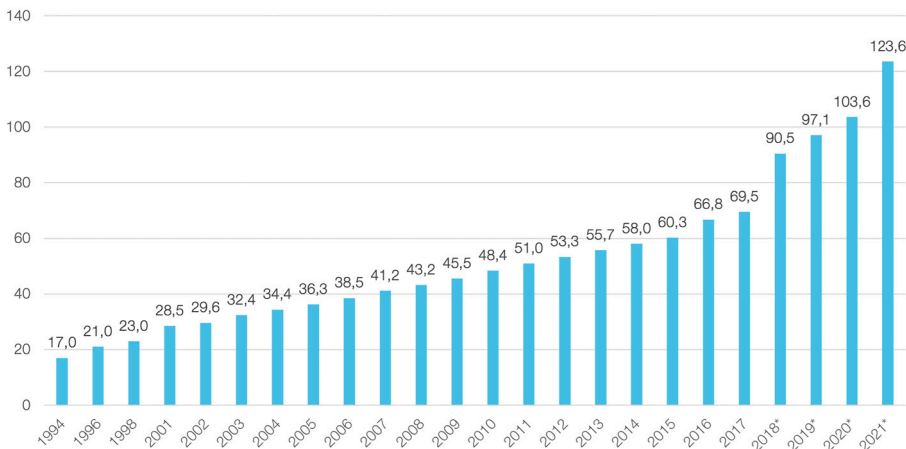


**Number of households with pets USA 1988-2020**



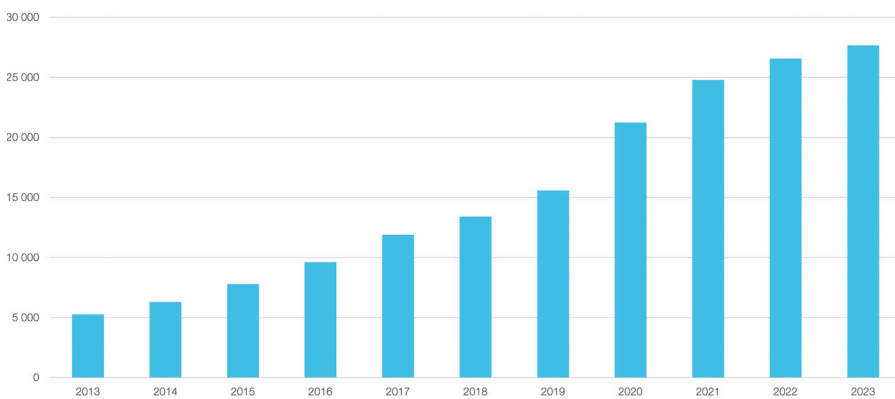
Source: APPA

**Pet market USA 1994-2021 (USD billion)**



Source: APPA

**On-line sales pet products (Pet Food & Pet Supply) USA (USD million)**

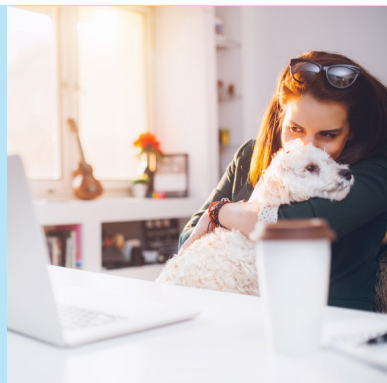


Source: Obisworld

**Younger consumers** continue to drive the humanisation and premiumisation of pets, two major trends that affect the industry, and will be a catalyst for long term growth in pet ownership and expenditure

- On average, pet owners spend USD 1480 per year on their pets.
- For those >25 years of age, the corresponding number is USD 2400 per year, which corresponds to nearly 6% of their disposable income – the corresponding number for the 35-44 age group is 1.4%.

Source: Cowen 2022 Year End Review Pet/Vet/Animal Health + Statista.



**An industry that has remained stable during recessions**

The pet industry reveals its strength during economic downturns due to the repetitive character and low price elasticity.

- The industry grew with a CAGR of 5.9% and 12.8% through the major recession of 2007-2009 and the pandemic respectively.
- 2008–2010 show the resilience of the industry when the total consumer expenditures reduced during the period, while the expenditures for pets increased by 12%.

Source: Cowen 2022 Year End Review Pet/Vet/Animal Health

Surveys show that only 8% of respondents that plan to reduce their expenditures plan to reduce their expenditures on pets, which are amongst the last things to be reduced – only “other” and “baby products” come after.

Source: Cowen COVID-19 US Internet Consumer Tracker, June 22

**On-line sales of pet products**



USD 27.6 billion

On-line sales of pet products (Pet Food & Pet Supply) in USA 2023.

4.1%

Growth in on-line sales of pet products (Pet Food & Pet Supply) in USA 2023.

15.6%

Growth in on-line sales of pet products (Pet Food & Pet Supply) in USA 2023.

Source: Obisworld

45%



of American pet owners spend the same or a greater amount of money on their pet's health than they do on their own

Source: LendEDU

# Our strong brands

Swedencare and its subsidiaries are strong in most therapeutic areas. Our customers all over the world find health-promoting and recognised products for most of what their pets need for their well-being. From the external to the internal, from fur, eyes and ears to oral health, gastrointestinal, joints and mobility and much more. Here are some examples of reputable products and brands from our companies.



## NaturVet®

Leading brand of high quality pet supplements - #1 in four of the top five pet chains in the US.



## ProDen PlaqueOff®

### ProDen PlaqueOff®

Natural, effective and clinically proven dental product for dogs and cats. Reduces plaque, fights tartar and treats bad breath.



## Pet MD®

Effective supplements, vitamins and solutions for topical use in pets, on-line.



## Innovet

Innovative, science-based (own R&D) and patented products for the veterinary sector in Italy.





# nutravet®

## Nutravet®

Natural nutritional and dietary supplements for dogs, cats and horses, exclusively for the veterinary sector.



# Rx Vitamins®

PHYSICIAN FORMULATED

## Rx Vitamins® for Pets

Innovative, safe and proven nutritional supplements formulated for specific conditions and ailments for pets, for the veterinary community.



# NutriScience

## NutriScience

Science-based dietary supplement for horses, dogs and cats. Performance enhancing, preventive, protective.



# VetWELL®

## VetWELL®

Products formulated by veterinarians. For external use and ears.



## Stratford Animal Health

Animal health products for the veterinary sector.



# ANIMAL

pharmaceuticals

## Animal Pharmaceuticals

Innovative products that improve the health and quality of life of pets. Recommended and sold by veterinarians.



# Wide portfolio for stronger market presence

Originally we built Swedencare around our product family within dental health – ProDen PlaqueOff®. As the global pet market grows strongly year on year, our ambition has always been to broaden the offering to include more therapy areas within animal health. Our acquisition strategy is focused on just that: to grow globally in most major therapy areas for dogs, cats and horses, while offering our customers the opportunity to find our products in different channels.





## An overview of the major therapy areas and brands

|  |    |  |
|---|--|---|
| Therapeutic areas   | Brand dog & cat  | Brand horse   |
| Kidneys   | Nutravet / RX Vitamins   |   |
| Brain   | Nutravet / StratfordCare / Innovet   |   |
| Heart   | NaturVet / RX Vitamins / VetClassics / PetMD   |   |
| Allergies   | NaturVet / VetClassics / PetMD   |   |
| Oral health   | Nutravet / ProDen PlaqueOff / StratfordCare / Innovet / RX Vitamins / PetMD  |   |
| Stress & Anxiety  | Nutravet / Animal Pharmaceuticals / StratfordCare / NutriScience / NaturVet / VetClassics  | Nutravet / NutriScience   |
| Joints & Mobility   | Nutravet / Animal Pharmaceuticals / StratfordCare / NutriScience / NaturVet / Innovet / Healthy Breeds / RX Vitamins / VetClassics / VetWell / PetMD | Nutravet / NutriScience / NaturVet / VetClassics                                    |
| Skin & Coat   | Nutravet / Animal Pharmaceuticals / StratfordCare / NutriScience / NaturVet / Innovet / Healthy Breeds / VetClassics / VetWell / PetMD               | NaturVet  |
| Gastro-intestinal   | Nutravet / StratfordCare / NutriScience / NaturVet / Innovet / VetClassics / VetWell / PetMD   | NutriScience / NaturVet   |
| Immune system   | Nutravet / StratfordCare / NutriScience / NaturVet / Innovet / VetClassics / VetWell / PetMD   | NutriScience / NaturVet   |
| General health  | Nutravet / StratfordCare / NutriScience / NaturVet / Healthy Breeds / VetClassics / PetMD  | Nutravet / NaturVet   |
| Liver   | Nutravet / StratfordCare / RX Vitamins / VetClassics   | Nutravet  |
| Probiotics  | Nutravet / StratfordCare / NaturVet  | NutriScience  |
| Urinary tract   | Animal Pharmaceuticals / NaturVet / Innovet / Healthy Breeds / RX Vitamins / VetClassics   |   |
| Ears  | Animal Pharmaceuticals / StratfordCare / Healthy Breeds / VetWell / PetMD  |   |
| Eyes  | Innovet / Healthy Breeds   |   |
| Dermatology/Grooming  | Animal Pharmaceuticals / StratfordCare / NaturVet / Innovet / Healthy Breeds / VetClassics / VetWell / PetMD   |   |
| Energy & recovery   | NutriScience   | NutriScience  |
| Muscles   |  | NutriScience  |
| Wounds  | StratfordCare  | NutriScience / NaturVet   |
| Hoofs   |  | Nutravet / NutriScience   |
| Behaviour   | NaturVet / RX Vitamins / VetClassics   | NaturVet  |
| Metabolism  | Innovet  |   |

# From local Company to global Group

Today, Swedencare is an entrepreneurial and fast-growing companion animal health group with a number of strong brands and a global presence. We are growing from 20 sales and marketing offices and several of our own production facilities, as well as distributors, partners and sales in 60 countries.

For many years, we built the business around our dental health product family, ProDen PlaqueOff®. With ProDen PlaqueOff's strong brand and long market presence as a foundation, we have successfully built a global distribution network on all continents. This in a fragmented and highly localised market. In recent years, efforts to broaden the product portfolio have intensified, while we have increased our presence in the key veterinary and digital sales channels.

### Strong expansion

It was a strategic decision that formed the basis of the active acquisition strategy that now characterises the Group. Especially over the last 2.5 years, when we acquired 10 companies and increased the number of colleagues in the group from 45 to 486.

We entered 2023 with the widest product offering ever, within most therapeutic areas, globally and in all sales channels. Our story began with research and development in the 1990s. Establishment of the current business in 2000, IPO in 2016 and, since then, significant expansion through the acquisition of a number of reputable companies with strong customer offerings.

2022 has been a transformative year for Swedencare, with three acquisitions; NaturVet, the leading retail pet dietary supplement brand in the USA and founded nearly 30 years ago. The company has products in 20 categories which are manufactured in its own production facility in California. The second acquisition, Innovet, is an Italian company that was founded in 1996 and which has been our distributor on the Italian market for the last few decades. The third, smaller acquisition was Custom Vet Products. One of the few soft chew manufacturers in Europe who will help us

launch these products outside USA during 2023. Our history has been interesting and as developmental as changeable. We are convinced that the future will be even more interesting.

### Studies and scientific requirements

There are no shortcuts to safe and effective quality products. Even at the founding of Swedencare, our products were based on studies and scientific validation. Our product development is always done on a scientific basis, often in collaboration with external experts such as professors in animal health. But also with our own test experts and product developers.

### Clinical studies

In recent years, we have conducted a number of clinical studies on our flagship product ProDen PlaqueOff®. The last six studies (two for ProDen PlaqueOff® Dental Bites, two for ProDen PlaqueOff® Powder and two for ProDen PlaqueOff® Dental Bones) were conducted in order to obtain the right to use the VOHC seal on the products. The VOHC (Veterinary Oral Health Council) is an international organisation which sets high scientific standards to obtain the right to use their label. All studies showed efficacy well above the VOHC requirements.

### Active ingredient in other products

Swedencare has different levels of Research and Development in our group companies. But regardless of level, scientific evidence and documentation remains the foundation of all our products. It is also commercially positive to be able to show the market that our active ingredients can be included in other compositions and formats. New and simpler ways to give dietary supplements to pets have become an important factor for reaching new end customers due to preferences.





“Swedencare has different levels of Research and Development in our group companies. But regardless of level, scientific evidence and documentation remains the foundation of all our products.”

#### **Government-approved testing activities**

Vetio, acquired in 2021, is a US company that has both an excellent reputation and is also research intensive. Here, experienced scientists work with chromatographic and spectrophotometric drug analytical methods that are validated in line with regulatory guidelines and regulations. All product development is preceded by rigorous testing based on scientific principles. The manufacturing facility

in Montreal, Canada is approved by Health Canada and the FDA. When it comes to Vetio South and Garmon/NaturVet their manufacturing is governed by regulations for NASC. NASC is an industry organisation that works in close collaboration with the FDA and governs all dietary supplement products and their ingredients. Several of Swedencare's employees and companies have been both founding members and are members of the NASC's Board.



# From dental health to global pet health





Swedencare's origins are in dental care products for pets. The goal over the years has been for our original premium products to reach a wider international market. At the same time, the ambition has been to broaden the offering to include health products in more therapeutic areas than just dental health. The strategy involves an evolution from: a dental health company to a global pet health group.

**BUSINESS CONCEPT**

Our business concept is to offer the global pet market a broad portfolio of premium pet health products.

**MISSION**

We care about improving the health and wellbeing of pets, creating reassurance for the pet parent, worldwide and throughout life.

**VISION**

Our vision is to be a leading global companion animal health group with products for dogs, cats and horses within the premium segment.

**VALUES**

- Professional
- Agile
- Caring

**BRAND PROMISE**

Through safe, innovative and effective products for most ailments and conditions, we provide enhanced well-being, quality of life and security for pets and pet owners worldwide.

**FINANCIAL TARGETS 2026**

Swedencare's financial objective is to achieve revenues of 4 billion SEK during 2026 with an EBITDA-margin exceeding 30%.



# Solid platform for good growth

The objective over the years has been for our original premium products to reach a wider international market. At the same time, the ambition has been to broaden the offering to include health products in more therapeutic areas than just dental health, our original area.

The already strong dental health brand and international presence has provided the platform needed to broaden both product offering, further global expansion and increased growth. Swedencare has now developed in the direction that was our ambition:

Dental health has now become pet health. Local companies have become a global group.

## Clear goals with a clear business model

For some time, we have had an explicitly active acquisition strategy where the focus is on being present and growing in most major therapy areas for dogs, cats and horses in the premium segment.

We can now encapsulate this in our current goal: to become the leading global pet health group. The companies we acquire are characterised by high quality in their field of activity, an entrepreneurial business spirit, good growth and high profitability.

The success of our business model rests on several pillars:

- Global market presence.
- Collaboration and exchange of experience between group companies.
- A broad portfolio of premium products for specific and general pet care.
- Organic growth in group companies.
- Growth through acquisitions of companies in the premium segment.
- Strong shareholder interest among management and staff
- Entrepreneurial corporate culture.

## The individual companies

The ambition is to acquire and own companies that have good growth and good potential for further growth. In addition, products and product development must be based on scientific principles and production facilities must meet high standards and comply with relevant requirements. To this must be added that products and product development must rest on a scientific basis and that the production facilities must maintain a high standard and comply with relevant requirements.

## An unbroken quality chain

The business model can be seen as a blueprint for a quality chain. The requirements of the company's own operations combined with the requirements of the companies that are acquired and then become part of the group ensure that the chain from producer and product to end customer is unbroken. The product promise, including the brand promise, is thus fulfilled. For us it is about being a resource for those companies we own, partially financially, but through the way we do business.

## Corporate culture and management skills

Here we contribute both corporate culture and management skills that benefit the management of the companies, and also give the constituent companies access to each other's sales and communication channels. The opportunity to grow on the market thereby increases faster than if one was outside the group. The acquisition strategy leads to increased organic growth within each individual company – one plus one becomes more than two. It is a collaboration culture that is open, honest and humble.

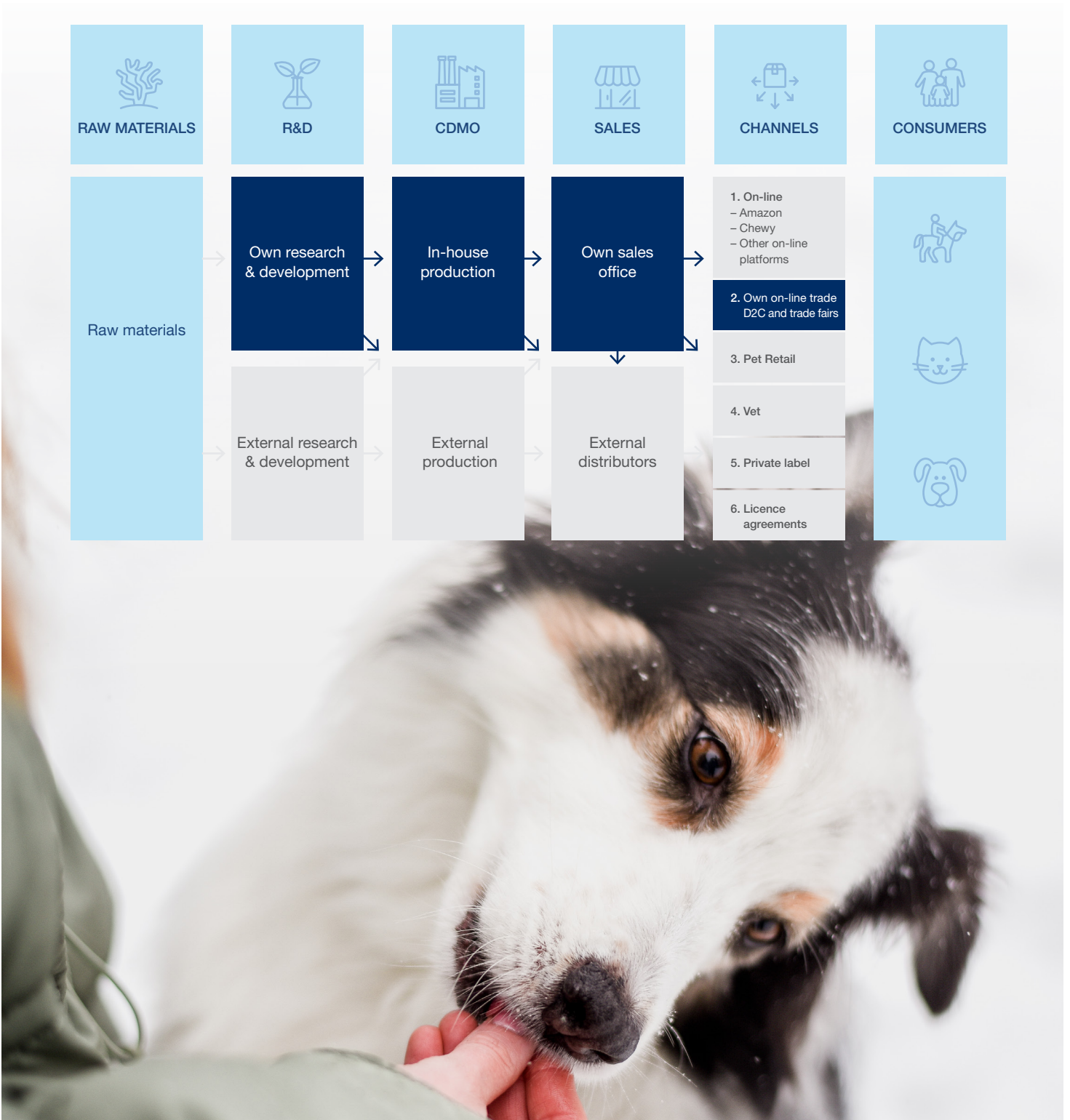
The acquisition strategy leads to increased organic growth within each company – one plus one is more than two. It is a collaboration culture that is open, honest and humble.



**Growing faster than the market**

Swedencare stands for concern for the welfare of pets coupled with a businesslike and entrepreneurial approach to entrepreneurship, company building and growth. The business model we have built around this means that we look to the future with a positive outlook and the ambition to grow faster than the market. A few key words support this while looking ahead:

- Continued acquisition of selected companies.
- Continued internationalisation.
- On-line expansion.
- Product development and increased work on synergies between the companies.
- Continued focus on sustainable growth.





## Development of the market and Swedencare

The Pet market:

6–7%

Dietary supplements and dermatology products:

10–12%

Swedencare Group:

Faster growth

### Synergies in the short term:

- Launch of new products/brands in new markets with existing presence and in new channels
- Well thought out and cost effective campaigns
- Collaboration within R&D between group companies
- Opportunity for production within the group for acquired companies
- Newly acquired companies' products sold under other companies' brands

### Focus in the long term:

- Increased internationalisation of all brands
- Develop e-commerce
- Develop new products and offerings

### Financial targets 2026

Swedencare's financial objective is to achieve revenues of 4 billion SEK during 2026 with an EBITDA-margin exceeding 30%.



## Examples of joint activities and projects:



### UK/Ireland

- Collaboration between companies that simplifies import/export between UK/Europe



### Montreal, Canada

- Internal development project for Swedencare
- Opportunities for generic pharmaceuticals



### Logistics Centre, Florida

- Coordinate storage and logistics management for several companies in the same hub
- Collaboration projects with major licensing agreements, for example with Dr. Pol



### Vetio/Swedencare Ireland/ Swedencare Tillverka

- Increased own production – better margins, control and better access to products



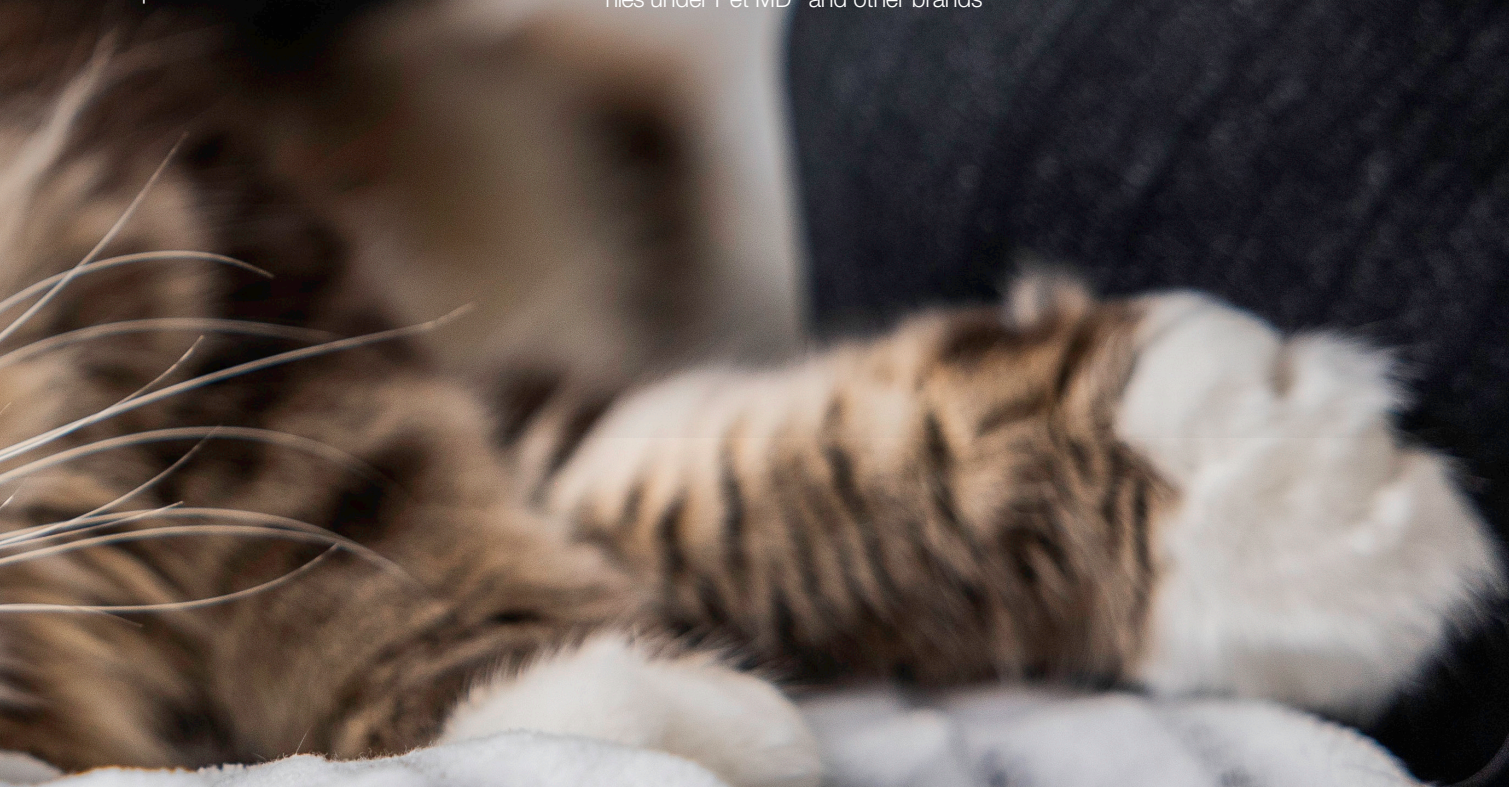
### Pet MD®, launch

- Use of the same brand for the European market with different products
- Launch more products from our companies under Pet MD® and other brands



### Pet MD Brands

- Responsibility for e-commerce for other companies in the group





# Introduction to Swedencare's sustainability work

For Swedencare, sustainability means that we take long term responsibility for the environmental, social and economic impact that our work has on our planet. We work to implement a structure that ensures that we reduce our impact as much as possible.

For some time, Swedencare has had an explicitly active acquisition strategy with the goal of being a leading global group for pet health. We have now created a unique organisation consisting of growth focused subsidiaries in nine countries that run their operations based on local conditions and opportunities. There is a strong need to centralise sustainability work and create common processes to drive it forward in a unified way within the whole group.

Below is Swedencare's first Annual Sustainability Report, which describes our focus areas, value chain and how we will work with our stakeholders to be able to focus on prioritised areas and sustainability risks.

This report highlights the activities initiated within our focus areas. During 2023, Swedencare will carry out a comprehensive analysis that shows what effect our business model and value chain have and what the internal and external sustainability risks are in our production chain.

Key to Swedencare's 2023 sustainability strategy is to work with systematic collection analysis and reporting of relevant data from subsidiaries in an effective way. The analysis gives important insights into where we are and how we need to work going forward in order to effectively measure our progress with selected sustainability goals.

## Our focus areas

### **Responsible control**

Swedencare's operations must be run responsibly and with respect for customers, colleagues, environment and society at the same time as we set requirements against our partners and suppliers.

### **Our colleagues are our greatest asset**

Committed colleagues create sustainability.

### **Sustainable value chain from producer and product to end customer**

We must reduce our impact on the environment and the climate.

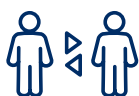


# 2022 in brief

During 2022 investment were made in implementing comprehensive sustainability work.



We have worked to develop a framework that gives a stable foundation to start from in our long term sustainability work.



We have developed codes of conduct for employees and suppliers.



We use renewable energy sources (solar, wind and biomass) where possible.



We reduce energy consumption by using LED and ECO lighting, smart sensors (sensor monitoring). We are also conscious of the use of our machinery and lighting by switching them off when not in use.



We take initiatives to reduce the amount of packaging materials and deliveries by stocking goods and shipping in bulk instead of multiple partial deliveries.



We use reusable storage containers and pallets. By using them the environmental impact is reduced.



We have carried out workshops and reviews of selected global sustainability goals and focus areas.



We have developed a sustainability policy that provides guidelines on how sustainability must be driven within Swedencare.



We have installed solar panels on our production facility in Ireland.



We adjust the indoor temperature during the seasons to minimise energy consumption.



We pack our products in groups, which allows us to efficiently use the space of the carrier and reduce the need for fillers. When possible, we also use "Master Packing" where we pack in larger cartons.



We produce environmentally-friendly scoops, made of corn starch polymers, that are used to measure the product that is given to the pet for our original product ProDen PlaqueOff® Powder. We use these scoops to reduce the carbon footprint left by fossil fuel plastic. Our ambition is to continue implementing more environmentally friendly packaging.



We have established and sent out surveys to all our subsidiaries to both inform them of our work, expectations and goals as well as following up their sustainability work.



We have developed a whistleblower function to capture warning signals early and thereby reduce the risks.



74% of all our forklift trucks are battery powered, which reduces the group's consumption of fossil fuels.



Our production facilities follow protocols with criteria for sustainable development of new products.



We reduce our travel by using digital meetings where possible and appropriate. When we travel, we optimise it by visiting customers in a local area at the same time.



We reduce transport impact by consolidating orders to manufacturing sites and obtaining a running forecast from large customers to consolidate deliveries and avoid smaller orders.



We reduce water consumption by installing filters/water coolers in our facilities which has resulted in a significant reduction in the use of plastic bottles and cups.



We are affiliated with FTI AB (Förpacknings- och Tidningsinsamlingen), a nationwide collection system for packaging. This means that we fulfil our producer responsibility and co-pay for the public recycling stations where you can leave our cardboard and packaging materials.



We recycle as part of our daily life. Whenever possible, we recycle packaging and paper used in the organisation. In addition, we reduce paper consumption by emailing our invoices and delivery notes to customers wherever possible, instead of printing them on paper.



We are moving towards an electric car fleet to create a more sustainable planet. Electric cars are not only more environmentally-friendly because they have no gas emissions, they also require less servicing due to fewer moving parts than a petrol or diesel car.

# Sustainability governance

Management has the overall responsibility for Swedencare's sustainability focus and the ongoing sustainability work. In addition to the legal requirements, the board and management work together to implement guidelines for how the company acts as a responsible employer and a responsible company.

The parent company, Swedencare AB, is responsible for the development of a framework for sustainability at group level through policies and governance documents. We encourage our colleagues to integrate sustainability into their daily work so that these issues and processes do not feel forced but rather a natural part of our common sustainability journey.

Health and safety are important areas for us to be able to create safe working spaces for our colleagues. We focus on being an open and inclusive company where colleagues enjoy their work, develop and perform.

## Sustainability policy

Swedencare has developed a sustainability policy that states the basic principles that characterise our operations and relationship with the outside world. The policy also gives guidance for colleagues and subsidiaries within the group about how sustainability work should be run and which values are important. When the work is carried

out systematically and preventively it creates conditions for a safe, secure and attractive working environment and good health under similar conditions for all colleagues.

## Codes of conduct for our employees and our suppliers.

Work with ethical issues and risk management is something that affects the whole organisation. Swedencare has developed a code of conduct for our employees in the group that provides guiding principles regarding ethics, anti-corruption, human rights and social and environmental responsibility.

Our code of conduct for suppliers places clear requirements on human rights, working environment and climate impact. We will be working with our suppliers to ensure that they follow our code of conduct, or have their own code of conduct and implement active sustainability work that fulfils Swedencare's ambitions. Work to follow up and evaluate our suppliers is ongoing.

We have established a whistle blowing function to be able to react to unethical behaviour and corruption.

Swedencare supports a number of national and international initiatives and actively take a position on issues that are important to us.

Swedencare has chosen to follow the UN's GLOBAL COMPACTS 10 Principles that ensure a responsible relationship with our colleagues and our suppliers. These principles are the basis for our code of conduct for employees and suppliers to contribute to strengthening the human rights and climate awareness and to combat corruption.



Swedencare is affiliated with FTI AB (Förpacknings- och Tidningsinsamlingen, formerly REPA), a nationwide collection system for packaging.



We sponsor Feather in Her Cap, an organisation that recognises the contribution to pet health made by women.



The main ingredient of our original product, ProDen PlaqueOff®, is 100% natural and organic certified by the Irish Organic Association.



Protecting the sea and marine resources is therefore particularly close to our hearts. One initiative we have taken in this area is to become "coastal rescuers".





Our most important stakeholder groups are customers, shareholders, investors, colleagues and suppliers because it is these who affect, are affected by or have a stake in our operations. During 2023, Swedencare will implement dialogue with our stakeholders. An active dialogue gives us important information that contributes to ensuring that the company's priorities

and strategies are relevant. The dialogues will be an important part of our sustainability work and will be the basis of our continuous improvement work.

We will map requirements, expectations, risks and how and what we are affected by. The dialogues will follow our method and cover all areas of sustainability.

| Dialogue with stakeholders        | Issues in focus   | Type of dialogue  |
|-----------------------------------|---|---|
| <b>Shareholders and Investors</b> | <ul style="list-style-type: none"> <li>Responsible ethical business including sound working conditions and anti-corruption</li> <li>Long term economic value development and responsibility for the entire value chain</li> <li>Ongoing risk mapping and risk management</li> <li>Reduced climate impact and emissions</li> </ul> | <ul style="list-style-type: none"> <li>Surveys to investors</li> <li>Annual General Meeting</li> <li>Individual meetings and in-depth interviews with shareholders</li> </ul> |
| <b>Colleagues</b>                 | <ul style="list-style-type: none"> <li>Safe and secure workplaces</li> <li>Skills development and career development</li> <li>Equality, diversity and inclusivity</li> </ul>  | <ul style="list-style-type: none"> <li>Implementation of colleague surveys</li> </ul>   |
| <b>Customers</b>                  | <ul style="list-style-type: none"> <li>Good working and employment conditions, inclusive and safe work places</li> <li>Climate, environmental awareness and action for reduced climate and environmental impact</li> <li>Resource efficiency and recycling</li> </ul>   | <ul style="list-style-type: none"> <li>Customer meetings, trade fairs and customer surveys</li> </ul>   |
| <b>Suppliers and partners</b>     | <ul style="list-style-type: none"> <li>Responsible ethical business</li> <li>Code of conduct</li> <li>Climate, emissions, transport, sound working conditions and safety</li> </ul>   | <ul style="list-style-type: none"> <li>Supplier evaluation</li> <li>Supplier audits and sustainability dialogues</li> </ul>   |

# Material analysis

It is important to us that our sustainability work is based on those issues that are most relevant to us from a sustainability perspective and that also benefit customers and the business.

An analysis is used to ensure that we have the right priorities in our sustainability work. This against a background of our impact on the outside world and our stakeholders' expectations. During 2022, work started on identifying the most important priorities and accompanying focus areas.

During 2023, we will carry out a material analysis where we will go through the most important sustainability priorities. The work will be started when we have the results from our stakeholder dialogues, which will form the basis for relevant and well founded sustainability goals.

The priority areas where we work with our stakeholders are:





# The way forward 2023

During 2023 Swedencare will focus on implementing a group-wide approach and working method. We will start the work by gathering and analysing data from across the whole group, our suppliers and partners in order to find out what impact our operations have on the climate and environment. When the analysis is completed we will have a complete image of the company's existing climate footprint which will be the starting point for our concrete sustainability goals.

## We will focus on:

- Developing and specifying the groups' overall sustainability strategy and sustainability goals
- Develop the groups' sustainability work, quality assure processes and review the policies and governance documents
- Carry out stakeholder dialogues with focus on sustainability issues
- Structure the work on future sustainability reports in accordance with the GRI reporting standard
- Encourage our suppliers to subscribe to our Code of conduct
- Carry out LCA (Life cycle analyses) on the company's key products based on a sustainability perspective
- Develop processes and procedures in order to continuously collect sustainability data from all subsidiaries
- Carry out employee surveys





# Global goals and sustainability related risks

Our sustainability work has a clear basis in the global development goals adopted by the General Assembly of the UN with the purpose of achieving a better and more sustainable future for everyone by 2030. We have chosen to focus on the five goals that we believe that we as producers of healthcare products for pets have a direct or indirect effect on and that can affect the developments across the whole value chain; gender equality, decent work and economic growth, responsible consumption and production, climate action and life below water.



## SUSTAINABLE DEVELOPMENT GOALS



Swedencare contributes to a more equal society by actively working for increased diversity, inclusivity and equality. Equality is fair distribution of power, influence and resources, which is a condition of sustainable development. We support women by sponsoring organisations that aim to both reward excellence and inspire young women in the industry. One of these organisations is Feather in Her Cap, which was created to recognise women who are making a big impact in the animal health industry. Today, Swedencare consists of 51% men and 49% women.



Motivated colleagues are our greatest asset, we work to continuously improve work on environment issues to promote good health and safety.

We are a flexible company adapted to the new working life. We strengthen local communities where our production facilities are located by being an active local employer and our staff and sub-contractors are from the local area. That is positive for the locality and local business.



Swedencare wants to increase the sustainability performance across the whole product's life cycle to reduce our climate and environmental impact. We work to ensure that our suppliers implement active sustainability work in line with the company's code of conduct for suppliers.

We work actively with our packaging and use renewable materials where possible.



As a producer, we have an extra responsibility to take action to reduce our negative impact on the climate and the environment. We work actively to reduce the carbon footprint of goods transport and energy consumption. We reduce the amount of packaging material in goods transport and rationalise our deliveries.

We are aware of our energy consumption and during 2022 started to measure the group's consumption and consider what energy sources were used in the group. We have also started investing in renewable energy by installing solar panels in our production unit in Ireland.

Swedencare strives to reduce electrical consumption and increase the proportion of renewable energy used in the group.



Protecting the sea and marine resources is particularly close to our hearts since the raw material for our original product, ProDen PlaqueOff®, is sustainably harvested off the coast of Norway in the Arctic circle, in one of the cleanest places on earth.

It is very important to us that the process has minimal climate impact.

# Sustainability related risks

Effective risk management work contributes to long term sustainable and competitive operations. During 2023, we will continue the work of performing a sustainability risk assessment to better understand the risks that Swedencare is facing. In conjunction with us structuring our sustainability work more extensive analysis, governance and follow up of our sustainability risks will be performed. Knowledge of the greatest sustainability risks gives us the opportunity to follow up and manage them, which results in reduced risk to our business operations.

Several potential climate changes, such as the warming of the oceans and increased acidifying, can negatively affect our operations, because several of our ingredients come from the sea. Our customers demand healthy, and responsibly produced products and we therefore work continuously to manage and minimise risks by implementing and following up policies, governance documents and procedures with the aim of structuring the sustainability work.

## Product risks

Our customers place high quality demands on our products and on us as an innovative and reliable animal health company. We risk losing our market position if our products don't meet our customer's expectations.

The environmental impact of Swedencare's operations are mainly in our production processes through our material consumption, material recycling, energy

consumption and use of renewable energy. We work actively to reduce the waste that is generated in the production facilities by developing standard solutions and processes with the aim of reducing material and packaging waste.

Swedencare will perform life cycle analyses (LCA) and life cycle costs (LCC) to verify and improve our products during manufacture. In that way we can identify those areas where resources can be applied most effectively to reduce our environmental impact.

## Staff risks

The fast changing world around us makes new demands for new skills, which carries a risk if we aren't successful in attracting and retaining the right, skilled and experienced staff. Mental ill-health and stress related sickness is increasing in society and there is a risk that our colleagues can become unwell.

## Supplier risks

Swedencare works strategically to check and manage the risks that can occur in the supply chain.

Implementation and continuous updating of our code of conduct for suppliers that sets clear requirements regarding human rights, work environment and climate impact is an important governance document for this work. Approval of suppliers and partners and follow up through sustainability audits are important actions to manage the risks that can arise.

“Our customers demand healthy, and responsibly produced products and we therefore work continuously to manage and minimise risks by implementing and following up policies, governance documents and procedures with the aim of structuring the sustainability work.”



# A more sustainable value chain

We are motivated and will work effectively to contribute to a resource-efficient and responsible value chain and increased value creation for our different stakeholders and society in general.

The long term sustainability work is based on our business model, strategy and vision. We will work actively to identify those areas where we can affect the most at the same time as benefiting our business, customers, colleagues and the local community.

Swedencare's overall goal is to reduce the negative environmental impact from its own operations. During 2022 an assessment of the group's sustainability goals was started. The ambition is to verify and concretise sub-objectives during 2023. During 2023 we will broaden the analysis of the environmental and social

impact we have, directly or indirectly, at the relevant stages of the value chain to be able to set relevant goals and plans.

To better understand our environmental impact we will start by implementing life cycle analyses of our most important products to know where in the chain we can make the greatest difference at manufacture, packaging, goods transport or recycling. In that way we can identify those areas where resources can be applied most effectively to reduce our environmental impact.

## Our essential issues in the value chain are:

**Employees** with a focus on equality, training, work environment and inclusivity.

**Our suppliers** and partners.

**Business ethics** long term and reliable partner in all our relations.

**Sustainable production**, internal and external.

**Life cycle analysis** of our products



“It is important to us that our sustainability work is based on those questions that are most relevant to us from a sustainability perspective and that also benefit customers and the business.”









# As local as it is global

Spread around the world, but our dedicated colleagues are united by the same ambition and goals. Meet some of them.

**“We now have the chance to contact people around the world and share experience, solutions and knowledge with each other.”**

One of Innovet's greatest strengths is the team. We all work towards a common goal and work together to get the best results. A culture where we work hard and have a good sense of humour, focusing on results at the same time as having fun. When we became part of the Swedencare family our team got even bigger and the new constellation also opened new international marketing opportunities for us. We now have the chance to contact people around the world and share experience, solutions and knowledge with each other. As a graphic designer this is a major source of inspiration that I will put into creating even more impressive marketing material for Innovet.

**Sofia Pavan & Pablo**

Graphic designer, Innovet, Italy



**“It is a treat to be able to exchange experiences and have the benefit of skilled colleagues around us in the group.”**

It is exciting being part of Swedencare, a company with great ambitions and a vision for growth that is catching. I appreciate working in an international group where the work tasks include analysing subsidiaries that are in different environments and countries but at the same time striving towards the same target. It is a treat to be able to exchange experiences and have the benefit of skilled colleagues around us in the group.

I work as a Financial Controller at the parent company in Malmö together with a very competent finance team. We are a strong team with our own little mascot, Vicky. The bar is set high and a constant desire to develop means that we work very well together and look to the future with great confidence!

**Hampus Bergdahl & Vicky**

Financial Controller, Swedencare AB, Sweden





## “It is really exciting to see Swedencare's growth and the opportunities it brings to Stratford Animal Care.”

It is really exciting to see Swedencare's growth and the opportunities it brings to Stratford Animal Care. With the growth of further sister companies, we can learn from them and at the same time use our resources within the company to promote better health for more pets, not just in the USA but across the whole world. The team that has been established here at Stratford Animal Care differs from anything that I have seen before – motivated, gifted and constantly wanting to be helped to grow, by doing whatever is necessary to always raise the bar.

It is clear that Swedencare is built on a foundation of animal lovers, which means that we stick out because everyone loves what we do and has the wish to make it easier to help animals each day. I am excited to see what we can all achieve in 2023 and beyond!

### Jules Russel & Ditto

Sales specialist – Veterinary market, Stratford care, USA



## “It is an absolute pleasure to work for Swedencare UK in these exciting times of growth and expansion.”

It is an absolute pleasure to work for Swedencare UK in these exciting times of growth and expansion. The support and loyalty of our vast customer base of pet owners, as well as Swedencare's reputation for quality products and for caring about pets' general health and well-being, help us to deliver category leading products to our retailers.

No two days are the same and are they are full of opportunities, everything from planing campaigns with our traditional retailers, wholesalers, veterinary partners and on-line customers, to talking to consumers looking for information about our products and that in turn can lead to improving their pets' health. Another of the great things about Swedencare is that all employees have a voice and can contribute to the continued progress and overall growth of the Swedencare Group.

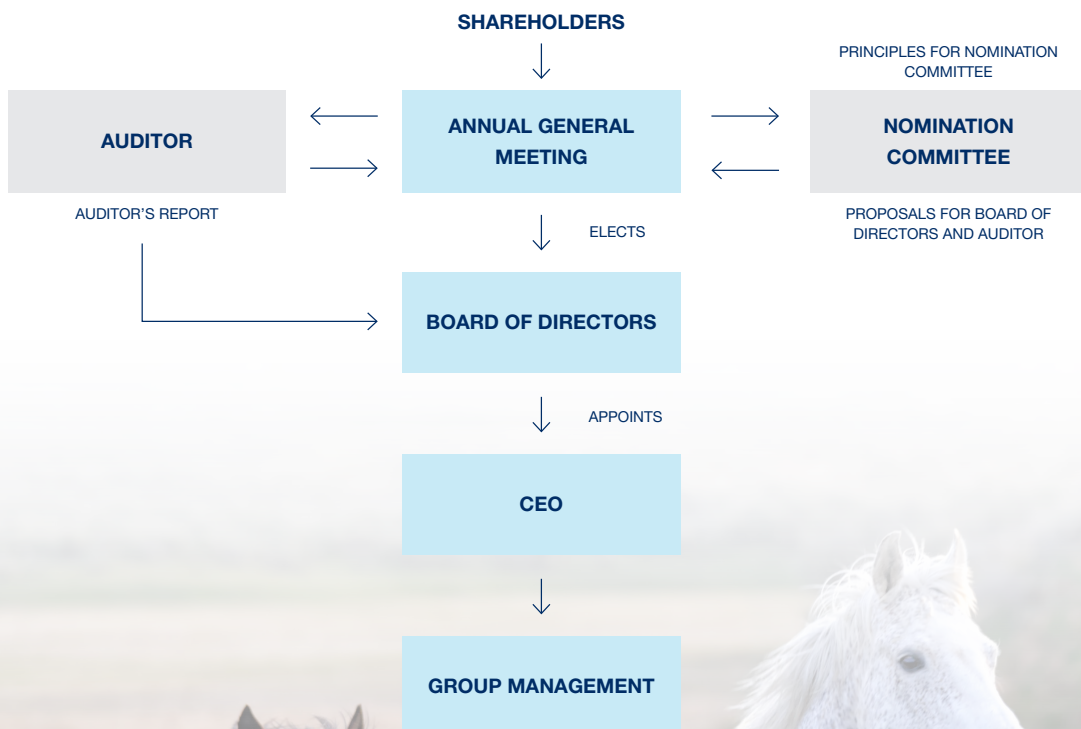
### Simon Shaw & Monty

E-commerce manager, Swedencare UK, England



# Corporate governance

Swedencare applies a framework of laws, regulations and internal rules to govern the company effectively with the aim of generating long-term value for shareholders and other stakeholders. This requires effective organisation and good internal control, as well as information and reporting that gives a true and fair view of the company. The following describes how shareholders vote at the AGM to elect, among other things, the Board of Directors and the auditor. The Board of Directors is responsible for the organisation and management of the company and appoints a CEO who is responsible for the day-to-day running of the company. The auditor examines the company's accounts and the management of the Board and the CEO.





### Framework for corporate governance

Swedencare's corporate governance complies with external laws and regulations, including the Swedish Companies Act, the Swedish Accounting Act, the Swedish Annual Accounts Act, the Market Abuse Regulation (MAR) and NASDAQ Stockholm's rules for issuers on the NASDAQ First North Growth Market. Laws and regulations are supplemented by internal regulations such as Swedencare's Articles of Association, the Board's Rules of Procedure, the CEO's Instructions, the Reporting Instructions and other Group-wide policies, instructions and guidelines.

### Our shareholders

As of 31 December 2022, Swedencare had 158,731,900 outstanding shares and 15,814 shareholders.

At the end of 2021, Swedencare had 118,150,028 outstanding shares and 18,319 known shareholders. All shares are of the same class and each carries the right to one vote at general meetings. The largest shareholder on 31 December 2022 was Symrise AG with 29.7% of outstanding shares and votes. The five largest shareholders together represented 56.3% of the outstanding shares and votes. The corresponding percentage for the ten largest shareholders was 68.7% of the outstanding shares and votes.

### Annual General Meeting

The highest decision-making body in Swedencare is the Annual General Meeting, through which the shareholders exercise their influence over the company. The Annual General Meeting is held within six months of the end of the financial year. Notice of the Annual General Meeting is published no earlier than six weeks and no later than four weeks before the meeting. Decisions at the AGM are normally taken by simple majority. In some cases the Swedish Companies Act provides for a special voting majority.

### Nomination Committee

The AGM appoints, among other things, a Board of Directors for the period until the next AGM. Swedencare's Nomination Committee, consisting of representatives of the company's three largest shareholders as of 30 September, submits proposals to the AGM on the composition of the Board, the Chairman, the Board and audit fees, the election of an auditor and the guidelines for the Nomination Committee. For the Annual General Meeting on 28 April 2023, the Nomination Committee consists of Håkan Svanberg (representing Håkan Svanberg & Co Health Care AB), Heinz-Juergen Bertram (representing Symrise AG) and Johan Bergdahl (representing JCC Group Invest Sweden AB). The Nomination

Committee will submit its proposals no later than in connection with the notice of the Annual General Meeting.

### The Board of Directors

The Board of Directors has overall responsibility for the organisation and management of the company's operations and for the ongoing evaluation of the company's financial and strategic development. The Board shall also ensure that the company complies with laws and regulations and that basic ethical guidelines for the company's conduct (Code of Conduct) are established. For the day-to-day running of the company, the Board appoints a CEO.

The Board shall adopt written rules of procedure for its work, which shall also include a CEO's instruction, including a reporting instruction for the CEO. These decisions are taken annually at the inaugural meeting held after the Annual General Meeting.

The Chairman of the Board organises and directs the work of the Board so that it is carried out in accordance with the Swedish Companies Act, other laws and regulations and the Board's rules of procedure. The Chairman monitors the business through regular contacts with the CEO and is responsible for ensuring that the other Board members receive adequate information and decision support.

According to Swedencare's Articles of Association, the Board of Directors shall consist of at least three and no more than seven members, with no more than two deputies. At the Annual General Meeting on 28 April 2022 Håkan Svanberg, Johan Bergdahl, Thomas Eklund and Sara Brandt were re-elected and Ulrika Valassi and Jean Yves Parisot were elected to the Board of directors and Håkan Svanberg was appointed Chairman of the Board.

During 2022, a total of 30 recorded Board meetings were held.

At the meetings, interim reports, year-end financial statements and the annual report were adopted. The Board decided on the company's financial targets and strategies and business plans supporting the targets were adopted.

The Board also met in connection with company acquisitions and other related decisions.

The Board of Directors of Swedencare owned shares in the company corresponding to 19.9% of the total number of outstanding shares as of 31 December 2022.

### CEO and Group Management

The Board of Directors of Swedencare appointed Håkan Lagerberg as the company's CEO in 2014. Håkan Lagerberg has held the role since then, except for a period in 2019/2020 when the current CFO, Jenny Graflind, was CEO. Håkan Lagerberg, is, through

the wholly owned company Mastan AB, Swedencare's fifth largest shareholder with a shareholding corresponding to 3.6% of the total number of outstanding shares as of 31 December 2022.

Group management in 2021 consisted of the CEO, Håkan Lagerberg, and the CFO, Jenny Graflind as well as the COO for Veterinary and e-commerce markets in the USA, Brian Nugent, and Production manager, John Kane. Group management is responsible for business development, financial monitoring and business plans. Group management has regular meetings with representatives of the company's subsidiaries on a monthly basis during the year. The subsidiaries have considerable operational freedom within the established framework and internal control procedures. Group Management monitors that agreed authorities are not exceeded and that procedures are followed. The CEO and Board of Directors of each subsidiary are appointed by the Group CEO and are responsible for the governance, development and management of the subsidiary. Swedencare's decentralised organisation with many subsidiaries places high demands on the subsidiaries' boards and management, their competence, values and business ethics. It also requires understanding and respect for delegation of roles.

Furthermore, it is assumed that the division of responsibilities within and between the Group management and the subsidiaries' managements is well defined and that the communication between them works well. Instructions on governance documents, accounting principles and guidelines are regularly communicated to relevant colleagues.

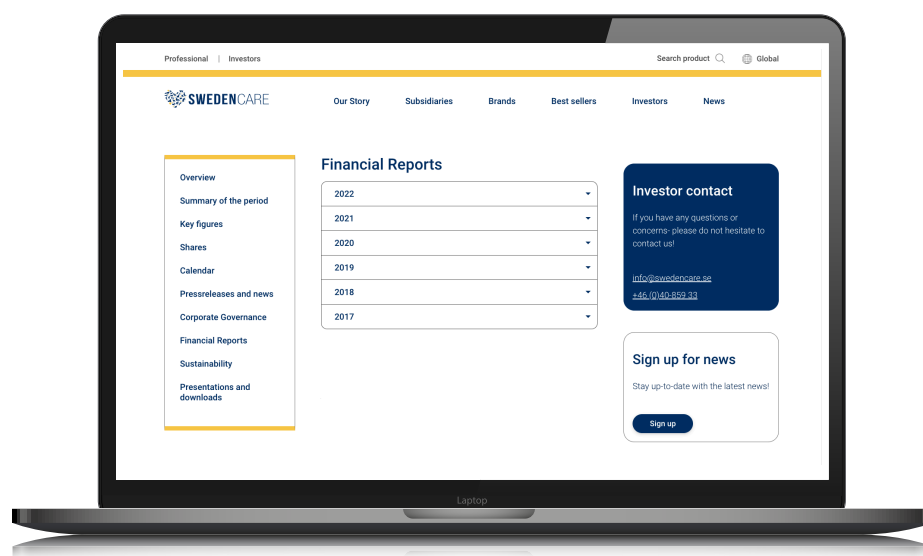
## Audits

The company's auditor is appointed by the Annual General Meeting. The mandate is valid until the end of the Annual General Meeting held in the year following the election of the auditor. The auditor's task is to audit Swedencare's annual accounts and financial statements, as well as the management of the Board of Directors and the CEO. The appointment is summarised in the auditor's report, which is presented at the Annual General Meeting and reported in the Annual Report. At the Annual General Meeting 2022, the audit firm Grant Thornton Sweden AB was re-elected as auditor until the end of the Annual General Meeting 2023. The principal auditor is Petter Rankell. During 2022, in addition to reviewing the annual accounts and financial statements, the auditors also reviewed the company's nine-month report.

## Information

The company's external information follows the information policy established by the Board of Directors. The policy sets out what is to be communicated, by whom and in what manner, to ensure that both external and internal information is accurate, complete and follows established guidelines.

Swedencare's information to shareholders and other stakeholders is published via press releases, interim and year-end reports, the annual report and the company's website ([www.swedencare.com](http://www.swedencare.com)). Press releases, financial reports and presentation material are published on the website. Press releases, financial reports and the annual report are published on the website.



Press releases, financial reports and presentation material are published on [www.swedencare.com](http://www.swedencare.com).



# Organisation

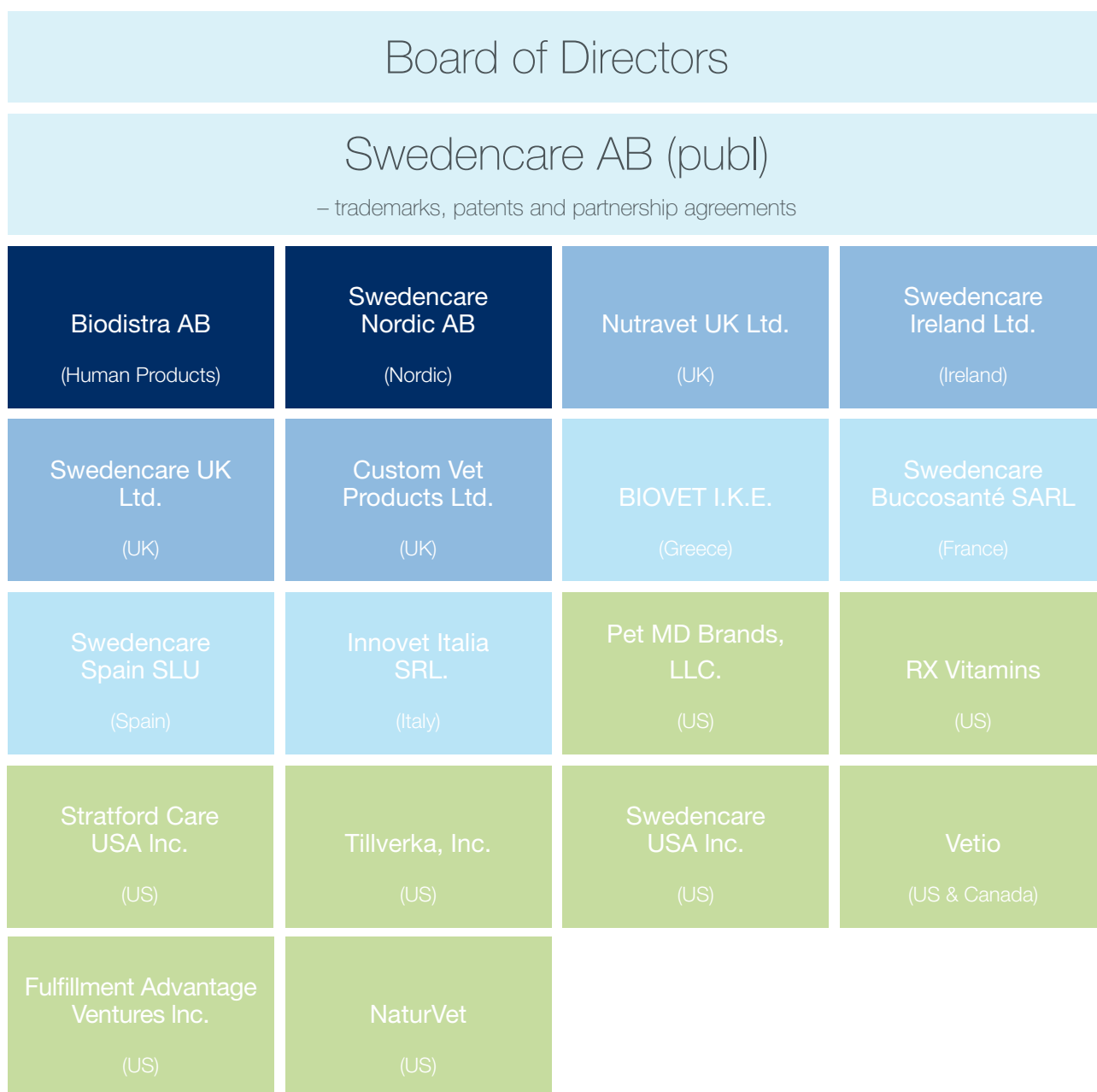
## Swedencare

The parent company Swedencare is responsible for the Group's strategy, business plan and management. This is done through the Company's control of the Group's trademarks, patents, sales rights, collaboration agreements and sales companies. The Company operates from its offices in Medeon Science Park in Malmö, Sweden.

## The sales companies

Swedencare owns 100% of all sales companies, which are responsible for sales and marketing in their respective

home markets. The sales companies report both financial and market developments to Swedencare on a monthly basis. Through the sales companies' local market knowledge, marketing can be adapted to local conditions and customer preferences, and new products can be quickly identified. The sales companies operate from Greece, Spain, Italy, France, the UK, Sweden, Ireland, Canada and the USA respectively.



## Board of Directors



### Håkan Svanberg

Board Chairman since 2022 – born 1957.

Entrepreneur and owner of several companies within IT, travel and finance. Master of Philosophy from Örebro University.

CEO of SVANBERG & CO INVEST AB. Board member of Creative Tools, K3 Nordic AB, SVANBERG & CO INVEST AB, H. Svanberg Software Holding, Northway Partners, Svanberg Factoring, Treberg Holding AB and CYTO 365.

**Independent in relation to the company/company management:** Yes

**Independent in relation to the company's major shareholders:** No

**Shareholding\* in Swedencare:** 23,052,775 shares.



### Johan Bergdahl

Board member since 2014 – born 1970.

Entrepreneur and owner of several companies within sales, IT and real estate. Degree in market economics from Nercia Business School.

Chairman of the Board of BR Group AB. Board member of Comera AB, IB förvaltning AB, JCC Group AB, BR Group Holding AB, BR Group Fastigheter AB, Sibe förvaltning AB, Sjödjins Stenhuggeri, Casa del Padel Bettorp.

**Independent in relation to the company/company management:** Yes

**Independent in relation to the company's major shareholders:** No

**Shareholding\* in Swedencare:** 7,526,755 shares.



### Sara Brandt

Board member since 2019 – born 1963.

Senior advisor to and previously vice CEO of Almi AB. In addition, has held a number of leading positions such as CEO of Berner Nordic and Coca-Cola AB, vice CEO of Cederroth Nordic and many years of experience from Unilever Norden and UK. Extensive operating and board experience from Swedish and international B2C and B2B companies with a focus on sustainable growth and development as well as from several industries and product categories such as consumer health, international distribution operations and financial services. Master of Business Administration from Handelshögskolan in Stockholm.

Previously a board member of Almi Invest GreenTech, Almi Företagspartner Stockholm Sörmland, ClearOn and Moberg Pharma.

**Independent in relation to the company/company management:** Yes

**Independent in relation to the company's major shareholders:** Yes

**Shareholding\* in Swedencare:** –



### Thomas Eklund

Board member since 2016 – born 1967.

Advisor to Patricia AB (Investor AB) and former CEO of Investor Growth Capital in Europe.

Long experience in investments and business development in the healthcare industry.

Chairman of the Board of Sedana Medical AB (publ), Immedica Pharma AB and Mabtech AB.

Board member of Boule Diagnostics AB and Surgical Science AB.

**Independent in relation to the company/company management:** Yes

**Independent in relation to the company's major shareholders:** Yes

**Shareholding\* in Swedencare:** 950,000 shares.

\* Own or related parties' holdings of shares and other financial instruments in Swedencare. Holdings as of 31 December 2022.





**Jean-Yves Parisot**

Board member since 2022 – Born 1964.

President for the segment Taste, Nutrition & Health and Board member of Symrise Group. Chairman of Probi and VetagroSup and has previously held a number of leading positions at companies such as Diana, Air Liquide, Danisco, Rhodia Food, Rhône-Poulenc, Rhône Mérieux – Merial and Pfizer Animal Health. Doctor of Veterinary medicine from National Veterinary School of Lyon (VetAgroSup – France) and has an MBA from HEC-ISA (France).

**Independent in relation to the company/company management:** Yes

**Independent in relation to the company’s major shareholders:** No

**Shareholding\* in Swedencare:** –



**Ulrika Valassi**

Board member since 2022 – Born 1967.

Board member and senior company advisor. Previous role as credit manager for Landshypotek Bank and prior to that a number of leading positions within the SEB group and most recently participated in DBT’s start-up year. Long experience of bank and finance markets, structural investments and corporate development. At present a board member of Ålandsbanken Abp and Sparbanken Sjuhärads. Bachelor of Business Administration from Uppsala university.

**Independent in relation to the company/company management:** Yes

**Independent in relation to the company’s major shareholders:** Yes

**Shareholding\* in Swedencare:** 2,000 shares.

## Senior management



**Håkan Lagerberg**

CEO

Håkan has held this position since 2014. Håkan has international experience from leading positions in private and public companies. Bachelor in International law from Lund University. Post graduate international business law from University of Turin in Italy.

He is also a board member of Polygiene AB (publ), HAOLAG AB, Mastan AB and has board appointments in Swedencare's subsidiaries.

**Shareholding\* in Swedencare:** 5,643,820 shares.



**Jenny Graflind**

CFO

Jenny has been employed and held senior management positions since 2017.

A long international background as CFO and previously as Financial manager and in auditing at global groups, privately owned as well as owned by venture capital companies.

Bachelor of Science in Management from Florida Atlantic University.

Board member of USWE Sports AB, own company Tammeo AB and board member of Swedencare's subsidiary.

**Shareholding\* in Swedencare:** 175,000 shares.



**John Kane**

Production Director

John has held this position since 2022 and been employed as CEO of the Vetio production facilities since 2015. John has over 28 years of experience as CEO and VP/GM for public and private companies in speciality chemicals, human nutrition and animal health. Prior to Animal Health, John worked for Balchem Corporation managing their human nutrition and health business.

Bachelor of Science in Chemical Engineering from Villanova University and MBA from Wilmington University.

**Shareholding\* in Swedencare:** 51,972 shares.



**Brian Nugent**

CCO of North America's veterinary and on-line operations

Brian has held this position since 2022 and been employed as CEO of the subsidiary StratfordCare USA Inc. since 2011. Brian has over 20 years of experience as founder, COO and CEO of several successful animal health companies based in the USA. Before Brian started working within animal health he was operations manager for the Tampa Bay Buccaneers in the National Football League (NFL).

Bachelor of Science in Multinational business operations from Florida State University.

**Shareholding\* in Swedencare:** 325,000 shares.





**OUR MISSION**

We care about improving the health and wellbeing of pets, creating reassurance for the pet parent, worldwide and throughout life.

## Management, subsidiaries – Europe



### **Chris Jones**

CEO of the subsidiary Nutravet UK Inc.

Chris has been employed since 2021.

Over 10 years experience within the dietary supplement industry, including as Operations Director for one of Britain's leading nutrition manufacturers.

Bachelors in business administration from Lancaster University.

No other appointments.

**Shareholding\* in Swedencare:** 6,431 shares.



### **John Leonard**

CEO of the subsidiaries Swedencare UK Ltd and Swedencare Ireland

John has been employed since 2004.

Over 20 years' experience in the oral health industry including Sales Manager at TePe and Colgate and Development Manager at CTS dental.

HND Business & Finance from Teeside University.

No other appointments.

**Shareholding\* in Swedencare:** 418,515 shares.



### **Sabine Uhde**

Nordic manager of subsidiary Swedencare Nordic AB

Sabine has been employed since 2015.

Background as department manager and from the marketing department at TT-line.

Brokerage degree.

No other appointments.

**Shareholding\* in Swedencare:** 700 shares.



### **David Ryder**

CEO of the subsidiary Custom Vet Products Ltd.

David has been employed since 2012.

Over 17 years experience of sales management and marketing within the animal health industry.

Masters in computing and information systems from Liverpool John Moore's University.

No other appointments.

**Shareholding\* in Swedencare:** 620,095 shares.





**Loïc Dufour**

Country manager of the subsidiary Swedencare France SARL (previously Buccosanté)

Loïc has been employed since 2021.

Over 14 years of experience in marketing, communication and sales team management in the pet sector in France.

Marketing license, IUT Lens.

No other appointments.

**Shareholding\* in Swedencare:** –



**Raquel Tosca**

Country Manager of the subsidiary Swedencare Spain SLU

Raquel has been employed since 2019.

An international background in international business, marketing and communications most recently from the animal health company Laboratorios Calier. Master's degree in Marketing, Communication & Digital Publicity from UOC University in Barcelona and Inesdi Digital Business School.

No other appointments.

**Shareholding\* in Swedencare:** –



**Renato della Valle**

CEO of the subsidiary Innovet Italia SRL.

Renato has been employed since 1996.

Founder and CEO of Innovet since 1996. Renato's experience is mainly in developing and marketing small animal products that are non-prescription.

High school diploma in agriculture.

No other appointments.

**Shareholding\* in Swedencare:** 606,799 shares.



**Ioanna Psychogiou**

Country Manager of the subsidiary Biovet I.K.E

Ioanna has been employed since 2012.

Background as manager of Biovet and experience in the pet and veterinary market.

Physics degree and Master's degree in electronic telecommunications.

No other appointments.

**Shareholding\* in Swedencare:** 156,790 shares.

## Management, subsidiaries – USA



### **Brian Nugent**

CEO of the subsidiary StratfordCare USA Inc.

Brian has been employed since 2011.

Over 20 years of experience as founder, COO and CEO of several successful animal health companies in the USA.

Before Brian started working within animal health he was operations manager for the Tampa Bay Buccaneers in the National Football League (NFL).

Bachelor of Science in Multinational business operations from Florida State University.

No other appointments.

**Shareholding\* in Swedencare:** 325,000 shares.



### **Ed Holden**

CEO of the subsidiary Pet MD Brands LLC

Ed has been employed since 2011.

Over 10 years of experience in on-line marketing and e-commerce. Founder and CEO of Pet MD Brands since 2011.

Graduated from Loras College with a degree in Management Information Systems.

No other appointments.

**Shareholding\* in Swedencare:** 218,334 shares.



### **Craig Kisciras**

CEO of the subsidiary Rx Vitamins, Inc

Craig has been employed since 1996.

Entrepreneurial background in various sectors. Over 30 years of experience in the nutraceutical industry and over 25 years of experience in the animal health industry.

Founder and CEO of RX Vitamins since 1995.

No other appointments.

**Shareholding\* in Swedencare:** 318,474 shares.



### **Tim Ackerman**

CEO of the subsidiary Fulfillment Advantage Ventures Inc. (FAV)

Tim has been employed since 2021.

A strong background in retail and on-line distribution, as well as sales. Experience within licensed products and consumables.

MBA from Fairleigh Dickenson University and a BS in Marketing from Rider University.

No other appointments.

**Shareholding\* in Swedencare:** –





**Martin Shimko**

CEO of the subsidiaries Swedencare USA Inc. and Swedencare Tillverka Inc.

Martin has been employed since 2005.

A background as management trainee from NASSCO and the management group in The Bohle Co.

Bachelor of Science in Engineering from University of Michigan and a degree in accounting from University of California LA.

No other appointments.

**Shareholding\* in Swedencare:** 1,325,000 shares.



**John Kane**

CEO of the subsidiary Vetio Animal Health

John has been employed since 2015.

Over 28 years of experience as CEO and VP/GM for public and private companies in speciality chemicals, human nutrition and animal health.

Prior to Animal Health, John worked for Balchem Corporation managing their human nutrition and health business.

Bachelor of Science in Chemical Engineering from Villanova University and MBA from Wilmington University.

No other appointments.

**Shareholding\* in Swedencare:** 51,972 shares.



**Scott Garmon**

CEO of the subsidiary NaturVet

Scott has been employed since 1979.

Founder and CEO of Naturvet since 1979.

Bachelor's degree in accounting from Cal Poly Pomona.

No other appointments.

**Shareholding\* in Swedencare:** 3,722,691 shares.

# Shares



Swedencare's shares were listed on the Nasdaq First North Growth Market on 14 June 2016. In connection with the listing, a new share issue was carried out for a total of approximately SEK 34.5 million before listing costs, which amounted to approximately SEK 4.3 million. The subscription price was set at SEK 2.80\*.

At the start of 2022, the share price was SEK 153.90, corresponding to a price increase of 5,496% from the IPO on 14 June 2016. 2022 was a weak year for stock exchanges around the world and even the Swedencare share developed negatively. 2022 ended at a share price of SEK 30.75, corresponding to a fall in value of 80% for the year, although still an increase in value of 1,098% since its introduction. The highest quoted bid price for the share was recorded on 3 January 2022 at SEK 157.30.

FactSet Pet Care index has a fall of 31% during 2022.

However the quality companies within animal health continued to have a high valuation compared to the index during 2022.

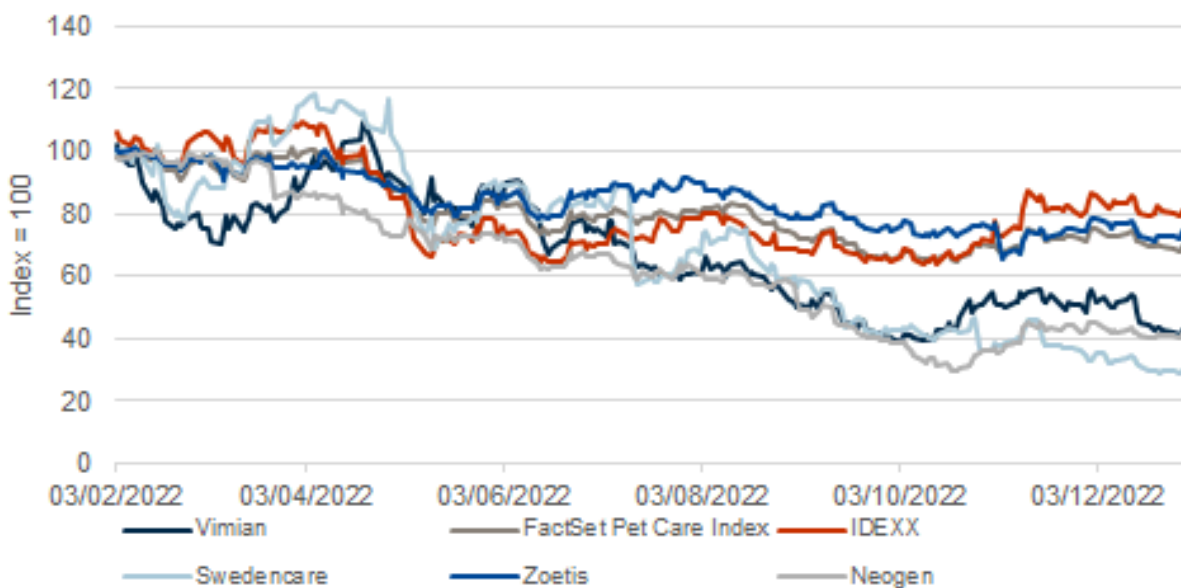
During the year, Swedencare AB (publ) completed the acquisition of an American company, NaturVet, an Italian company, Innovet, and a British company, Custom Vet Products (CVP). Three non-cash issues were made to the sellers in connection with these. There was also a directed new issue to part finance the acquisitions of NaturVet with accession 1 February 2022 and Innovet with accession 1 March 2022.

A share split (5:1) was carried out on 25 May 2021, whereby existing shares in the company were divided into 5 shares of the same class.

At the closing date the share capital amounted to 1,587,319 divided into 158,731,900 shares.

\*Recalculated to the number of shares respectively share price after the share split 5:1

## “2022 share price development vs. the wider sector”





| Number of shares                    | 01-01-2022 | 118,150,028 |
|-------------------------------------|------------|-------------|
| New issue                           | 26/01/2022 | 35,500,000  |
| Non-cash Issue Acquisition NaturVet | 01/02/2022 | 3,854,978   |
| Non-cash Issue Innovet              | 01/03/2022 | 606,799     |
| Non-cash Issue CVP                  | 01/11/2022 | 620,095     |
| Number of shares                    | 31/12/2022 | 158,731,900 |

For financial year 2022, the Board proposes a dividend to shareholders of SEK 0.22 per share. This means an increase of 10% compared to the dividend for 2021 of SEK 0.20 per share.

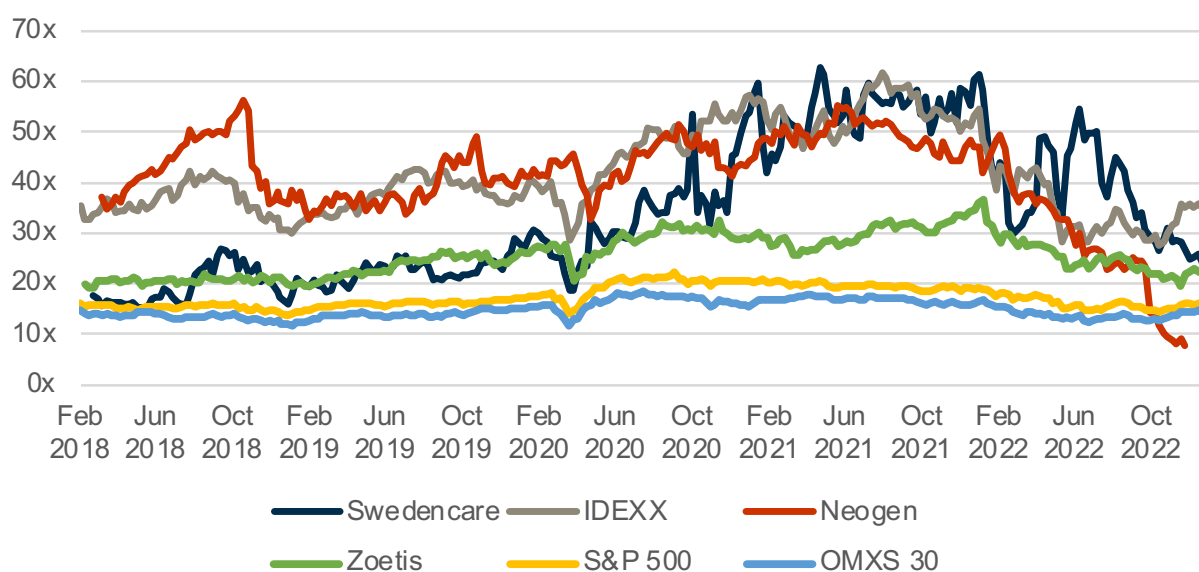
The proposed record date for the dividend is 2 May 2023. The dividend proposed to the Annual General Meeting will be paid to shareholders on 5 May 2023. A comprehensive assessment of the financial position of the parent company and the Group indicates that the dividend is justified in the light of the provisions of the Swedish Companies Act (Chapter 17, Section 3, paragraphs 2 and 3). The Board of Directors is of the opinion that the proposed dividend will neither prevent the company from fulfilling its obligations in the short and long terms, nor from making necessary investments.

Shareholders (the table summarises Swedencare's ownership structure as at 31 December 2022).

| Shareholder                                 | Number of shares   | Ownership     |
|---|--------------------|---------------|
| Symrise AG                                  | 47,117,318         | 29.7%         |
| Håkan Svanberg                              | 23,052,775         | 14.5%         |
| JCC Group Invest Sweden AB (Johan Bergdahl) | 7,526,755          | 4.7%          |
| AMF Pension & Fonder                        | 6,006,500          | 3.8%          |
| Mastan AB (Håkan Lagerberg)                 | 5,643,820          | 3.6%          |
| Första AP-fonden                            | 5,424,596          | 3.4%          |
| SEB Fonder                                  | 4,980,804          | 3.1%          |
| Sellers of NaturVet                         | 3,854,978          | 2.4%          |
| Grandeur Peak Global Advisors, LLC          | 2,792,772          | 1.8%          |
| DNCA Finance S.A                            | 2,697,248          | 1.7%          |
| Aktia Asset Management                      | 2,219,630          | 1.4%          |
| Handelsbanken Fonder                        | 2,172,003          | 1.4%          |
| Berenberg Funds                             | 1,997,978          | 1.3%          |
| Matthew Shaw                                | 1,935,897          | 1.2%          |
| Martin Shimko                               | 1,400,000          | 0.9%          |
| Other                                       | 39,908,826         | 25.1%         |
| <b>Total</b>                                | <b>158,731,900</b> | <b>100.0%</b> |

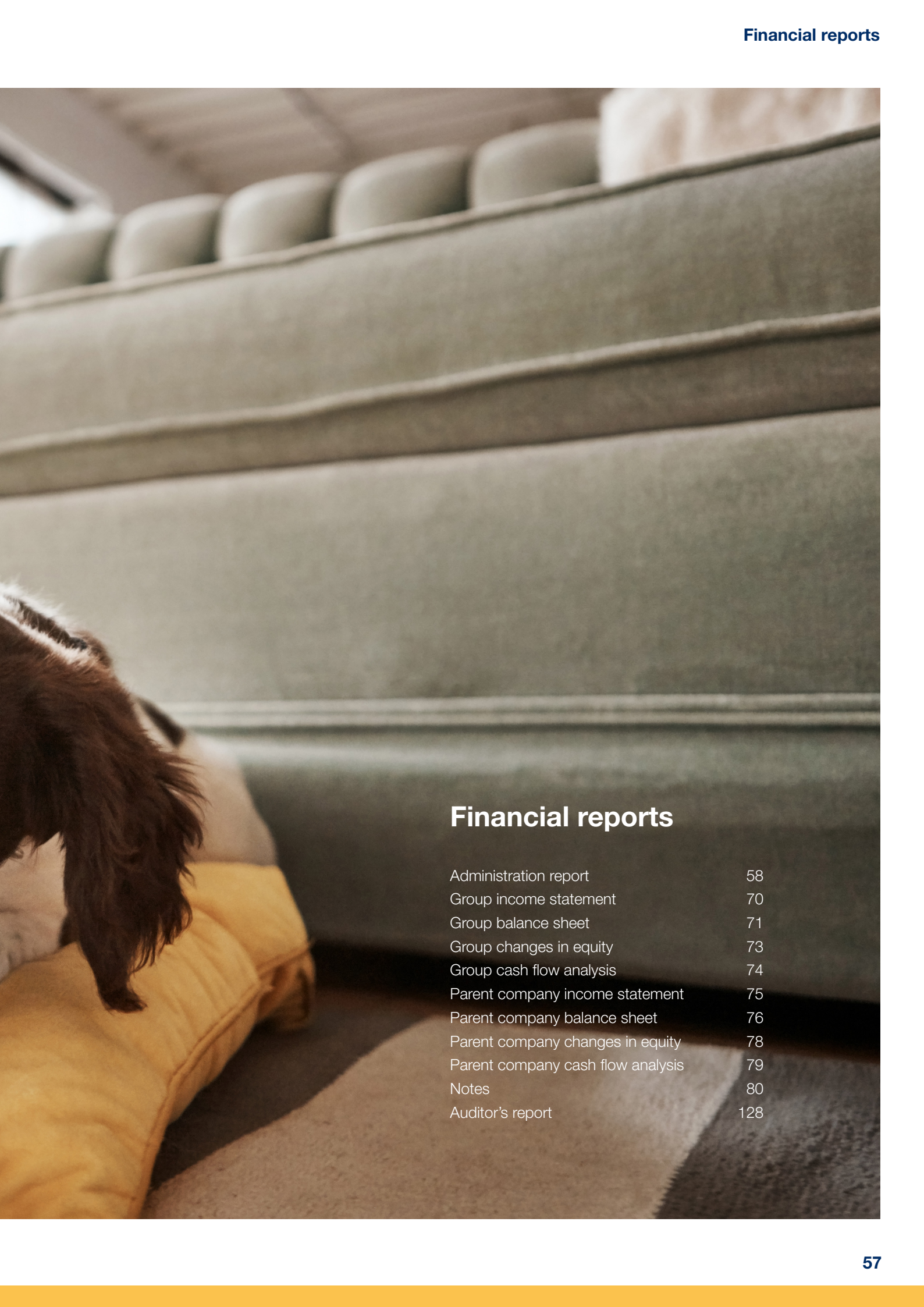
Holdings including related parties.

### Quality animal health companies at higher multiplier vs Index (EV/EBIT 12m forward)







The background of the page is a photograph of a modern, grey upholstered sofa. In the foreground, a bright yellow cushion is visible on the left, and the dark brown, shaggy fur of a dog's head is partially seen. The lighting is soft and natural, creating a warm and inviting atmosphere.

## Financial reports

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# Management report

## Information on activities

The Group's operations consist mainly of the development, production, marketing and sales of premium products in animal health care, with a wide range of high-quality brands in several therapeutic areas for cats, dogs and horses. Raw material supply and manufacturing of the Group's products takes place in its own factories, through subsidiaries and subcontractors in Sweden, Norway, France, USA and Italy.

The original product ProDen PlaqueOff®, developed by Swedencare, contains a number of premium products in dental health for mainly dogs and cats. During 2022, the company acquired several brands and product families within animal health, such as Naturvet®, Pet Organics®, Overby Farm®, Vet Classics® and Innovet brands, which are well known in the veterinary sector in the US and Italy. With these acquisitions, the Group has expanded its portfolio of high quality dietary supplement products for Dogs, Cats and Horses.

Sales were conducted in 2022 through nineteen wholly owned subsidiaries in France, Ireland, the Nordic countries, the UK, Spain, Greece, USA, Canada and Italy, as well as an international distribution network in approximately 60 countries. The parent company Swedencare is responsible for the Group's strategy, business plan and management. This is done by controlling the Group's brands, patents, sales rights, co-operation agreements and sales companies. The parent company has its registered office in Malmö. The parent company's shares are listed on Nasdaq First North Growth Market, Stockholm.

## Financial year 2022

### Group net revenue

Net sales for the full year amounted to 1,829.5 MSEK (770.4 MSEK), which corresponds to an increase of 137% (221%) compared to the full year 2021. The growth was divided into 2% (17%) organic growth, 122% (208%) acquired growth and 13% (-4%) currency impact. The companies acquired in early 2022, and therefore not included in the organic growth, showed growth, NaturVet (6%) and Innovet (4%).

Sales in 2022 were geographically distributed across North America 81% (71%), UK/Ireland 7% (17%), Asia 2% (4%), Rest of Europe 10% (6%), Sweden 0% (1%) and Rest of the World 0% (1%).

In 2022, ProDen PlaqueOff® accounted for 10% (20%) of sales, Nutraceuticals for 50% (30%), Topicals/Dermatology for 31% (39%), Pharma for 5% (4%) and Other for 4% (7%).

### Group results

The operational gross margin of 57.6% for 2022 can be compared with 55.9% for the full year 2021. The higher gross margin is attributable to the higher gross margin in the companies acquired during the year.

External and personnel costs, adjusted for acquisition costs, have increased in connection with the growth and for the period amount to 625.7 MSEK (241.7 MSEK), 35% of total revenue, which is at a similar level to the average since Q2 because the company structure is the same. A higher share of on-line sales affects the external costs, as these market costs are directly linked to sales. Operational EBITA amounted to 367.1 MSEK (171.9 MSEK) in 2022, corresponding to a margin of 20.0% (22.2%).

Amortisation, which amounted to 269.3 MSEK (72.9 MSEK), is mainly attributable to the completed company acquisitions, where parts of the surplus value are allocated to intangible assets with a definable useful life. Of the total amortisation, 205.8 MSEK (54.6 MSEK) relates to intangible assets. Of the 63.5 MSEK (18.3 MSEK) in total tangible assets, 32.9 MSEK (10.3 MSEK) is attributable to right-of-use assets. Operating profit (EBIT) for 2022 amounted to 120.0 MSEK (64.6 MSEK), corresponding to an EBIT margin of 6.5% (8.3%). The decrease in the operating margin is mainly attributable to amortisation of acquisition-related intangible assets.



Exchange rate changes affected EBITA with an exchange rate gain of 8.5 MSEK (7.8 MSEK) and interest expenses for loans raised in connection with the acquisitions amount to 30.6 MSEK (7.3 MSEK) for 2022.

At the beginning of 2022, a corporate structure change was implemented in the US, which, among other things, means that as of 2022 a consolidated tax return is made for all US companies. This, together with the Section 338(h)(10) application for NaturVet, which is described in more detail in note 36, enables tax amortisation of the surplus value linked to the acquisition. For 2022, this resulted in utilised tax depreciation of 222.3 MSEK (21.3 MUSD) which means 0% tax expense. This means a lower tax of 52.2 MSEK (5 MUSD) for 2022 compared to an average tax rate of 23.75%. These possible depreciations can positively affect the result to the same extent for 14 years.

In 2022, Swedencare has made a reassessment of tax loss carry-forwards in the US. The assessment is that previous losses and deferred tax assets from previous years can be utilised in future years. Restructuring in the US together with tax depreciation linked to the NaturVet acquisition and the expected increase in revenue in 2023 and onwards is good evidence that the consolidated Group in the US will generate taxable income in future years and be able to utilise all deferred tax assets. The assessment is that previous losses and deferred tax assets from previous years will be able to be utilised in future years.

Profit after tax amounted to 94.5 MSEK (54.6 MSEK), corresponding to a profit margin of 5.1% (7.1%). Earnings per share for the full year increased to 0.61 SEK (0.49 SEK) calculated on the weighted average number of shares, 155,346,212 (111,951,297) as of December 31<sup>st</sup>, 2022. In May 2021, a share split was carried out whereby an existing share was divided into 5 shares of the same share class (share split 5:1).

### Group cash flow

Cash flow from operating activities after changes in working capital amounted to 260.2 MSEK (125.8 MSEK) for the full year 2022.

Investments in tangible and intangible assets 67.2 MSEK (27.8 MSEK) for the full year 2022, which also includes the sale of intangible assets. The majority of the investments took place in the three major manufacturing facilities in California, Florida and Canada. During 2022, Swedencare invested a total of 4,599 MSEK in company acquisitions. These have been financed by a new share issue of 3,533.6 MSEK and loans of 1,050.0 MSEK. Net loans, including amortisation, amount to 1,025.0 MSEK.

During the last quarter of the year, key employees acquired warrants at market value, which affected cash flow by 1.1 MSEK. For the full year 2022, cash flow amounted to 88.5 MSEK (-155.0 MSEK).

### Financial position of the Group

As of December 31<sup>st</sup>, 2022, Swedencare's equity amounted to 7,460.7 MSEK (2,419.8 MSEK), of which 1.6 MSEK (1.2 MSEK) was restricted equity. The increase is mainly explained by the directed new share issues, worth a total of 4,068.3 MSEK, made during the year to finance the acquisitions of NaturVet, Innovet and Custom Vet Products.

At the extraordinary general meeting on October 19<sup>th</sup>, 2022, an incentive programme was decided upon, including a directed new issue of warrants to the company for further transfer to employees within the Swedencare Group at market value. During the period from December 1<sup>st</sup>, 2025, to February 28<sup>th</sup>, 2026, each warrant entitles the holder to subscribe for one (1) new share in Swedencare at a subscription price of SEK 57.86. During the quarter, 251 500 warrants have been transferred to participants in the incentive programme, which has increased equity by 1.1 MSEK.

As of December 31<sup>st</sup>, 2022 Swedencare's cash and cash equivalents amounted to 245.1 MSEK (136.1 MSEK), the Group had interest-bearing long-term and short-term liabilities totalling 1,902.2 MSEK (721.5 MSEK) as of the same date. As of December 31<sup>st</sup>, 2022, Swedencare had a net debt amounting to 1,657.1 MSEK (585.4 MSEK).

Net financial items have decreased from -7.7 MSEK to -39.7 MSEK. This is mainly due to a higher loan amount (1,641 MSEK as of December 2022 compared to 617 MSEK as of December 2021) and a higher interest rate. For further information see note 34.

### Sustainability work

For Swedencare, sustainability means that we take long term responsibility for the environmental, social and economic impact that our work has on our planet. We work to implement a structure that ensures that we reduce our impact as much as possible.

We will comply with current environmental laws and regulations and continuously improve our environmental performance. We will conserve raw materials and energy sources and endeavour to use those of renewable origin. We will set environmental and quality standards for our business partners and ourselves through continuous dialogue. We will continuously increase the competence and commitment of our employees to environmental and sustainability issues. We utilise the opportunities available for recycling paper, plastic, glass and metal, and use energy-efficient alternatives in our offices.

Our sustainability work has a clear basis in the global development goals adopted by the General Assembly of the UN with the purpose of achieving a better and more sustainable future for everyone by 2030. We have chosen to focus on the five goals where we believe that we, as a producer of health care products for pets, can have a direct or indirect impact and which can affect development throughout the value chain: Gender equality, decent work and economic growth, responsible consumption and production, climate action and life below water. More about the Group's sustainability work is presented on pages 30-39.

### Staff

As of December 31<sup>st</sup>, 2022, Swedencare had a total of 486 employees in Sweden (13), England (31), Italy (16), France (2), Greece (10), Ireland (13), Spain (2), USA (345) and Canada (54). The gender distribution is 49% women and 51% men. As of December 31<sup>st</sup>, 2021, Swedencare had a total of 280 employees. The increase in the number of employees is mainly due to the acquisitions of NaturVet (161), Innovet (16) and CVP (5) employees.

### Research and development

Swedencare's research and development costs during the year amounted to 1.4 MSEK (0.25 MSEK), some of the cost relates to annual costs associated with the right to use the VOHC (Veterinary Oral Health Council) seal. All studies showed efficacy well above the VOHC requirements.

The remaining costs relate to the development of various formulas and products.

### Significant events during the financial year

Swedencare AB (publ) acquires the leading American pet supplement company NaturVet, which was completed on February 1<sup>st</sup>. The total purchase price of 4,365 MSEK was paid through a cash payment of 3 553 MSEK, an issue in kind of shares of 431 MSEK, compensation to the previous owner for the 338(h) application of 93 MSEK and payment of an earn out of 288 MSEK. The payment of the earn out was executed on July 15<sup>th</sup>.

Swedencare AB (publ) acquires the Italian pet healthcare company Innovet focused on the veterinary segment, which was completed on March 1<sup>st</sup>. The purchase price totalling 524 MSEK was paid through a cash payment of 447 MSEK and an issue in kind of shares of 77 MSEK.

Swedencare AB (publ) completed a directed share issue of 35.5 MSEK shares on January 26<sup>th</sup>, raising 3,550 MSEK which, after issue costs of 16.5 MSEK, provided a net contribution of approximately 3,533.5 MSEK to partially finance the acquisitions of NaturVet and Innovet.

On June 28<sup>th</sup>, the European Patent Office (EPO) and the Notice of Allowance from the United States Patent Office (USPTO) issued an "intention to grant" for Swedencare's starch-free Soft Chews, which means that a patent will be issued.



On August 11<sup>th</sup>, Nutravet extended a long-term agreement with Europe's largest veterinary group to supply the premium supplement range, VetPro, in the UK and Ireland until 2029.

An Extraordinary General Meeting took place on October 19<sup>th</sup>, 2022. The Extraordinary General Meeting adopted, in accordance with the board of directors' proposal, an incentive program for key employees in the Swedencare Group, including a directed issue of a maximum of 415,000 warrants to the company and transfer of the warrants to the participants in the incentive program. 415,000 warrants correspond to a dilution effect of a maximum of approximately 0.26 percent based on the number of shares and votes in the Company after the exercise of the warrants. Employees in the Swedencare Group have acquired 251,500 warrants in the adopted incentive programme 2022/2026. The transfer of the warrants to the participants in the incentive program took place at market value.

Swedencare AB (publ) acquires the British company Custom Vet Products (CVP) focused on the manufacture of soft chew products, which was completed on November 1<sup>st</sup>. The purchase price totalling 134.7 MSEK was paid through a cash payment of 108.2 MSEK and an issue in kind of shares of 26.5 MSEK.

## Significant events after the end of the financial year

Patterson Veterinary has acquired exclusive rights to market and sell the Animal Pharmaceuticals® brand in the US.

## Future developments

Continued good growth in the pet sector. End customers (pet owners) are increasing in number and spending more on pets.

Increased manufacturing capacity due to investments made in 2022 and the acquisition of NaturVet and CVP. Ability to better respond to increasing demand, as well as intra-group production for acquired companies.

Broad product portfolio, high quality products and strong brands covering most therapy areas. Opportunity to launch new products/brands in new markets with existing presence and in new channels.

Newly acquired companies' products are sold under other companies' brands.

Co-operation between companies to facilitate import/export between UK/Europe.

Well thought out and cost effective campaigns.

A reduction in the level of debt, which in turn has a positive impact on rising interest rates.

## Industry and market-related risks

Swedencare works continuously to assess and manage the risks that the Group is, and may be, exposed to. Identifiable risks can be managed both strategically through business plans and product development and operationally in the daily work with purchasing, marketing and sales measures.

### Market/macroeconomic risks

#### *Risk*

Swedencare sells animal health products to veterinary clinics and chains, pharmacy chains and pet shops and chains, as well as online. Sales are made through own subsidiaries and distributors in selected geographical markets. There is a risk that demand in the geographical markets where Swedencare is active will be negatively affected by macroeconomic factors that are beyond Swedencare's control, such as the general economic and political situation, as well as specific circumstances that are unique to individual countries and regions. General economic conditions such as a recession can lead to higher unemployment and hence less purchasing power. There is also a risk that the overall demand for animal health products decreases or that the segments in animal health where Swedencare is, or will be, active decreases in favour of other segments, for example for regulatory reasons, which would have a negative effect on the Group's operations, financial position and results.

### *Management*

Swedencare has subsidiaries in nine countries and the Group's products are sold in 60 markets, which provides a good spread of risk. A decline in one market due to the general economic situation can therefore be partly offset by an increase in sales in another market, so the market risk is considered to be low. Furthermore, Swedencare believes that the Group's broad product portfolio with a focus on premium products with proven effect is well adapted to the shift in preferences that has been going on for several years, where consumers increasingly choose effect and quality over price. This trend is expected to continue in the future.

## **The war in Ukraine**

### *Risk*

The war in Ukraine has created great uncertainty and volatility in the global market, which has had a clear impact on commodity prices, transport costs and energy. Higher gas and oil prices can lead to higher costs for companies, which can result in higher final prices for consumers, which in turn can affect their purchasing power. The imbalances created by the war have contributed to increased inflation, which in turn has weakened purchasing power. Higher inflation also leads to higher interest rates, which results in higher borrowing costs. The indirect effects of the war may affect Swedencare's operations, financial position and results.

### *Management*

Swedencare has taken a position against higher prices by continuously analysing price changes and by implementing price increases to compensate for increased prices of raw materials in the current situation. We closely monitor the development of inflation and the key interest rate to be able to react quickly and reduce the impact of changing conditions on the Group. A sensitivity analysis is done continuously on loan costs to analyse possible outcomes. The uncertainty surrounding the unstable situation in Ukraine and the continued impact on us, our customers and supply chains is highly uncertain and cannot be predicted.

## **Competition and price pressure**

### *Risk*

Swedencare has a large number of international competitors of varying sizes and with strong financial positions. If the competitive situation in the animal health industry changes or intensifies, for example due to increased price competition, launch of new products or increased investments in marketing activities by competitors, it may have an adverse effect on Swedencare's operations, results and financial position.

### *Management*

Swedencare has deep and broad knowledge of health care products for cats, dogs and horses, which means that new needs for products can be met quickly and efficiently. A large part of the products that the Group sells today have been developed and produced by our employees and companies who have extensive experience in the industry. In February 2022, Swedencare made a strategic acquisition that, in addition to deep knowledge and long experience, also contributes with modern production facilities with a high level of technology and own development. During H1 2022, investments have been made at NaturVet in the form of a third production line, Vetio North has gone from a development unit to also produce pharmaceuticals and Vetio South has completed the production facility for soft chew products. The Group continuously develops new products, one example of which is a new product for obesity that was launched in 2022. The knowledge we possess and the ability to quickly and effectively respond to existing and new needs means that the risk of competition and price pressure is low for the Group.

## **Key people**

### *Risk*

Swedencare is dependent on qualified and motivated employees to achieve the overall objectives, strengthen the distribution network, broaden the product portfolio and increase marketing activities. It is essential that Swedencare is seen as an attractive employer in order to recruit and retain key employees. Loss of key employees can mean that the growth of the business is delayed, inhibited or becomes more expensive, which in turn can have a negative effect on Swedencare's operations, financial position and results.



*Management*

Swedencare works to be an attractive employer. The Group ensures that employees are equipped with the right tools and have the right knowledge and support to handle daily situations. Swedencare offers competitive benefits for health, pension, training etc. at the same time as the Group advocates a good balance between work and leisure, therefore the risk of not being able to recruit and retain key personnel is considered low.

**Supplier risks***Risk*

In the short and medium term, Swedencare may be dependent on a specific supplier for production, raw material deliveries or transport for the fulfilment of individual customer agreements. Loss of one, or more, suppliers could have negative consequences for the Group's operations, financial position, results and customer relations in the short and medium term.

*Management*

Swedencare has several own modern production and logistics facilities in Ireland, the US and Canada where an increasing part of the Group's production takes place. The facilities have the capacity and are prepared to increase production in line with the Group's growth targets. Increasing the share of internal production is a high priority, which is exemplified by the acquisitions of Vetio, NaturVet and CVP. The acquired companies have highly efficient facilities with large production capacity, which significantly reduces dependence on external suppliers.

Swedencare works with several raw material suppliers to minimise dependency on individual players. Swedencare has secured the raw material supply for ProDen PlaqueOff®, through an exclusive agreement with a supplier of algae for dental products for both North America and Europe. Additional measures to minimise dependency and to secure future deliveries include relatively long contract periods and exclusivity in certain areas of use. Quality and volume requirements are not considered to pose a significant risk. At the same time, the Group continues to work with selected subcontractors in several markets. Swedencare's rapid sales increase with demands for fast deliveries are met through our own production units and with several subcontractors, which is why the supplier risk is not considered significant.

**Product dependency***Risk*

Swedencare has an extensive product portfolio with strong brands and products in most therapy areas. There is a risk that customers may choose products from other suppliers covering the same therapy areas as Swedencare's products. Another risk may occur if Swedencare's products do not meet the customer's requirements, resulting in complaints and recalls. In addition, Swedencare may also be subject to claims from third parties alleging that Swedencare's products have caused damage to property, body injury or other adverse effects. Product liability claims may have a negative impact on Swedencare's business, results and financial position.

*Management*

When selling the Group's products, Swedencare takes responsibility towards its customers. Swedencare has an extensive portfolio of strong brands and products in most therapy areas, such as the ProDen PlaqueOff®, NutriScience, Animal Pharmaceuticals, Stratford, Nutravet®, PetMD®, Vetwell®, Rx Vitamins®, NaturVet®, Pet Organics®, Overby Farm®, Vet Classics® and Innovet brands. The Group has a deep knowledge of health care products for dogs, cats and horses, which means that new needs can be met quickly and efficiently.

Pet owners are considered to be brand loyal and in the dental and oral hygiene area, Swedencare assesses that ProDen PlaqueOff®, as the only product with systemic and proven effect, runs a relatively low risk of replacement with another product. Swedencare experiences a high level of customer satisfaction, manifested through positive feedback from customers in our markets, among other things.

### Acquisition risk

#### *Risk*

Swedencare works with an active growth strategy and has made a number of successful acquisitions over the years. There is a risk that Swedencare will not be able to find suitable acquisition objects, which may affect the Group's growth rate. An additional risk is that the integration process takes longer or is more costly than expected affecting expected synergies negatively. The intangible assets of acquired companies such as customer relationships, brands and relationships with suppliers and key personnel may also be negatively affected by new ownership.

Another risk that can affect Swedencare's growth strategy is the financing risk, which at a given time can be made more difficult or delayed, or not be possible within the Group's acceptable conditions.

#### *Management*

In several cases, Swedencare has acquired companies that were previously customers/suppliers/partners of the Group, which means that a long relationship already existed between the acquisition object and the Group at the time of acquisition. In addition, an analysis of the acquisition objects, due diligence, is carried out where any risks are identified and managed before an acquisition decision is made.

Since June 2020, Swedencare has completed a total of ten acquisitions in the American, British and Italian markets, which confirms the Group's extensive experience in both acquisitions and the integration process. The integration and synergy work is done in very close cooperation with the acquired companies. Swedencare's clear goals, strategies and strong balance sheet provide good conditions for a continued active acquisition strategy. The acquisition risk is therefore considered to be low.

### Intellectual property rights

#### *Risk*

Swedencare has intellectual property rights that are mainly protected by trademark protection for the product portfolio. The Group's operations, financial position and results may be adversely affected if Swedencare is exposed to infringement of its intellectual property rights.

#### *Management*

There are few patents within the Group and the risks of patent expiry are mainly managed through investments in the various brands. Despite the expiration of patent protection for, for example, the ProDen PlaqueOff® brand in the first quarter of 2021, the product showed a growth of 10% in 2022. The Group continuously monitors its intangible assets, hence the risk of infringement is not considered to be significant.

### Customer dependency

#### *Risk*

Swedencare operates in a global, fast-growing and competitive market and thus it cannot be ruled out that several major customers may choose to completely or partially reduce their purchases from Swedencare, which may adversely affect Swedencare's operations, financial position and results.

#### *Management*

Swedencare's customers, distributors in selected geographical markets and veterinary clinics and chains, pharmacy chains, pet shop chains and online players are well distributed in terms of size as well as geography. Swedencare assesses that the increasing number of customers in combination with this distribution reduces the customer dependency risk. Since Swedencare is not dependent on one or more specific customers, the risk is not considered to be significant.

### Financial risks

Financial risks include financing risk, credit risk, currency risk and interest rate risk. Possible financial risks and their management are summarised below, further information can be found in note 34.



## Financing risk

### *Risk*

Swedencare's financing of capital requirements and refinancing of outstanding loans may be defended or become more expensive at any given time.

### *Management*

Swedencare reduces the financing risk by maintaining a good credit rating, amortising its loans and through unutilised credit facilities. Unused RCF amounts to 175 MSEK as of December 31<sup>st</sup>, 2022.

## Credit risk

### *Risk*

Swedencare is subject to credit risk. Credit risk is exposure to losses if a counterparty in a transaction cannot fulfil its contractual financial obligations. Swedencare's credit risk mainly relates to outstanding receivables from customers. If Swedencare fails to manage these financial risks, it could have a negative impact on Swedencare's results and financial position.

### *Management*

Historically, customer losses in the Group have been low. Swedencare has a wide geographical spread of customers, which minimises credit risks in individual markets. The risk is also reduced by continuous follow-up of old receivables at both company and Group level.

## Currency risk

### *Risk*

Swedencare is exposed to currency risks in the form of transaction risk and conversion risk. Conversion risk arises when a Group company sells or buys products or services in a currency other than the local currency of the Group company in question. Conversion risk relates to the conversion of income statements and net assets of foreign subsidiaries into Swedish kronor. There are no guarantees that Swedencare's strategy will adequately protect the results of operations from exchange rate fluctuations or that Swedencare will be able to adequately manage such risks in the future. Fluctuations in exchange rates could therefore have a significant adverse effect on Swedencare's business, results and financial position.

### *Management*

Subsidiary operations are mainly in local currency, using subcontractors in the local market, which limits the Group's transaction exposure. Due to invoicing in USD and Euro, Swedencare is mainly exposed to these currencies.

Swedencare reports its income statement and balance sheet in SEK, which means that when consolidating foreign subsidiaries, the currency of each country is converted to Swedish kronor.

The conversion difference for the full year 2022 amounted to 909.8 MSEK.

## Interest rate risk

### *Risk*

Swedencare is exposed to interest rate risk due to external loans to credit institutions. Interest rate risk is the risk that changes in market interest rates negatively affect cash flow, earnings and the fair value of financial assets and liabilities. High demand after the pandemic and Russia's invasion of Ukraine have led to higher inflation and higher interest rates, which in turn results in higher lending rates from credit institutions. This and the size of the Group's net debt have a direct impact on Swedencare's net interest income.

### *Management*

Swedencare's liabilities to credit institutions amounted to 1,643 MSEK as of December 31<sup>st</sup>, 2022. The loans run with financial covenants regarding the financial net debt in relation to EBITDA and interest coverage ratio. During the year, Swedencare has fulfilled the covenants set by the bank in connection with borrowing. A sensitivity analysis has been performed for the Group's borrowings, see note 34.

### Tax risk

#### *Risk*

Through its subsidiaries, Swedencare is active in several countries and, as far as the board members are aware, the business complies with all applicable tax legislation. There is a risk that the Group's interpretation of applicable laws, guidelines and regulations will be challenged by local tax authorities. Legislation may also change in the future, which may affect Swedencare's previous or current tax situation, and may have a negative impact on Swedencare's operations, results and financial position.

#### *Management*

Both internal and external business transactions are conducted in accordance with the Group's interpretation of applicable tax laws, guidelines and regulations. Independent tax advisers are used for complex issues. Transactions between Group companies take place at arm's length. The tax risk is therefore deemed to be low.

### Disputes

#### *Risk*

There is a risk of the Group being involved in litigation. Lawsuits and disputes can be time-consuming, disrupt daily operations, involve significant amounts or issues of principle and cause significant costs and adversely affect Swedencare's operations, results and financial position.

#### *Management*

Swedencare carefully follows all applicable laws, rules and regulations in the respective markets. The Group works actively to respond to identified future changes, therefore the risk is not considered to be significant.

The Group has also presented risks related to financial instruments which include market risks, credit risks and liquidity risks according to IFRS 7 in Note 34.

### IT risks

Penetration and sabotage of critical computer systems and theft of business critical information is a continuous external threat. Swedencare is exposed to cyber threats, e-mail management, CRM/ERP server and software, servers linked to the website/online store and keeping all devices (mobile phones, workstations) secure.

### Cyber threats

#### *Risk*

Cybersecurity problems arise from the inherent nature of information technology (IT), the complexity of IT systems and human error. These occur when assessing whether actions and information are safe from a cybersecurity perspective, especially in the case of highly complex actions. Cyber threats are continuously evolving in the form of new tools and techniques used by intruders to compromise security. Moreover, the risk also increases due to the growing number of people with access to cyberspace.

#### *Management*

Training staff in common cyber threats and how to deal with them is Swedencare's first line of defence. Employees are instructed to only interact with secure websites. Additionally, Swedencare has implemented strong antivirus software to protect its data. Employee accounts are protected by both strong passwords and multi-factor authentication, adding another layer of security. Through this method, users must confirm their identity by providing extra information (such as a phone number or a unique security code) when trying to access company applications.

To prevent unauthorised access by cybercriminals trying to get into our systems, we regularly update applications, operating systems, security software and firmware. If our system is compromised or damaged, we keep backups and store them offline and offsite. In most cases, we can restore and put systems into production within 2-3 hours.

The Group has developed an IT policy which is under review and will be implemented in 2023.



## E-mail management

### *Risk*

E-mail is a universal means of electronic communication used by MSEKs of people. The Swedencare organisation uses e-mail to communicate with employees, suppliers, partners and customers. E-mail also serves as a suitable medium for cybercrime to initiate attacks that can cause serious damage to the organisation. Effective cybersecurity practices help Swedencare prevent attacks and protect the organisation.

### *Management*

Swedencare has strengthened e-mail security by using sandboxing technology to detect unknown malware and improved the identification of malicious URLs through training. Employees are instructed to use personal e-mails to subscribe to non-work newsletters, unsubscribe from any non-work opt-in newsletters and ignore newsletters that have not been actively selected. We have also added isolation techniques to deal with zero-day attacks and suspicious e-mails.

## CRM/ERP servers and software

### *Risk*

Enterprise Resource Planning (ERP) security used to unify different platforms and departments can be a target for hackers. This leads to higher external threats as a breach of the system means access to all data and business information.

### *Management*

Our ERP security software is an important countermeasure to ensure security. By covering areas such as infrastructure security, network security, operating system security and database security, it helps us protect the assets and systems of the company. A secure ERP system includes secure configuration of servers, enabling security logging, system communication security and data security.

## Website/online store servers and software

### *Risk*

There is a risk that our Web and e-commerce sites become a target for cyber attacks. The cost of a breach in terms of loss of data and customer confidence may affect Swedencare's operations, financial position and results.

### *Management*

As a website/e-commerce business owner, we are constantly working to ensure that all customer data is handled safely and securely. To help prevent threats to our website and e-commerce platforms and to ensure availability, we use a variety of tactics such as server-level firewall protection, secure hosting services, system updates, data backups, malware and anti-virus scanning/detection with automated actions and limiting the number of login attempts. We have also developed a security incident management policy which is under review and will be approved in 2023. In case of possible breaches, we can have a fully restored website/online store in full operation within 2-3 hours.

## Keeping all devices secure (mobiles and workstations)

### *Risk*

There is a risk that hackers find their way into devices such as laptops and smartphones with the aim of stealing, modifying or deleting information by installing malicious software.

### *Management*

Swedencare uses several security applications to secure both servers/workstations/laptops and smartphones. The security applications help us to ensure that devices are safe and updated to protect the company's network and data from unauthorised access.

## Historical overview

| <b>Group</b>                 | <b>2022</b> | <b>2021</b> | <b>2020</b> | <b>2019</b> | <b>2018</b> |
|------------------------------|-------------|-------------|-------------|-------------|-------------|
| Net revenue                  | 1 829 457   | 770 441     | 239 946     | 126 769     | 99 136      |
| Total revenue                | 1 834 318   | 773 208     | 240 295     | 126 874     | 99 389      |
| EBIT                         | 119 970     | 64 555      | 41 415      | 36 914      | 29 428      |
| Profit of the period         | 94 451      | 54 622      | 33 354      | 29 913      | 23 320      |
|                              |             |             |             |             |             |
| <b>KPI's</b>                 | <b>2022</b> | <b>2021</b> | <b>2020</b> | <b>2019</b> | <b>2018</b> |
| Balance sheet total          | 10 004 662  | 3 471 119   | 1 164 038   | 149 447     | 117 866     |
| Equity                       | 7 460 691   | 2 419 800   | 918 351     | 131 328     | 98 269      |
| Change of revenue (%)        | 137         | 222         | 89          | 28          | 16          |
| Gross margin (%)             | 56          | 50          | 61          | 73          | 74          |
| EBIT-margin (%)              | 7           | 8           | 17          | 29          | 30          |
| Profit margin (%)            | 5           | 7           | 14          | 24          | 24          |
| Solvency (%)                 | 75          | 70          | 79          | 88          | 83          |
| Interest-bearing net debt    | 1 657 106   | 585 447     | -105 373    | -43 776     | -18 059     |
| Cash                         | 245 068     | 136 086     | 284 081     | 45 737      | 28 435      |
| Number of shares at yearend* | 158 731 900 | 118 150 028 | 104 423 715 | 79 009 900  | 78 853 110  |
| Average number of shares*    | 155 346 212 | 111 951 297 | 86 791 515  | 78 892 310  | 78 853 110  |
| Earnings per share (SEK)     | 0,61        | 0,49        | 0,38        | 0,38        | 0,30        |
| Equity per share             | 47.00       | 20.48       | 8.79        | 1.66        | 1.25        |
|                              |             |             |             |             |             |
| <b>Parent company</b>        | <b>2022</b> | <b>2021</b> | <b>2020</b> | <b>2019</b> | <b>2018</b> |
| Net revenue                  | 48 758      | 49 424      | 51 769      | 41 653      | 36 718      |
| Total revenue                | 53 832      | 52 756      | 54 151      | 41 752      | 36 962      |
| EBIT                         | 4 981       | 16 860      | 11 116      | 13 291      | 12 693      |
| Profit of the period         | 150 267     | 75 525      | 20 970      | 26 200      | 9 594       |

\*Converted to the number of shares after the 5:1 share split  
For definitions of the Group's KPI's, see Note 40



## Suggestion of profit allocation

### The following profit is available to the Annual General Meeting:

|  |                      |
|--|----------------------|
| Retained earnings and share premium fund | 6 299 034 320        |
| Net income                               | 150 266 444          |
|  | <b>6 449 300 764</b> |

### The Board of Directors suggest the following profit allocation:

|   |                      |
|---|----------------------|
| Dividend to shareholders 0.22 SEK x 158 731 900 | 34 921 018           |
| Transferred to retained earnings                | 6 414 379 746        |
|   | <b>6 449 300 764</b> |

Proposed record date for dividend is May 3<sup>rd</sup>, 2023. In this case, the dividend proposed for the AGM will be paid out to the shareholders on May 8<sup>th</sup>, 2023. A comprehensive assessment of the financial position of the parent company and the Group means that the dividend is justifiable in accordance with what is stated in the Companies Act (Chapter 17, sections 3, second and third paragraphs). The Board's opinion is that the proposed dividend does not prevent the Group from fulfilling its obligations in the short and long term, nor to fulfill the necessary investments.

This Annual financial report and consolidated accounts was approved by the board of directors on April 6<sup>th</sup>, 2023. The annual report will be presented on the annual board meeting in Malmö on April 28<sup>th</sup>, 2023. The consolidated and parent company's financial position are disclosed in the following profit and loss, balance sheet and cash statements with complementary information.

## Consolidated profit and loss (KSEK)

|   | NOTE | 2022-01-01<br>2022-12-31 | 2021-01-01<br>2021-12-31 |
|---|------|--------------------------|--------------------------|
| Net revenue   | 3    | 1 829 457                | 770 441                  |
| Other revenue   |      | 4 861                    | 2 767                    |
|   |      | <b>1 834 318</b>         | <b>773 208</b>           |
| <b>Expenses</b>   |      |                          |                          |
| Cost of sales   |      | -813 882                 | -384 569                 |
| Other external costs                                      | 6-7  | -358 560                 | -149 846                 |
| Personnel costs   | 8-10 | -281 144                 | -109 085                 |
| Depreciation of tangible and intangible fixed assets      |      | -269 136                 | -72 823                  |
| Impairment of tangible and intangible fixed assets        |      | -116                     | -119                     |
| Other costs   | 33   | 8 490                    | 7 789                    |
|   |      | <b>-1 714 348</b>        | <b>-708 653</b>          |
|   |      |                          |                          |
| <b>Operating profit</b>                                   |      | <b>119 970</b>           | <b>64 555</b>            |
| <b>Financial costs</b>                                    |      |                          |                          |
| Profit from shares in associated companies                | 29   | -183                     | -                        |
| Other interest revenues and similar revenues              | 32   | 3 292                    | -                        |
| Interest and other items                                  | 32   | -42 990                  | -7 654                   |
|   |      | <b>-39 881</b>           | <b>-7 654</b>            |
|   |      |                          |                          |
| <b>Operating profit after financial income</b>            |      | <b>80 089</b>            | <b>56 901</b>            |
|   |      |                          |                          |
| <b>Net income before tax</b>                              |      | <b>80 089</b>            | <b>56 901</b>            |
|   |      |                          |                          |
| Current tax   | 11   | -25 734                  | -23 465                  |
| Deferred tax  | 11   | 40 096                   | 21 186                   |
| <b>Net income</b>   |      | <b>94 451</b>            | <b>54 622</b>            |
|   |      |                          |                          |
| <b>Earnings per share before and after dilution (SEK)</b> | 5    | <b>0.61</b>              | <b>0.49</b>              |

## Report on the Group's other comprehensive income (KSEK)

|  |                  |                |
|--|------------------|----------------|
| Net income   | 94 451           | 54 622         |
| <b>Items that may be reclassified to profit and loss</b> |                  |                |
| Conversion difference of foreign subsidiaries*           | 909 751          | 186 857        |
| <b>TOTAL EARNINGS</b>                                    | <b>1 004 202</b> | <b>241 479</b> |

\*The conversion difference for the year mainly consists of the conversion of foreign operations acquired during the year and the conversion of the year's capital contribution to foreign subsidiaries.



## Consolidated balance sheet (KSEK)

| ASSETS                             | NOTE  | 2022-12-31        | 2021-12-31       |
|------------------------------------|-------|-------------------|------------------|
| <b>Assets</b>                      |       |                   |                  |
| <b>Intangible assets</b>           |       |                   |                  |
| Customer relationships             | 12    | 2 566 688         | 952 421          |
| Brands                             | 12    | 1 616 713         | 211 198          |
| Intellectual property              | 12    | 53 290            | 44 760           |
| Technology-related assets          | 12    | 31 029            | 37 038           |
| Marketing-related assets           | 12    | -                 | 25 365           |
| Other intangible assets            | 12    | 34 227            | 32 061           |
| Shares in associated companies     | 29    | 244               | -                |
| Goodwill                           | 13    | 4 067 474         | 1 464 390        |
|                                    |       | <b>8 369 665</b>  | <b>2 767 233</b> |
| <b>Tangible assets</b>             |       |                   |                  |
| Buildings and land                 | 6, 14 | 399 615           | 171 810          |
| Machinery and other tech assets    | 6, 15 | 145 930           | 67 452           |
| Tools, furniture and fixtures      | 16    | 10 222            | 8 035            |
|                                    |       | <b>555 767</b>    | <b>247 297</b>   |
| <b>Financial assets</b>            |       |                   |                  |
| Deferred tax asset                 | 17    | 71 603            | 4 580            |
| Other long-term assets             |       | 815               | 273              |
|                                    |       | <b>72 418</b>     | <b>4 853</b>     |
| <b>TOTAL NON-CURRENT ASSETS</b>    |       | <b>8 997 850</b>  | <b>3 019 383</b> |
| <b>Current Assets</b>              | 20    |                   |                  |
| <b>Inventory</b>                   |       |                   |                  |
| Inventory                          | 18    | 441 532           | 158 299          |
|                                    |       | <b>441 532</b>    | <b>158 299</b>   |
| <b>Short-term receivables</b>      |       |                   |                  |
| Accounts receivables               | 19    | 228 768           | 110 271          |
| Tax receivables                    |       | 36 161            | 6 521            |
| Other receivables                  |       | 15 021            | 8 555            |
| Prepaid costs and deferred revenue | 21    | 40 262            | 32 004           |
|                                    |       | <b>320 212</b>    | <b>157 351</b>   |
| Cash                               |       | 245 068           | 136 086          |
| <b>TOTAL CURRENT ASSETS</b>        |       | <b>1 006 812</b>  | <b>451 736</b>   |
| <b>TOTAL ASSETS</b>                |       | <b>10 004 662</b> | <b>3 471 119</b> |

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## Consolidated balance sheet (KSEK)- cont.

| <b>EQUITY AND LIABILITIES</b>          | <b>NOTE</b>      | <b>2022-12-31</b> | <b>2021-12-31</b> |
|--|------------------|-------------------|-------------------|
| <b>Equity</b>                          |                  |                   |                   |
| Share capital                          | <b>30</b>        | 1 587             | 1 182             |
| Statutory reserve                      |                  | 22                | 22                |
| Share Premium                          |                  | 6 209 628         | 2 141 723         |
| Conversion reserves                    |                  | 1 046 151         | 136 400           |
| Retained earnings including net income |                  | 203 303           | 140 473           |
| <b>TOTAL EQUITY</b>                    |                  | <b>7 460 691</b>  | <b>2 419 800</b>  |
| <b>Long-term liabilities</b>           |                  |                   |                   |
| Debt to credit institutions            | <b>20, 22-24</b> | 1 640 968         | 616 970           |
| Leasing liabilities                    | <b>22</b>        | 221 366           | 86 749            |
| Deferred tax liability                 | <b>17</b>        | 367 413           | 232 818           |
| Debts to employees                     |                  | 4 188             | -                 |
|  |                  | <b>2 233 935</b>  | <b>936 537</b>    |
| <b>Short-term liabilities</b>          |                  |                   |                   |
| Accounts payable                       |                  | 66 890            | 36 262            |
| Tax liabilities                        | <b>11</b>        | 49 543            | 14 100            |
| Leasing liabilities                    | <b>22, 25</b>    | 39 840            | 17 814            |
| Other liabilities                      | <b>25</b>        | 106 312           | 10 231            |
| Accruals and deferred revenue          | <b>26</b>        | 47 451            | 36 375            |
|  |                  | <b>310 036</b>    | <b>114 782</b>    |
| <b>TOTAL LIABILITIES</b>               |                  | <b>2 543 971</b>  | <b>1 051 319</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>    |                  | <b>10 004 662</b> | <b>3 471 119</b>  |



## Consolidated change of equity (KSEK)

|                                  | Share capital | Statutory reserve | Share premium    | Conversion reserve | Retained profit and total profit | Total Equity     |
|----------------------------------|---------------|-------------------|------------------|--------------------|----------------------------------|------------------|
| Beginning balance 2021-01-01     | 1044          | 22                | 864 946          | -50 456            | 102 795                          | 918 351          |
| Total profit                     | -             | -                 | -                | -                  | 54 622                           | 54 622           |
| New share issue                  | 138           | -                 | 1 276 777        | -                  | -                                | 1 276 915        |
| Dividend                         | -             | -                 | -                | -                  | -16 944                          | -16 944          |
| Other total profit               | -             | -                 | -                | 186 856            | -                                | 186 856          |
| <b>Ending balance 2021-12-31</b> | <b>1 182</b>  | <b>22</b>         | <b>2 141 723</b> | <b>136 400</b>     | <b>140 473</b>                   | <b>2 419 800</b> |
| Beginning balance 2022-01-01     | 1 182         | 22                | 2 141 723        | 136 400            | 140 473                          | 2 419 800        |
| Total profit                     | -             | -                 | -                | -                  | 94 451                           | 94 451           |
| New share issue*                 | 405           | -                 | 4 084 322        | -                  | -                                | 4 084 727        |
| Issue costs                      | -             | -                 | -17 541          | -                  | -                                | -17 541          |
| Warrants                         | -             | -                 | 1 124            | -                  | -                                | 1 124            |
| Dividend                         | -             | -                 | -                | -                  | -31 622                          | -31 622          |
| Other total profit               | -             | -                 | -                | 909 751            | -                                | 909 751          |
| <b>Ending balance 2022-12-31</b> | <b>1 587</b>  | <b>22</b>         | <b>6 209 628</b> | <b>1 046 151</b>   | <b>203 303</b>                   | <b>7 460 691</b> |

\*See note 30

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## Consolidated cash flow statement (KSEK)

|   | NOTE      | 2022-01-01<br>2022-12-31 | 2021-01-01<br>2021-12-31 |
|---|-----------|--------------------------|--------------------------|
| <b>Operating cash flow</b>                                  |           |                          |                          |
| Operating income before financial costs                     |           | 119 970                  | 64 555                   |
| Paid interest   | 35        | -30 290                  | -7 312                   |
| Depreciation  |           | 269 252                  | 72 942                   |
| Paid tax  |           | -30 881                  | -20 423                  |
| Non-cash flow items   | 35        | 22 931                   | 37 261                   |
| <b>Operating cash flow before change of working capital</b> |           | <b>350 982</b>           | <b>147 023</b>           |
| <b>Cash flow- working capital</b>                           |           |                          |                          |
| Change of inventory   |           | -41 517                  | -17 720                  |
| Change of accounts receivable                               |           | 5 391                    | 13 184                   |
| Change of other receivables                                 |           | -4 937                   | -11 901                  |
| Change of accounts payable                                  |           | -39 974                  | -20 705                  |
| Change in current liabilities                               |           | -9 743                   | 15 965                   |
| <b>Operating cash flow</b>                                  |           | <b>260 202</b>           | <b>125 846</b>           |
| <b>Non-operating cash flow</b>                              |           |                          |                          |
| Acquisitions  | 36        | -4 359 289               | -1 840 963               |
| Acquisitions - payment of acquired debts                    | 36        | -239 752                 | -                        |
| Investments in tangible assets                              |           | -74 690                  | -25 588                  |
| Investments in intangible assets                            |           | 7 479                    | -2 194                   |
| <b>Cash flow from investments</b>                           |           | <b>-4 666 252</b>        | <b>-1 868 745</b>        |
| <b>Financial cash flow</b>                                  |           |                          |                          |
| New share issue   |           | 3 550 000                | 1 150 449                |
| Warrants  |           | 1 124                    | -                        |
| Issue costs   |           | -17 541                  | -1 142                   |
| Amortization on leasing agreement                           |           | -29 830                  | -9 514                   |
| Dividend  |           | -31 622                  | -16 944                  |
| Loan  | 35        | 1 050 000                | 478 000                  |
| Amortization of loan  | 35        | -27 576                  | -13 000                  |
| <b>Financial cash flow</b>                                  | <b>35</b> | <b>4 494 555</b>         | <b>1 587 849</b>         |
| <b>Total cash flow</b>                                      |           | <b>88 505</b>            | <b>-155 050</b>          |
| <b>Cash and cash equivalents at the beginning of period</b> |           |                          |                          |
| Cash balance at beginning of period                         |           | 136 086                  | 284 081                  |
| Exchange difference in cash                                 |           | 20 477                   | 7 055                    |
| <b>Cash balance at end of period</b>                        |           | <b>245 068</b>           | <b>136 086</b>           |



## Parent company profit and loss (KSEK)

|   | NOTE        | 2022-01-01<br>2022-12-31 | 2021-01-01<br>2021-12-31 |
|---|-------------|--------------------------|--------------------------|
| Net revenue                                       |             | 48 758                   | 49 424                   |
| Other revenue                                     |             | 5 074                    | 3 332                    |
|   |             | <b>53 832</b>            | <b>52 756</b>            |
| <b>Expenses</b>                                   |             |                          |                          |
| Cost of sales                                     |             | -15 530                  | -12 922                  |
| Other external costs                              | <b>6-7</b>  | -19 405                  | -15 690                  |
| Personnel costs                                   | <b>8-10</b> | -19 875                  | -14 145                  |
| Amortization and depreciation                     |             | -983                     | -750                     |
| Other costs                                       | <b>33</b>   | 6 942                    | 7 611                    |
|   |             | <b>-48 851</b>           | <b>-35 896</b>           |
| <b>Operating profit</b>                           |             | <b>4 981</b>             | <b>16 860</b>            |
| <b>Financial costs</b>                            |             |                          |                          |
| Profit from shares in Group companies             | <b>32</b>   | 171 836                  | 63 358                   |
| Interest expenses and other items                 | <b>32</b>   | -33 612                  | -7 277                   |
| Interest income and similar profit and loss items | <b>32</b>   | 4 367                    | 2 065                    |
|   |             | <b>142 591</b>           | <b>58 146</b>            |
| <b>Operating profit after financial income</b>    |             | <b>147 572</b>           | <b>75 006</b>            |
| Yearend adjustments                               | <b>27</b>   | 2 710                    | 3 000                    |
| <b>Net income before tax</b>                      |             | <b>150 282</b>           | <b>78 006</b>            |
| Tax on profit                                     | <b>11</b>   | -15                      | -2 481                   |
| <b>Net income</b>                                 |             | <b>150 267</b>           | <b>75 525</b>            |

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## Parent company balance sheet (KSEK)

| ASSETS                             | NOTE | 2022-12-31       | 2021-12-31       |
|------------------------------------|------|------------------|------------------|
| <b>Assets</b>                      |      |                  |                  |
| <b>Intangible assets</b>           |      |                  |                  |
| Brands                             | 12   | 980              | 1 470            |
| Other intangible assets            | 12   | 1 616            | 2 053            |
|                                    |      | <b>2 596</b>     | <b>3 523</b>     |
| <b>Tangible assets</b>             |      |                  |                  |
| Machinery and other tech assets    | 16   | 123              | 103              |
|                                    |      | <b>123</b>       | <b>103</b>       |
| <b>Financial assets</b>            |      |                  |                  |
| Shares in subsidiaries             | 28   | 8 065 548        | 2 817 938        |
| Shares in associated companies     | 29   | 427              | -                |
|                                    |      | <b>8 065 975</b> | <b>2 817 938</b> |
| <b>TOTAL NON-CURRENT ASSETS</b>    |      | <b>8 068 694</b> | <b>2 821 564</b> |
| <b>Current assets</b>              |      |                  |                  |
| <b>Inventory</b>                   |      |                  |                  |
| Inventory                          | 18   | 4 890            | 2 209            |
|                                    |      | <b>4 890</b>     | <b>2 209</b>     |
| <b>Short-term receivables</b>      |      |                  |                  |
| Accounts receivables               |      | 5 171            | 5 105            |
| Deferred tax assets                |      | 2 408            | 77               |
| Receivables from Group companies   |      | 30 759           | 21 751           |
| Other receivables                  |      | 1 061            | 1 373            |
| Prepaid costs and deferred revenue | 21   | 1 468            | 4 061            |
|                                    |      | <b>40 867</b>    | <b>32 367</b>    |
| Cash                               |      | 85 255           | 34 260           |
| <b>TOTAL CURRENT ASSETS</b>        |      | <b>131 012</b>   | <b>68 836</b>    |
| <b>TOTAL ASSETS</b>                |      | <b>8 199 706</b> | <b>2 890 400</b> |



## Parent company balance sheet (KSEK)- cont.

| EQUITY AND LIABILITIES              | NOTE  | 2022-12-31       | 2021-12-31       |
|-------------------------------------|-------|------------------|------------------|
| <b>Equity</b>                       |       |                  |                  |
| <b>Restricted equity</b>            |       |                  |                  |
| Share capital                       | 30    | 1 587            | 1 182            |
| Reserves                            |       | 22               | 22               |
|                                     |       | <b>1 609</b>     | <b>1 204</b>     |
| <b>Retained earnings</b>            |       |                  |                  |
| Share premium                       |       | 6 208 504        | 2 141 723        |
| Retained earnings                   |       | 90 530           | 45 503           |
| Net income                          |       | 150 267          | 75 525           |
|                                     |       | <b>6 449 301</b> | <b>2 262 751</b> |
| <b>TOTAL EQUITY</b>                 |       | <b>6 450 910</b> | <b>2 263 955</b> |
| <b>Long-term liabilities</b>        |       |                  |                  |
| Debt to credit institutions         | 22-24 | 1 640 424        | 616 970          |
|                                     |       | <b>1 640 424</b> | <b>616 970</b>   |
| <b>Short-term liabilities</b>       |       |                  |                  |
| Advance payment from customers      |       | 408              | 365              |
| Accounts payable                    |       | 1 893            | 2 985            |
| Liabilities to Group companies      |       | 94 112           | 498              |
| Other liabilities                   |       | 687              | 587              |
| Accruals and deferred revenue       | 26    | 11 272           | 5 040            |
|                                     |       | <b>108 372</b>   | <b>9 475</b>     |
| <b>TOTAL LIABILITIES</b>            |       | <b>1 748 796</b> | <b>626 445</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b> |       | <b>8 199 706</b> | <b>2 890 400</b> |

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## Parent company change of equity (KSEK)

|                                       | Share capital | Statutory reserve | Share premium    | Balanced result | Net income     | Total Equity     |
|---------------------------------------|---------------|-------------------|------------------|-----------------|----------------|------------------|
| Beginning balance 2021-01-01          | 1 044         | 22                | 864 946          | 41 479          | 20 970         | 928 461          |
| Allocation of previous year's results | -             | -                 | -                | 20 970          | -20 970        | -                |
| New share issue                       | 138           | -                 | 1 276 777        | -               | -              | 1 276 915        |
| Dividend                              | -             | -                 | -                | -16 944         | -              | -16 944          |
| Net income                            | -             | -                 | -                | -               | 75 525         | 75 525           |
| <b>Ending balance 2021-12-31</b>      | <b>1 182</b>  | <b>22</b>         | <b>2 141 723</b> | <b>45 503</b>   | <b>75 525</b>  | <b>2 263 955</b> |
| Beginning balance 2022-01-01          | 1 182         | 22                | 2 141 723        | 45 503          | 75 525         | 2 263 955        |
| Allocation of previous year's results | -             | -                 | -                | 75 525          | -75 525        | -                |
| New share issue                       | 405           | -                 | 4 084 322        | -               | -              | 4 084 727        |
| Issue costs                           | -             | -                 | -17 541          | -               | -              | -17 541          |
| Warrants                              | -             | -                 | -                | 1 124           | -              | 1 124            |
| Dividend                              | -             | -                 | -                | -31 622         | -              | -31 622          |
| Net income                            | -             | -                 | -                | -               | 150 267        | 150 267          |
| <b>Ending balance 2022-12-31</b>      | <b>1 587</b>  | <b>22</b>         | <b>6 208 504</b> | <b>90 530</b>   | <b>150 267</b> | <b>6 450 910</b> |



## Parent company cash flow statement (KSEK)

|   | NOTE      | 2022-01-01<br>2022-12-31 | 2021-01-01<br>2021-12-31 |
|---|-----------|--------------------------|--------------------------|
| <b>Operating cash flow</b>                                  |           |                          |                          |
| Operating income before financial costs                     |           | 4 981                    | 16 860                   |
| Paid interest   | 35        | -32 312                  | -6 567                   |
| Depreciation  |           | 983                      | 750                      |
| Paid tax  |           | -2 345                   | -3                       |
| Non-cash flow items   | 35        | -3 136                   | 554                      |
| <b>Operating cash flow before change of working capital</b> |           | <b>-31 829</b>           | <b>11 594</b>            |
| <b>Cash flow- working capital</b>                           |           |                          |                          |
| Change of inventory   |           | -2 681                   | -440                     |
| Change of accounts receivable                               |           | -66                      | 9 644                    |
| Change of short-term receivables                            |           | -2 451                   | -7 447                   |
| Change of accounts payable                                  |           | -1 092                   | -2 640                   |
| Change of short-term payables                               |           | 7 097                    | 2 749                    |
| <b>Operating cash flow</b>                                  |           | <b>-31 022</b>           | <b>13 460</b>            |
| <b>Non-operating cash flow</b>                              |           |                          |                          |
| Acquisitions  |           | -4 620 419               | -1 863 715               |
| Investments in tangible assets                              |           | -50                      | -92                      |
| Investments in intangible assets                            |           | -27                      | -1 940                   |
| Loans to Group companies                                    |           | 89                       | -5 022                   |
| Dividends from subsidiaries                                 |           | 171 836                  | 63 358                   |
| <b>Cash flow from investments</b>                           |           | <b>-4 448 571</b>        | <b>-1 807 411</b>        |
| <b>Financial cash flow</b>                                  |           |                          |                          |
| New share issue   |           | 3 550 000                | 1 150 449                |
| Warrants  |           | 1 124                    | -                        |
| Issue costs   |           | -17 541                  | -1 142                   |
| Dividend  |           | -31 622                  | -16 944                  |
| Loan  | 35        | 1 050 000                | 478 000                  |
| Loan amortization   | 35        | -27 576                  | -13 000                  |
| <b>Financial cash flow</b>                                  | <b>35</b> | <b>4 524 385</b>         | <b>1 597 363</b>         |
| <b>Total cash flow</b>                                      |           | <b>44 792</b>            | <b>-196 588</b>          |
| <b>Cash balance at beginning of period</b>                  |           |                          |                          |
| Cash balance at beginning of period                         |           | 34 260                   | 230 047                  |
| Exchange difference in cash                                 |           | 6 203                    | 801                      |
| <b>Cash balance at end of period</b>                        |           | <b>85 255</b>            | <b>34 260</b>            |

## NOTE 1 Nature of the business

Swedencare develops, produces (partly in its own factories), markets and sells premium products in the global and fast-growing market for health care products for cats, dogs and horses. The Group has an extensive portfolio of strong brands and products in most therapeutic areas, which includes the Animal Pharmaceuticals®, Nutravet®, NutriScience, Pet MD®, Stratford®, VetWELL®, ProDen PlaqueOff®, Rx Vitamins®, NaturVet®, Pet Organics®, Overby Farm®, Vet Classics® and Innovet brands. The Group's products are currently sold to veterinarians, pet shops and online through a distribution network comprising nineteen subsidiaries and an international network of retailers in about 60 countries. Swedencare's turnover has increased significantly for several years with high profitability.

The Group's parent company, Swedencare AB (publ) (reg. no. 556470-3790), is a public limited liability company based in Malmö, Sweden. The head office is located at Per Albin Hanssons Väg 41, SE-205 12, Malmö, telephone number +46 (40)859 33. The parent company's shares are listed on Nasdaq First North Growth Market in Stockholm.

In this financial report, Swedencare AB (publ) is referred to either by its full name or as the parent company and the Swedencare Group as Swedencare or the Group. The report includes all subsidiaries in the Group.

The consolidated accounts are presented in the currency SEK, which is also the parent company's reporting currency. All amounts are expressed in thousands of Swedish kronor, KSEK, unless otherwise stated. The main accounting and valuation principles used in the preparation of the financial reports are summarised below. Where the parent company applies different principles, these are stated under the parent company below.

## NOTE 2 General information and basis of preparation

The consolidated financial reports have been prepared in accordance with with Årsredovisningslagen, Rådet för finansiell rapporterings rekommendation RFR1 Supplementary Accounting Rules for Groups and International Financial Reporting Standards (IFRS) as adopted by the EU. The parent company applies the Swedish ÅRL and RFR 2 Accounting for legal entities. In cases where the parent company's accounting and valuation principles differ from the Group's principles, this is stated under the parent company below. The annual and consolidated accounts have been prepared on the assumption that the Group operates on a going concern basis.

Amendments to standards and interpretations that became effective in 2022 have not significantly affected the Group's financial reports. At the date of authorisation of these financial reports, certain new standards, amendments and interpretations to existing standards have been published by the IASB. These are not yet effective and have not been early adopted by the Group.

## Significant accounting and valuation principles

The main accounting principles used in the preparation of the consolidated accounts are summarised below.

### Grounds for establishment

The consolidated financial reports have been prepared on an accrual basis and at cost. Monetary amounts are expressed in Swedish currency (SEK) and rounded to the nearest thousand, unless otherwise stated.

### Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency have been valued at the closing rate. Exchange rate gains and losses on operating receivables and liabilities are reported as other operating expenses.

### Consolidated financial statements

The consolidated financial statements consolidate the parent company and all subsidiaries in which the parent company directly or indirectly holds more than 50% of the voting rights or otherwise has a controlling interest and thus has a right to formulate the company's financial and operational strategies in order to obtain economic benefits. Subsidiaries are included in the consolidated financial statements from the date of acquisition until the date on which control ceases.

Amounts reported in the subsidiaries' annual reports have been adjusted where necessary to ensure consistency with the Group's accounting and valuation policies. All subsidiaries have a balance sheet date of December 31<sup>st</sup>.

All intra-group transactions and balance sheet items are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Changes in intra-group profits during the financial year have been eliminated in the consolidated profit and loss account. Transfer pricing between group companies takes place at market conditions.

All items in the balance sheet have been converted at the closing rate. All income statement items have been converted at the average exchange rate for the financial year. Occurring differences are reported directly in equity.

## Business acquisitions

The consolidated accounts have been prepared using the acquisition method. The purchase price for the business acquisition is measured at fair value at the acquisition date, which is calculated as the sum of the cash compensation paid and the fair value of equity shares issued at the acquisition date in exchange for control of the acquired business. Acquisition-related costs are reported in the income statement as incurred.

### Acquisition analysis/Allocation of purchase price

In business acquisitions where the purchase price exceeds the fair value at the acquisition date of identifiable net assets acquired, the difference is reported as goodwill in the balance sheet. If the difference is negative, it is reported as a gain on an acquisition purchase directly in the income statement after reassessing the difference.

The acquisition analysis prepared in connection with business acquisitions involves a high degree of judgement and estimation in connection with the identification of net assets, the allocation of surplus value, and the adjustment of acquired net assets to fair value. In connection with the acquisition analysis, trademarks, customer relationships, intellectual property, marketing and technology-related assets and deferred taxes have also been identified and valued. Acquired inventory has been reported at fair value. Trademarks and marketing-related assets have an indeterminate useful life and are therefore not amortised but tested for impairment annually.

## Goodwill

Goodwill is the difference that arises if the cost of the acquired entity is higher than the value of the acquired entity's identified net assets.

Goodwill arising in a business acquisition is reported at cost, determined at the time of acquisition as described in the Business acquisitions section above, less any accumulated impairment losses. Goodwill has an indefinite useful life and is therefore tested for impairment annually.

When a subsidiary is sold, the remaining carrying amount of goodwill is included in the calculation of the capital gain or loss.

## Impairment testing of goodwill and intangible assets with indefinite useful life

To assess impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and using an appropriate interest rate to discount those cash flows. Uncertainties lie in the assumptions about future operating profit and the determination of the appropriate discount rate. The Group did not report any impairment of goodwill, trademarks and marketing-related assets in 2022.

For impairment testing, goodwill, trademarks and marketing-related assets are allocated to the cash-generating units that are expected to benefit from the synergies arising from the acquisition. In Swedencare's group, the legal subsidiaries are the lowest level in the group to which goodwill can be allocated. Goodwill, trademarks and marketing-related assets are tested annually for impairment, or more frequently if there is an indication that the carrying amount may not be recoverable. If the recoverable amount, which is the



higher of the fair value less costs to sell and value in use of a cash-generating unit, is determined to be lower than the carrying amount, the impairment loss is distributed. To determine value in use, group management estimates the expected future cash flows from each cash-generating unit and determines an appropriate discount rate to calculate the present value of those cash flows. The carrying amount of goodwill allocated to the cash-generating unit is first reduced and then the carrying amount of intangible assets with indefinite useful lives in a unit is reduced. A reported impairment loss on goodwill cannot be reversed in a subsequent period.

## Associated companies

Associated companies are those entities over which the Group has significant influence, but not control, over operational and financial management, usually through ownership of between 20% and 50% of the voting rights. Shares in the associated company are reported using the equity method from the date on which significant purchase is obtained. The equity method means that the value of the shares in the associated company reported in the Group corresponds to the Group's share of the associated company's equity and consolidated goodwill and any other remaining values of consolidated surplus and deficit values. In the consolidated income statement, the Group's share of the associated company's profit or loss adjusted for any amortisation, impairment or reversal of acquired surplus or deficit values is reported as other financial income. Dividends received from the associated company reduce the carrying amount of the investment. The equity method is applied until the date that significant influence ceases.

## Equity, reserves and dividends

Share capital represents the quota value of issued shares. Share premium account includes any premium received on the issue of new share capital. Any transaction costs associated with the issue of new shares are deducted from equity, taking into account any income tax effects.

Other equity incl. profit for the year (Group) includes:

- conversion reserve, i.e. conversion differences from the conversion of the financial reports of the Group's foreign operations into SEK.
- retained earnings, i.e. all retained profits (and losses) from previous financial years.

All transactions with the owners of the parent company are reported separately in equity.

Dividends payable to shareholders are included in Other liabilities when the dividends have been approved by a general meeting of shareholders before the balance sheet date.

## Revenue from contracts with customers

The revenue mainly relates to revenue from the sale of health care products for Dogs, Cats and Horses and is reported in the item net sales in the income statement. When assessing whether revenue should be reported, the Group follows a 5-step process:

1. Identify the contract with the customer
2. Identify performance commitments
3. Determine the transaction price
4. Distribute the transaction price to the performance obligations
5. Report revenue at the time of fulfilment of the performance obligation, either at a point in time or over time.

Revenue from non-customised/customised goods is reported when the Group fulfils its performance obligations by transferring the promised goods to the customer. The transaction price is determined based on predetermined unit prices and the credit period is normally 30 days. Local variations with both longer and shorter credit periods may occur, these do not exceed 12 months. Discounts and bonuses are allocated per item delivered.

Revenue from customised goods/services is reported over time as the Group has a right to payment for products/services that have no alternative use. The transaction price is determined based on the cost/time spent, which represents the work performed, to fulfil a performance obligation in relation to the total expected costs to complete the performance obligation.

The Group reports a contract liability when it receives consideration for unfulfilled performance obligations and reports these amounts as other liabilities in the balance sheet. Similarly, if the Group fulfils a performance obligation before it receives the consideration, the Group reports either a contract asset or a receivable in the balance sheet, depending on whether something other than timing determines when the compensation falls due. The credit period is normally 30 days. Local variations may occur; these do not exceed 12 months.

Other operating income refers to royalties, prepayment fees, grants and income not related to the main operating income.

## Segment reporting

An operating segment is the part of the group that engages in activities from which it may earn revenues and incur expenses, whose operating profits are regularly reviewed by the entity's chief operating decision maker and for which stand-alone financial information is available. The Group's operations are reported by geographical area (North America, Europe and Other) and by manufacturing units. The operating segments are reported in a manner consistent with the internal reporting submitted to the chief operating decision maker, who is responsible for allocating resources and monitoring the performance of the operating segments. In the Swedencare Group, this function has been identified as the CEO and CFO. The CEO and CFO use the same operating segments in their reporting of the Group's financial performance to the Board, which confirms that external and internal reporting is consistent.

## Fixed assets

Intangible and tangible fixed assets are reported at cost less accumulated depreciation according to plan and any impairment losses. Amortisation is charged on a straight-line basis over the expected useful life, taking into account any significant residual value. Intangible assets have both finite and indefinite useful lives. Intangible assets with indefinite useful lives are not amortised but are tested annually for impairment together with the impairment of goodwill.

### Amortisation of intangible assets

|                          |                           |
|--------------------------|---------------------------|
| Trademarks               | Indeterminate useful life |
| Customer relations       | 7-17 years                |
| Intellectual property    | 10-15 years               |
| Marketing-related assets | Indeterminate useful life |
| Other intangible assets  | 4-15 years                |

### Depreciation of tangible fixed assets

|  |             |
|--|-------------|
| Buildings                                | 25-50 years |
| Machinery and other technical facilities | 4-7 years   |
| Equipment, tools and installations       | 3-10 years  |

## Financial instruments

Group management determines the classification of financial assets at initial reporting. The Group does not hold any hedging instruments.

### *Accounting and valuation*

Financial assets and liabilities are reported when the Group becomes party to the contractual provisions of the instrument. Financial assets are removed from balance sheet when the contractual rights to the financial asset expire, or when the financial asset and all significant risks and rewards are transferred. A financial liability is removed from the balance sheet when it is extinguished, i.e. when it is fulfilled, cancelled or expires.

### *Financial assets*

All financial assets are initially reported at fair value adjusted for transaction costs. Financial assets are classified based on both the company's business model for managing the asset and the characteristics of the contractual cash flows from the financial asset. The Group only has financial assets classified as valued at amortised cost.

*Financial assets valued at amortised cost*

Financial assets are valued at amortised cost if the assets meet the following conditions and are not reported at fair value through profit or loss:

- they are held under a business model whose objective is to hold the financial assets and collect contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the outstanding principal amount.

After initial reporting, they are valued at amortised cost using the effective interest method. Application of the effective interest rate method means that receivables that are interest-free or carry an interest rate that deviates from the market rate and have a maturity of more than 12 months are reported at a discounted present value and the change in time value is reported as interest income in the income statement. For receivables with maturities of less than 12 months, the discounting effect is deemed to be insignificant. The Group's cash and cash equivalents, accounts receivable and other long-term and short-term receivables belong to this category of financial instruments.

*Impairment of financial assets*

The reporting of expected credit losses is assessed using the expected credit loss model in IFRS 9.

The assessment of credit risk and reporting of expected credit losses is not dependent on the Group first identifying a credit loss event. The Group also considers broader information such as past events, current conditions and reasonable and supportable forecasts that affect the expected ability to obtain future cash flows from the asset. The Group uses the simplified approach for trade receivables and contract assets and reports expected credit losses over the remaining term. In the calculation, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

In the assessment of expected credit losses, trade receivables have been assessed collectively as they share common credit risk characteristics. For the assessment of expected credit losses, the Group performs a follow-up of confirmed customer losses during the last two financial years. A calculation of confirmed customer losses during 2021-2022 has been made which showed a customer loss of 0%. The calculation is performed and reassessed every six months. Given the short period of time that trade receivables are exposed to credit risk and as the Group has historically not had any significant bad debt losses, no collective provision is made because it is not considered material. However, the Group makes an individual assessment of expected credit losses on overdue trade receivables because this, together with the absence of a payment plan, are indicators that there is no probable expectation of receiving full payment.

All income and expenses relating to financial assets reported in the income statement are classified as Interest expense or Interest income, except for the expected credit loss on trade receivables which is classified as Other external expenses.

*Financial liabilities*

Financial liabilities are initially valued at fair value adjusted for transaction costs. After initial reporting, financial liabilities are valued at amortised cost using the effective interest method. All interest-related charges are included in Interest costs and similar income items.

**Leasing contracts***Swedencare as a lessee*

The Group's leases are reported as right-of-use assets and corresponding lease liabilities on the date the leased asset is available for use by the Group.



The right-of-use asset is initially valued at cost, which consists of the initial lease value plus lease payments made at or before the start of the contract. Contracts where the lease term is less than 12 months and contracts of lesser value are excluded and therefore expensed as incurred. The right-of-use asset represents a right to use the underlying asset and the lease liability represents an obligation to pay lease payments. The Group has right-of-use assets with associated lease liabilities for cars and rented premises.

Right-of-use assets are reported under tangible fixed assets. The lease liability, which is divided into long-term and short-term parts, is initially valued at the present value of the remaining lease payments during the lease term. The right-of-use assets are amortised over the lease term. Lease costs are reported as depreciation and interest expense. The lease payment is divided into an interest portion and an amortisation portion.

## Inventory

Inventories are valued at the lower of cost value and net sales value at the balance sheet date. Net sales value refers to the estimated selling price of the goods less selling expenses. The chosen valuation method means that obsolescence in the inventory has been taken into account.

Manufactured inventories have been revalued with costs directly attributable to the units produced. Acquired inventory is reported at fair value in connection with the acquisition analysis.

## Income taxes

The tax expense reported in profit or loss consists of the sum of deferred tax and current tax not reported in equity. The calculation of current tax is based on tax rates and tax rules applicable at the balance sheet date.

### *Current tax*

Current tax refers to income tax for the current financial year and that part of the previous financial year's income tax that has not yet been reported. Current tax is calculated using the tax rate applicable on the balance sheet date.

### *Deferred tax*

Deferred tax is income tax relating to future financial years as a result of past events. Reporting is done according to the balance sheet method. According to this method, deferred tax liabilities and deferred tax assets are reported for temporary differences arising between the carrying amounts and taxable values of assets and liabilities and for other tax deductions or losses.

Deferred tax assets are netted against deferred tax liabilities only if they can be paid in a net amount. Deferred tax is calculated using the tax rate applicable at the balance sheet date. The effects of changes in current tax rates are reported in the period in which the change is enacted. Deferred tax assets are reported as financial assets and deferred tax liabilities as provisions.

Deferred tax assets relating to tax losses or other future tax deductions are reported to the extent that it is probable that the deductions can be offset against future taxable profits. The temporary differences are the same as the carrying amounts of the holdings.

## Employee benefits

Employee benefits refer to all forms of benefits provided by the company to its employees. Short-term benefits include salaries, paid holidays, paid absences, bonuses and post-employment benefits (pensions). Short-term benefits are reported as an expense and a liability when there is a legal or constructive obligation to pay a benefit as a result of a past event and a reliable estimate of the amount can be made.

The group only has defined contribution pension plans. Defined contribution plans are classified as being where defined contributions are paid and there is no obligation to pay anything in addition to those contributions. Expenditure on defined contribution plans is reported as an expense in the period in which the employees render the services underlying the obligation.

## Warrants

The price per warrant corresponds to the market value of the warrant calculated by applying the customary valuation model (the Black & Scholes formula) based on the listed share price and other market conditions prevailing on the day of the transfer. Warrants have a positive impact on cash flow and increase equity.

Warrants are only dilutive when the average price of ordinary shares during the period exceeds the exercise price of the warrants, i.e. when they have a real value. At the balance sheet date, the warrants do not have a real value and therefore there is no dilutive effect.

## Cash flow statement

The cash flow statement is prepared using the indirect method. The reported cash flow includes only transactions that have resulted in cash receipts or payments.

## Cash and cash equivalents

Cash and cash equivalents consist of cash and available balances with banks and similar institutions.

## The Parent company

The income statements and balance sheets follow the format of the Swedish Annual Accounts Act (ÅRL). There are differences in designations, particularly with regard to financial items in the income statement and equity. The report of changes in equity has been adapted to the items that must be included in the balance sheet according to the Swedish Annual Accounts Act. Shares in subsidiaries are valued at cost less any impairment. All leasing agreements are expensed on a straight-line basis over the leasing period.

## Estimates and judgements

### *Assumptions*

Below is information on estimates and assumptions that have the most significant effect on the reporting and measurement of assets, liabilities, income and expenses. The outcome of these may differ significantly.

### *Acquisition analysis & allocation of surplus value*

The acquisition analysis prepared in connection with business acquisitions involves a high degree of judgement and estimation in connection with the identification of net assets, the allocation of surplus value, and the adjustment of acquired net assets to fair value. Uncertainty lies in the calculation of surplus values to be allocated due to external market valuations and the calculation of the allocation to different intangible assets due to different estimates and judgement issues. Surplus values are also affected by the final amount of working capital at the acquisition date and the final value of the net assets acquired, which is dependent on the audit of the acquisition balance sheet. Since goodwill is a residual that emerges once the other parameters of the acquisition analysis have been determined, it is provisional and may change until the other values are finalised.

### *Earn outs*

Earn outs refer to additional payments for acquired companies. The amount of the earn out is usually linked to certain financial or other post-acquisition targets over a period of time. The additional purchase prices are valued at the acquisition date based on management's best estimate of the future outcome. The amount is discounted to present value. Uncertainties lie in the assumptions about future outcomes and the determination of the appropriate discount rate.

### *Shares in subsidiaries as financial assets in the parent company*

Shares in subsidiaries are reported at cost less any impairment losses. Cost includes the purchase price paid for the shares and acquisition costs. Any capital additions are added to the cost as they arise. Financial assets are tested for impairment at least at the end of each reporting period to determine whether there is objective evidence that a financial asset or group of financial assets is impaired. Shares for the European subsidiaries are tested at subsidiary level and shares for the North American companies are tested at Swedencare North America's level because the holding company owns these shares. Swedencare North America is 100% owned by Swedencare AB and thus indirectly owns the North American companies.

*Uncertainty in impairment testing of goodwill, trademarks and marketing-related assets and shares*

To assess impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an appropriate interest rate to discount the cash flows. Uncertainties lie in the assumptions about future operating profit and the determination of the appropriate discount rate. Further information can be found in note 13.

*Useful life of intangible and tangible assets*

The useful life of the Group's tangible and intangible fixed assets and the related depreciation are determined by Group management. The estimate is based on historical knowledge of the useful life of the corresponding assets. The useful life and estimated residual values are reviewed at each balance sheet date and adjusted if necessary.

*Tax loss carry-forwards*

In 2022, Swedencare has made a reassessment of tax loss carry-forwards in the US. The assessment is that previous losses and deferred tax assets from previous years can be utilised in future years. Restructuring in the US together with tax depreciation linked to the NaturVet acquisition and the expected increase in revenue in 2023 and onwards is good evidence that the consolidated group in the US will generate taxable income in future years and be able to utilise all deferred tax assets.

## NOTE 3 Revenues from agreements with customers

|   | GROUP            |                |
|---|------------------|----------------|
|   | 2022             | 2021           |
| <b>Product areas</b>                                      |                  |                |
| ProDen PlaqueOff®   | 179 128          | 154 642        |
| Nutraceuticals  | 916 612          | 233 733        |
| Topicals/Dermatology                                      | 563 169          | 298 878        |
| Pharma  | 91 934           | 33 100         |
| Other   | 78 614           | 50 088         |
| <b>Total net revenue</b>                                  | <b>1 829 457</b> | <b>770 441</b> |
| <b>Time for revenue recognition</b>                       |                  |                |
| The performance commitment is fulfilled over time         | 303 278          | 132 535        |
| The performance commitment is fulfilled at a certain time | 1 526 179        | 637 906        |
| <b>Total net revenue</b>                                  | <b>1 829 457</b> | <b>770 441</b> |
| <b>Geographic markets</b>                                 |                  |                |
| Sweden  | 6 894            | 8 000          |
| UK/Ireland  | 126 744          | 132 068        |
| Rest of Europe  | 173 219          | 46 866         |
| North America   | 1 479 396        | 544 041        |
| Asia  | 35 927           | 33 070         |
| Rest of the World   | 7 277            | 6 396          |
| <b>Total net revenue</b>                                  | <b>1 829 457</b> | <b>770 441</b> |

Usual payment terms from invoice date.

Extended payment terms may occur in individual cases, these do not exceed 12 months.

The Group has no significant obligations regarding returns.

As of December 31<sup>st</sup>, 2022, contract assets amounted to 20 949 KSEK (20 631 KSEK) and contractual debts to 2 855 KSEK (7 634 KSEK).



## NOTE 4 Operating segment

**Operating segment the Group- Sales North America**

The operating segment includes six sale companies in North America.

|  | 2022             | 2021           |
|--|------------------|----------------|
| Net revenue external                                 | 1 196 267        | 420 969        |
| Net revenue internal                                 | 60 914           | 27 550         |
| <b>Net revenue</b>                                   | <b>1 257 181</b> | <b>448 519</b> |
| Other revenue external                               | -                | -              |
| Other revenue internal                               | -                | 636            |
| <b>Total revenue</b>                                 | <b>1 257 181</b> | <b>449 155</b> |
| Cost of sales  | -589 419         | -235 036       |
| <b>Gross margin</b>                                  | <b>667 762</b>   | <b>214 119</b> |
| Other external costs                                 | -250 631         | -85 569        |
| Personnel costs                                      | -162 533         | -51 020        |
| <b>Operating profit before depreciation (EBITDA)</b> | <b>254 598</b>   | <b>77 530</b>  |
| Amortization of intangible fixed assets              | -24 020          | -19 852        |
| Depreciation and write-offs of tangible fixed assets | -13 174          | -1 398         |
| Other costs  | 96               | -35            |
| <b>Operating profit (EBIT)</b>                       | <b>217 500</b>   | <b>56 245</b>  |
| Financial costs                                      | -449             | -386           |
| <b>Profit after financial costs</b>                  | <b>217 051</b>   | <b>55 859</b>  |
| <b>Net income before tax</b>                         | <b>217 051</b>   | <b>55 859</b>  |
| Tax on profit  | 19 813           | -12 761        |
| Deferred tax   | -70 713          | -158           |
| <b>Net income</b>                                    | <b>166 151</b>   | <b>42 940</b>  |

## Operating segment the Group- Sales Europe

The operating segment includes eight sale companies in Europe.

|  | 2022           | 2021           |
|--|----------------|----------------|
| Net revenue external                                 | 278 412        | 168 169        |
| Net revenue internal                                 | 1 072          | 708            |
| <b>Net revenue</b>                                   | <b>279 484</b> | <b>168 877</b> |
| Other revenue external                               | 4 795          | 103            |
| Other revenue internal                               | -              | -              |
| <b>Total revenue</b>                                 | <b>284 279</b> | <b>168 980</b> |
| Cost of sales  | -91 367        | -67 767        |
| <b>Gross margin</b>                                  | <b>192 912</b> | <b>101 213</b> |
| Other external costs                                 | -56 899        | -23 051        |
| Personnel costs                                      | -32 806        | -17 961        |
| <b>Operating profit before depreciation (EBITDA)</b> | <b>103 207</b> | <b>60 201</b>  |
| Amortization of intangible fixed assets              | -22 140        | -232           |
| Depreciation and write-offs of tangible fixed assets | -572           | -290           |
| Other costs  | -827           | 94             |
| <b>Operating profit (EBIT)</b>                       | <b>79 668</b>  | <b>59 773</b>  |
| Financial costs                                      | -2 724         | -3 022         |
| <b>Profit after financial costs</b>                  | <b>76 944</b>  | <b>56 751</b>  |
| <b>Net income before tax</b>                         | <b>76 944</b>  | <b>56 751</b>  |
| Tax on profit  | -18 156        | -11 248        |
| Deferred tax   | 393            | 298            |
| <b>Net income</b>                                    | <b>59 181</b>  | <b>45 801</b>  |

## Operating segment the Group- Production

Production – including Vetio (Canada and USA), Swedencare Tillverka (USA), Swedencare Ireland (Ireland) and Custom Vet Products (UK).

|  | 2022           | 2021           |
|--|----------------|----------------|
| Net revenue external                                 | 319 914        | 143 222        |
| Net revenue internal                                 | 88 902         | 46 063         |
| <b>Net revenue</b>                                   | <b>408 816</b> | <b>189 285</b> |
| Other revenue external                               | 66             | 1 985          |
| Other revenue internal                               | 476            | 2 096          |
| <b>Total revenue</b>                                 | <b>409 358</b> | <b>193 366</b> |
| Cost of sales  | -237 967       | -106 068       |
| <b>Gross margin</b>                                  | <b>171 391</b> | <b>87 298</b>  |
| Other external costs                                 | -58 629        | -25 788        |
| Personnel costs                                      | -65 207        | -25 473        |
| <b>Operating profit before depreciation (EBITDA)</b> | <b>47 555</b>  | <b>36 037</b>  |
| Amortization of intangible fixed assets              | -4 594         | -2 023         |
| Depreciation and write-offs of tangible fixed assets | -16 588        | -6 151         |
| Other costs  | 2 278          | 117            |
| <b>Operating profit (EBIT)</b>                       | <b>28 651</b>  | <b>27 980</b>  |
| Financial costs                                      | -434           | -323           |
| <b>Profit after financial costs</b>                  | <b>28 217</b>  | <b>27 657</b>  |
| <b>Net income before tax</b>                         | <b>28 217</b>  | <b>27 657</b>  |
| Tax on profit  | -26 956        | 2 960          |
| Deferred tax   | 54 803         | -39            |
| <b>Net income</b>                                    | <b>56 064</b>  | <b>30 578</b>  |



## Operating segment the Group - Other and group adjustments

|  | Other and group adjustments |                | Swedencare Group |                |
|--|-----------------------------|----------------|------------------|----------------|
|  | 2022                        | 2021           | 2022             | 2021           |
| Net revenue external                                 | 34 864                      | 38 081         | 1 829 457        | 770 441        |
| Net revenue internal                                 | -150 888                    | -74 321        | -                | -              |
| <b>Net revenue</b>                                   | <b>-116 024</b>             | <b>-36 240</b> | <b>1 829 457</b> | <b>770 441</b> |
|  |                             |                | -                | -              |
| Other revenue external                               | -                           | 679            | 4 861            | 2 767          |
| Other revenue internal                               | -476                        | -2 732         | -                | -              |
| <b>Total revenue</b>                                 | <b>-116 500</b>             | <b>-38 293</b> | <b>1 834 318</b> | <b>773 208</b> |
|  |                             |                | -                | -              |
| Cost of sales  | 104 871                     | 24 302         | -813 882         | -384 569       |
| <b>Gross margin</b>                                  | <b>-11 629</b>              | <b>-13 991</b> | <b>1 020 436</b> | <b>388 639</b> |
|  |                             |                | -                | -              |
| Other external costs                                 | 7 599                       | -15 438        | -358 560         | -149 846       |
| Personnel costs                                      | -20 598                     | -14 631        | -281 144         | -109 085       |
| <b>Operating profit before depreciation (EBITDA)</b> | <b>-24 628</b>              | <b>-44 060</b> | <b>380 732</b>   | <b>129 708</b> |
|  |                             |                | -                | -              |
| Amortization of intangible fixed assets              | -155 047                    | -32 515        | -205 801         | -54 622        |
| Depreciation and write-offs of tangible fixed assets | -33 117                     | -10 481        | -63 451          | -18 320        |
| Other costs  | 6 943                       | 7 613          | 8 490            | 7 789          |
| <b>Operating profit (EBIT)</b>                       | <b>-205 849</b>             | <b>-79 443</b> | <b>119 970</b>   | <b>64 555</b>  |
|  |                             |                | -                | -              |
| Financial costs                                      | -36 274                     | -3 923         | -39 881          | -7 654         |
| <b>Profit after financial costs</b>                  | <b>-242 123</b>             | <b>-83 366</b> | <b>80 089</b>    | <b>56 901</b>  |
|  |                             |                | -                | -              |
| <b>Net income before tax</b>                         | <b>-242 123</b>             | <b>-83 366</b> | <b>80 089</b>    | <b>56 901</b>  |
|  |                             |                | -                | -              |
| Tax on profit  | -435                        | -2 416         | -25 734          | -23 465        |
| Deferred tax   | 55 613                      | 21 085         | 40 096           | 21 186         |
| <b>Net income</b>                                    | <b>-186 945</b>             | <b>-64 697</b> | <b>94 451</b>    | <b>54 622</b>  |

## NOTE 5 Earnings per share

Calculation of earnings per share is based on the year's earnings in the Group, attributable to the parent company's shareholders and on the weighted average number of outstanding shares during the year. There were outstanding option programs at year-end, which may entail effects of dilutive potential shares. The share's average price on the balance sheet date was below the subscription price for an outstanding warrant, which is why earnings per share after dilution were not calculated.

| <b>Earnings per share before and after dilution</b>                 | <b>2022</b> | <b>2021</b> |
|---|-------------|-------------|
| The year's profit attributable to the parent company's shareholders | 94 451      | 54 622      |
| Weighted average number of outstanding shares                       | 155 346 212 | 111 951 297 |
| <b>Earnings per share before and after dilution, SEK</b>            | <b>0.61</b> | <b>0.49</b> |

## NOTE 6 Leasing agreement (lessee)

|                                | <b>2022-12-31</b> | <b>2021-12-31</b> |
|--------------------------------|-------------------|-------------------|
| Short-term leasing liabilities | 39 840            | 17 814            |
| Long-term leasing liabilities  | 221 366           | 86 749            |
| <b>Total</b>                   | <b>261 206</b>    | <b>104 563</b>    |

The Group leases eighteen office and warehouse premises, fourteen company cars and eight machines through leasing agreements. Future minimum lease fees are as follows:

| <b>December 31<sup>st</sup>, 2022</b> | <b>The duration analysis</b> |                 |                 |                 |                 |                     | <b>Total</b>   |
|---------------------------------------|------------------------------|-----------------|-----------------|-----------------|-----------------|---------------------|----------------|
|                                       | <b>Within 1 year</b>         | <b>1-2 yrs.</b> | <b>2-3 yrs.</b> | <b>3-4 yrs.</b> | <b>4-5 yrs.</b> | <b>After 5 yrs.</b> |                |
| Leasing fees                          | 42 682                       | 42 062          | 40 730          | 36 846          | 33 092          | 95 444              | 290 856        |
| Financing cost                        | -2 842                       | -3 929          | -3 946          | -3 861          | -3 631          | -11 441             | -29 650        |
| <b>Present value</b>                  | <b>39 840</b>                | <b>38 133</b>   | <b>36 784</b>   | <b>32 985</b>   | <b>29 461</b>   | <b>84 003</b>       | <b>261 206</b> |

| <b>December 31<sup>st</sup>, 2021</b> | <b>The duration analysis</b> |                 |                 |                 |                 |                     | <b>Total</b>   |
|---------------------------------------|------------------------------|-----------------|-----------------|-----------------|-----------------|---------------------|----------------|
|                                       | <b>Within 1 year</b>         | <b>1-2 yrs.</b> | <b>2-3 yrs.</b> | <b>3-4 yrs.</b> | <b>4-5 yrs.</b> | <b>After 5 yrs.</b> |                |
| Leasing fees                          | 18 496                       | 17 513          | 16 689          | 16 432          | 14 296          | 31 132              | 114 558        |
| Financing cost                        | -682                         | -1 085          | -1 580          | -1 568          | -1 439          | -3 628              | -9 982         |
| <b>Present value</b>                  | <b>17 814</b>                | <b>16 428</b>   | <b>15 109</b>   | <b>14 864</b>   | <b>12 857</b>   | <b>27 504</b>       | <b>104 576</b> |

Leasing costs during the financial year amount to 36 981 KSEK (2021 to 11 241 KSEK) in the form of minimum lease fees. Interest expenses amount to 7 058 KSEK. The leases are divided into office and warehouse premises, fixtures and company cars. None of the company cars have longer contracts than 48 months, with current due dates between March 2023 and July 2026. The majority of the extension options relating to office and warehouse premises have not been included in the leasing liability because the Group can replace the assets without significant costs or interruption of operations.

### Leasing agreements that are not reported as a liability

The Group has chosen not to report a leasing liability regarding short-term leasing agreements (leasing agreements with an expected leasing period of 12 months or less) and for leasing agreements for which the underlying asset has a low value. Payments relating to such leasing agreements are expensed on a straight-line basis. In addition, certain variable leasing fees are not permitted to be reported as leasing liabilities, which is why these are also expensed on an ongoing basis. The cost of leasing fees that are not included in the calculation of the leasing debt is as follows:

|  | 2022     | 2021       |
|--|----------|------------|
| Leasing agreements with underlying assets with low value | -        | 159        |
| <b>Total</b>   | <b>-</b> | <b>159</b> |

Total cash flow relating to leasing for the financial year ending on December 31<sup>st</sup>, 2022 amounted to 36 981 KSEK (2021 to 11 241 KSEK). Additional information on the right of use per asset category is as follows:

|                    | Reported value | Depreciations |
|--------------------|----------------|---------------|
| Buildings          | 248 719        | 28 888        |
| Cars and inventory | 8 434          | 2 452         |
| <b>Total</b>       | <b>257 153</b> | <b>31 340</b> |

Rights of use as of December 31<sup>st</sup>, 2022:

Part of Buildings and Land: 248 719 KSEK (97 329 KSEK as of December 31<sup>st</sup>, 2021)

Part of Machinery and other tech assets: 8 434 KSEK (6 428 KSEK as of December 31<sup>st</sup>, 2021)

For OB/CB reporting of rights of use, see notes 14 och 15.

Leasing liabilities are included in the rows leasing liabilities in the balance sheet.



## NOTE 7 Costs for auditors

|   | GROUP        |              | PARENT COMPANY |              |
|---|--------------|--------------|----------------|--------------|
|   | 2022         | 2021         | 2022           | 2021         |
| <b>Grant Thornton Sweden AB</b>                         |              |              |                |              |
| Auditing assignments                                    | 1 622        | 963          | 1 585          | 963          |
| Auditing activities in addition to auditing assignments | 214          | 149          | 214            | 149          |
| Tax advisory  | -            | 13           | -              | 13           |
| Other services  | 165          | 369          | 165            | 369          |
|   |              |              |                |              |
| <b>Mazars</b>   |              |              |                |              |
| Tax advisory  | 71           | -            | 71             | -            |
|   |              |              |                |              |
| <b>Warrent Averett</b>                                  |              |              |                |              |
| Auditing assignments                                    | 1 163        | 900          | -              | -            |
|   |              |              |                |              |
| <b>JPA Brenson Lawlor Limited</b>                       |              |              |                |              |
| Auditing assignments                                    | 94           | 69           | -              | -            |
| Auditing activities in addition to auditing assignments | -            | 9            | -              | -            |
| Other services  | -            | 9            | -              | -            |
|   |              |              |                |              |
| <b>Langricks Ltd.</b>                                   |              |              |                |              |
| Auditing assignments                                    | 192          | 221          | -              | -            |
|   |              |              |                |              |
| <b>Total</b>  | <b>3 520</b> | <b>2 703</b> | <b>2 035</b>   | <b>1 494</b> |

## NOTE 8 Costs for employee compensations

|                                      | GROUP          |                | PARENT COMPANY |               |
|--------------------------------------|----------------|----------------|----------------|---------------|
|                                      | 2022           | 2021           | 2022           | 2021          |
| Salaries- Board of directors and CEO | 5 246          | 3 821          | 5 246          | 3 821         |
| Salaries- others                     | 237 844        | 91 429         | 7 692          | 5 380         |
| Pensions CEO and BoD                 | 962            | 581            | 962            | 581           |
| Other pensions                       | 6 286          | 1 590          | 1 087          | 848           |
| Other social costs                   | 28 699         | 10 670         | 4 551          | 3 245         |
| <b>Total</b>                         | <b>279 037</b> | <b>108 091</b> | <b>19 538</b>  | <b>13 875</b> |

| PARENT COMPANY 2022       | Basic salary/<br>board<br>remuneration | Variable<br>remuneration | Other<br>benefits* | Total        |
|---------------------------|--|--------------------------|--------------------|--------------|
|                           | Chairman of the Board- H. Svanberg     | 600                      | -                  | -            |
| Board member- J. Bergdahl | 200                                    | -                        | -                  | 200          |
| Board member- T. Eklund   | 200                                    | -                        | -                  | 200          |
| Board member- S. Brandt   | 200                                    | -                        | -                  | 200          |
| Board member- U. Valassi  | 200                                    | -                        | -                  | 200          |
| Board member- J. Parisot  | 200                                    | -                        | -                  | 200          |
| CEO                       | 3 600                                  | 46                       | 1 072              | 4 718        |
| <b>Total</b>              | <b>5 200</b>                           | <b>46</b>                | <b>1 072</b>       | <b>6 318</b> |

| PARENT COMPANY 2021        | Basic salary/<br>board<br>remuneration | Variable<br>remuneration | Other<br>benefits* | Total        |
|----------------------------|--|--------------------------|--------------------|--------------|
|                            | Chairman of the Board- P. Malmström    | 600                      | -                  | -            |
| Board member- H. Svanberg  | 200                                    | -                        | -                  | 200          |
| Board member- J. Bergdahl  | 200                                    | -                        | -                  | 200          |
| Board member- T. Eklund    | 200                                    | -                        | -                  | 200          |
| Board member- S. Brandt    | 200                                    | -                        | -                  | 200          |
| Board member- H. Lagerberg | -                                      | -                        | -                  | -            |
| CEO                        | 2 400                                  | 21                       | 714                | 3 135        |
| <b>Total</b>               | <b>3 800</b>                           | <b>21</b>                | <b>714</b>         | <b>4 535</b> |

The Group has entered into an agreement with the CEO, which means that the CEO has a notice period of three (3) months.

In the event of termination by the company or the CEO, no severance pay is paid.

\*Other benefits mainly refer to company car and pension.

## NOTE 9 The average number of employees

|              | GROUP                       |                   |                             |                   |
|--------------|-----------------------------|-------------------|-----------------------------|-------------------|
|              | 2022                        |                   | 2021                        |                   |
|              | Average number of employees | Of which are male | Average number of employees | Of which are male |
| Sweden       | 13                          | 3                 | 10                          | 2                 |
| Ireland      | 13                          | 7                 | 15                          | 9                 |
| UK           | 31                          | 12                | 19                          | 6                 |
| France       | 2                           | 1                 | 2                           | 1                 |
| USA          | 345                         | 184               | 181                         | 83                |
| Canada       | 54                          | 30                | 41                          | 24                |
| Italy        | 16                          | 3                 | -                           | -                 |
| Spain        | 2                           | -                 | 1                           | -                 |
| Greece       | 10                          | 6                 | 11                          | 7                 |
| <b>Total</b> | <b>486</b>                  | <b>246</b>        | <b>280</b>                  | <b>132</b>        |

|              | PARENT COMPANY              |                   |                             |                   |
|--------------|-----------------------------|-------------------|-----------------------------|-------------------|
|              | 2022                        |                   | 2021                        |                   |
|              | Average number of employees | Of which are male | Average number of employees | Of which are male |
| Sweden       | 11                          | 3                 | 9                           | 2                 |
| <b>Total</b> | <b>11</b>                   | <b>3</b>          | <b>9</b>                    | <b>2</b>          |

## NOTE 10 Gender distribution board

Two women in the board of directors 2022 (2021:1).

Share of women on the board 33% 2022 (2021: 17%).



## NOTE 11 Current and deferred tax

The most important components of the tax expense for the financial year and the ratio between expected tax expense based on the Swedish effective tax rate for the Group of 20,6% (2021: 20,6%) and reported tax expense in the net income are as follows:

|  | GROUP          |              | PARENT COMPANY |              |
|--|----------------|--------------|----------------|--------------|
|  | 2022           | 2021         | 2022           | 2021         |
| Net income before tax  | 80 089         | 56 901       | 150 282        | 78 006       |
| Current tax rate for the parent company  | 20,6%          | 20,6%        | 20,6%          | 20,6%        |
| Expected tax   | 16 498         | 11 722       | 30 958         | 16 069       |
| Adjustment for differences in tax rate abroad  | -6 525         | -4 762       | -              | -            |
| Dividend from group companies  | -              | -            | -35 398        | -13 052      |
| Utilization of non-capitalized deficits  | -              | -7 495       | -              | -            |
| Loss deductions incurred during the year for which no deferred tax claim has been reported | 1 267          | -            | 1 267          | -            |
| Loss deductions that have not previously been reported as an asset                         | -27 424        | -            | -              | -            |
| Non-deductible negative net interest   | 6 631          | 223          | 6 631          | 223          |
| Tax attributable to previous years   | 15             | -            | 15             | -            |
| Other non-deductible costs / Other non-taxable income                                      | 3 230          | 3 362        | 156            | 11           |
| Deductible issue costs not recorded  | -3 614         | -235         | -3 614         | -235         |
| Other  | -4 440         | -536         | -              | -536         |
| <b>Total</b>   | <b>-14 362</b> | <b>2 279</b> | <b>15</b>      | <b>2 481</b> |
| Current tax  | 25 719         | 23 465       | -              | 2 481        |
| Tax previous year  | 15             | -            | 15             | -            |
| Deferred tax   | -40 096        | -21 186      | -              | -            |
| <b>Total</b>   | <b>-14 362</b> | <b>2 279</b> | <b>15</b>      | <b>2 481</b> |

Loss deductions incurred during the year for which no deferred tax claim has been reported amount to 6 MSEK.

At the turn of the year 2021/2022, a corporate structure change was implemented in the US, which, among other things, means that as of 2022 a consolidated tax return is made for all US companies. This, together with the Section 338(h)(10) application for NaturVet, enables tax amortisation of the surplus value linked to the acquisition. For 2022, this resulted in utilised tax depreciation of 222.3 MSEK ( 21.3 MUSD) which means 0% tax expense. This means a lower tax of 52.2 MSEK (5 MUSD) for 2022 compared to an average tax rate of 23.75%. These possible depreciations can positively affect the result to the same extent for 14 years.

In 2022, Swedencare has made a reassessment of tax loss carry-forwards in the US. The assessment is that previous losses and deferred tax assets from previous years can be utilised in future years. Restructuring in the US together with tax depreciation linked to the NaturVet acquisition and the expected increase in revenue in 2023 and onwards is good evidence that the consolidated group in the US will generate taxable income in future years and be able to utilise all deferred tax assets.

## NOTE 12 Customer relationships, trademarks, intellectual property, and similar rights

| GROUP 2022                                   | Marketing related assets | Customer relationships | Intellectual property | Trademarks       | Technology related assets | Other intangible assets | Total intangible fixed assets |
|--|--------------------------|------------------------|-----------------------|------------------|---------------------------|-------------------------|-------------------------------|
| <b>Beginning acquisition values</b>          | <b>25 365</b>            | <b>996 760</b>         | <b>46 659</b>         | <b>211 198</b>   | <b>50 760</b>             | <b>39 282</b>           | <b>1 370 025</b>              |
| Purchases                                    | -                        | -                      | -                     | -                | -                         | 2 396                   | 2 396                         |
| Through acquisitions of group companies      | -                        | 1 613 557              | 6 064                 | 1 307 468        | -                         | 11 722                  | 2 938 812                     |
| Sales/disposals                              | -                        | -                      | -                     | -                | -                         | -11 183                 | -11 183                       |
| Conversion difference                        | 3 908                    | 196 946                | 7 245                 | 68 773           | 7 821                     | 5 173                   | 289 866                       |
| Reclassifications                            | -29 274                  | -                      | -                     | 29 274           | -                         | -                       | -                             |
| <b>Ending accumulated acquisition values</b> | <b>-</b>                 | <b>2 807 263</b>       | <b>59 968</b>         | <b>1 616 713</b> | <b>58 581</b>             | <b>47 390</b>           | <b>4 589 915</b>              |
| <b>Depreciation</b>                          | <b>-</b>                 | <b>-44 339</b>         | <b>-1 899</b>         | <b>-</b>         | <b>-13 722</b>            | <b>-7 222</b>           | <b>-67 181</b>                |
| Annual depreciation                          | -                        | -184 264               | -4 347                | -                | -11 348                   | -4 927                  | -204 887                      |
| Conversion difference                        | -                        | -11 972                | -431                  | -                | -2 482                    | -1 013                  | -15 899                       |
| <b>Ending accumulated depreciation</b>       | <b>-</b>                 | <b>-240 575</b>        | <b>-6 678</b>         | <b>-</b>         | <b>-27 553</b>            | <b>-13 162</b>          | <b>-287 968</b>               |
| <b>Total reported amount</b>                 | <b>-</b>                 | <b>2 566 688</b>       | <b>53 290</b>         | <b>1 616 713</b> | <b>31 029</b>             | <b>34 228</b>           | <b>4 301 947</b>              |

All intangible fixed assets, except trademarks that are deemed to have an indefinite useful life, are amortized. Through the connection to the current operations, trademarks are considered to have an indefinite useful life and are expected to be used as long as the operations continue. Through the connection to the current operations, brands and marketing-related assets are considered to have an indefinite useful life and are expected to be used as long as the operations continue. Assets with an indefinite useful life are tested annually to identify any need for impairment and are reported at acquisition value less accumulated impairment losses.

| GROUP 2021                                   | Marketing related assets | Customer relationships | Intellectual property | Trademarks     | Technology related assets | Other intangible assets | Total intangible fixed assets |
|--|--------------------------|------------------------|-----------------------|----------------|---------------------------|-------------------------|-------------------------------|
| <b>Beginning acquisition values</b>          | <b>22 967</b>            | <b>120 499</b>         | <b>-</b>              | <b>54 842</b>  | <b>45 961</b>             | <b>34 943</b>           | <b>279 212</b>                |
| Purchases                                    | -                        | -                      | -                     | -              | -                         | 2 194                   | 2 194                         |
| Through acquisitions of group companies      | -                        | 819 433                | 44 244                | 143 142        | -                         | -                       | 1 006 818                     |
| Sales/disposals                              | -                        | -                      | -                     | -              | -                         | -1 010                  | -1 010                        |
| Conversion difference                        | 2 398                    | 56 829                 | 2 415                 | 13 213         | 4 800                     | 3 156                   | 82 811                        |
| <b>Ending accumulated acquisition values</b> | <b>25 365</b>            | <b>996 760</b>         | <b>46 659</b>         | <b>211 198</b> | <b>50 760</b>             | <b>39 282</b>           | <b>1 370 025</b>              |
| <b>Depreciation</b>                          | <b>-</b>                 | <b>-3 331</b>          | <b>-</b>              | <b>-</b>       | <b>-3 232</b>             | <b>-3 821</b>           | <b>-10 384</b>                |
| Annual depreciation                          | -                        | -38 605                | -1 801                | -              | -9 192                    | -3 867                  | -53 464                       |
| Sales/disposals                              | -                        | -                      | -                     | -              | -                         | 1 000                   | 1 000                         |
| Conversion difference                        | -                        | -2 403                 | -98                   | -              | -1 297                    | -534                    | -4 333                        |
| <b>Ending accumulated depreciation</b>       | <b>-</b>                 | <b>-44 339</b>         | <b>-1 899</b>         | <b>-</b>       | <b>-13 722</b>            | <b>-7 222</b>           | <b>-67 181</b>                |
| <b>Total reported amount</b>                 | <b>25 365</b>            | <b>952 421</b>         | <b>44 760</b>         | <b>211 198</b> | <b>37 038</b>             | <b>32 060</b>           | <b>1 302 843</b>              |



| <b>PARENT COMPANY 2022</b>                   | <b>Trademarks</b> | <b>Others<br/>intangible<br/>assets</b> | <b>Total intangible<br/>fixed assets</b> |
|--|-------------------|---|--|
| <b>Incoming acquisition value</b>            | <b>2 450</b>      | <b>2 694</b>                            | <b>5 144</b>                             |
| Purchase                                     | -                 | 27                                      | 27                                       |
| <b>Ending accumulated acquisition values</b> | <b>2 450</b>      | <b>2 721</b>                            | <b>5 171</b>                             |
| <b>Depreciation</b>                          | <b>-980</b>       | <b>-641</b>                             | <b>-1 621</b>                            |
| Annual depreciation                          | -490              | -464                                    | -954                                     |
| <b>Ending accumulated depreciation</b>       | <b>-1 470</b>     | <b>-1 105</b>                           | <b>-2 575</b>                            |
| <b>Total reported amount</b>                 | <b>980</b>        | <b>1 616</b>                            | <b>2 596</b>                             |

| <b>PARENT COMPANY 2021</b>                   | <b>Trademarks</b> | <b>Others<br/>intangible<br/>assets</b> | <b>Total intangible<br/>fixed assets</b> |
|--|-------------------|---|--|
| <b>Incoming acquisition value</b>            | <b>2 450</b>      | <b>755</b>                              | <b>3 205</b>                             |
| Purchase                                     | -                 | 1 939                                   | 1 939                                    |
| <b>Ending accumulated acquisition values</b> | <b>2 450</b>      | <b>2 694</b>                            | <b>5 144</b>                             |
| <b>Depreciation</b>                          | <b>-490</b>       | <b>-408</b>                             | <b>-898</b>                              |
| Annual depreciation                          | -490              | -233                                    | -723                                     |
| <b>Ending accumulated depreciation</b>       | <b>-980</b>       | <b>-641</b>                             | <b>-1 621</b>                            |
| <b>Total reported amount</b>                 | <b>1 470</b>      | <b>2 053</b>                            | <b>3 523</b>                             |

## NOTE 13 Goodwill

|                                      | GROUP            |                  |
|--------------------------------------|------------------|------------------|
|                                      | 2022-12-31       | 2021-12-31       |
| SwedencareUSA, Inc.                  | 6 246            | 5 412            |
| Swedencare UK Ltd.                   | 5 088            | 4 925            |
| Swedencare France Sarl               | 3 269            | 3 004            |
| Swedencare Ireland Ltd.              | 39 386           | 36 195           |
| Biovet I.K.E.                        | 1 571            | 1 444            |
| Stratford Care USA, Inc.             | 223 934          | 67 233           |
| Animal Pharm Care USA, Inc.*         | -                | 126 806          |
| Nutravet (UK) Ltd.                   | 243 132          | 235 361          |
| Pet MD Brands LCC                    | 66 841           | 57 917           |
| RX Group                             | 154 377          | 133 767          |
| Vetio Group                          | 866 853          | 754 630          |
| Fulfillment Advantage Ventures, Inc. | 43 504           | 37 696           |
| The Garmon Corp. (NaturVet)          | 2 055 268        | -                |
| Innovet Italia SRL                   | 274 937          | -                |
| Custom Vet Products Ltd.             | 83 068           | -                |
| <b>Total</b>                         | <b>4 067 474</b> | <b>1 464 390</b> |

Impairment testing has been carried out for intangible assets with an indefinite useful life, goodwill and shares in subsidiaries.

|  | GROUP            |                  | PARENT COMPANY |            |
|--|------------------|------------------|----------------|------------|
|  | 2022-12-31       | 2021-12-31       | 2022-12-31     | 2021-12-31 |
| Beginning accumulated acquisition values | 1 464 390        | 438 935          | -              | -          |
| Acquisition                              | 2 413 273        | 984 010          | -              | -          |
| Conversion difference                    | 189 811          | 41 445           | -              | -          |
| Ending accumulated acquisition values    | 4 067 474        | 1 464 390        | -              | -          |
| <b>Reported value</b>                    | <b>4 067 474</b> | <b>1 464 390</b> | <b>-</b>       | <b>-</b>   |

\*Animal Pharm Care USA Inc. has since January 1<sup>st</sup>, 2022 become part of Stratford Care USA, Inc.

## Impairment testing

The recoverable amount per cash generating unit was determined based on value in use calculations, which included a detailed fifteen-year forecast for the US companies and a five-year forecast for the other subsidiaries. The reason for an extended forecast period for the US companies is the tax amortisation associated with the change in corporate structure in the US and the Section 338(h)(10) application for NaturVet, which is described in more detail in note 36.

Projected cash flows are based on historical figures, budgets for the following year and assumptions during the useful life of the asset about sales growth and EBITDA margin. Assumptions are based on group management's past experience, knowledge, strategies and objectives for the future.

For both US and European companies, sales growth is calculated on the above assumptions for the first five years. For the extended forecast period in the US companies and for the European companies after the forecast period, the perpetual growth rate of 2% has been assumed.

Swedencare has built a solid structure for increased growth, which means that the structure is scalable and that costs are not expected to increase at the same rate as revenues. In the impairment test, we have chosen to be conservative with profitability and, despite a scalable model, have not taken out all expected improvements in the EBITDA margin. The businesses have stable profit margins in all geographical markets.

The present value of the expected cash flow per unit is determined by applying a discount rate that reflects market assumptions about the time value of money and risks specific to the segment. In the impairment test, units have been assessed individually according to the table below.

The assessment of the value of CVP was made in connection with the acquisition analysis in Q4 2022, hence it has not been included in the table below:

Perpetual growth: 2%

|  | <b>WACC<br/>2022-12-31</b> | <b>WACC<br/>2021-12-31</b> | <b>Average<br/>growth rate<br/>(2023-2027)</b> | <b>Average<br/>growth rate<br/>(2022-2026)</b> |
|--|----------------------------|----------------------------|--|--|
| Biodistra AB   | 13,74%                     | 14,24%                     | 0,20%  | 14,80%   |
| Swedencare Nordic AB   | 13,74%                     | 13,28%                     | 11,70%   | 14,20%   |
| Biovet I.K.E   | 13,73%                     | 14,23%                     | 10,40%   | 12,10%   |
| Swedencare France Sarl   | 13,72%                     | 14,20%                     | 10,20%   | 3,50%  |
| Swedencare Ireland Ltd.  | 13,79%                     | 14,28%                     | 16,90%   | 13,90%   |
| Swedencare Spain S.L.U   | 13,72%                     | 14,21%                     | 24,10%   | 35,90%   |
| Swedencare UK Ltd.   | 13,75%                     | 12,92%                     | 11,80%   | 8,30%  |
| Innovet Italia SRL   | 13,70%                     | N/A                        | 14,90%   | N/A  |
| Nutravet UK Ltd.   | 13,47%                     | 13%                        | 12,30%   | 12,00%   |
| The Garmon Corp. (NaturVet)                                      | 9,00%                      | N/A                        | 24,50%   | N/A  |
| Fulfillment Advantage Ventures Inc.                              | 10,20%                     | N/A                        | 23,20%   | N/A  |
| Tropichem Research Labs LLC &<br>Vetio Animal Health ULC (Vetio) | 9,00%                      | N/A                        | 25,30%   | N/A  |
| Pet MD Brands LLC  | 10,20%                     | 13,37%                     | 19,60%   | 25,40%   |
| RX Vitamins Inc.   | 10,20%                     | 13,35%                     | 11,40%   | 9,30%  |
| Swedencare USA Inc.  | 10,70%                     | 13,39%                     | 13,20%   | 15,90%   |
| StratfordCare USA Inc.   | 10,20%                     | 13,37%                     | 19,70%   | 19,80%   |

The impairment test of goodwill shows an indicative value in use of the cash-generating units with a margin of 9% of the book value of the goodwill.



## Growth rates

The growth rates reflect average long-term growth rates for the product lines and businesses included in the subsidiaries. Growth rates differ between subsidiaries due to different conditions in their local markets. The Group's objective is to grow faster than the market. The pet market is growing by about 6-7% per year and health products for pets are growing by about 10-12%.

The reason for a higher growth rate at NaturVet is due to the implementation of a third production line that doubles the capacity, changes in sales channels where e-commerce gets a more significant role than before, and an expanded range and product mix. Vetio's growth is also expected to increase as Vetio South has completed the production facility for soft chew products and Vetio North has moved from a development unit into also producing pharmaceuticals. Growth for FAV and Stratford is also expected to be positively affected by planned synergies with other subsidiaries in the group.

## Discount rates

The discount rates reflect appropriate adjustments for market risk and specific risk factors for each segment. The Weighted Average Cost of Capital (WACC) has been used as the discount rate and individual WACCs have been developed for each subsidiary to reflect the risks inherent in the specific markets where the subsidiaries are located.

## Sensitivity analysis

A sensitivity analysis has been performed to test the significant assumptions applied in the impairment test. Depending on the size of intangible assets with indefinite useful life, goodwill and value of shares, the individual companies have different levels of sensitivity when it comes to impairment. Sensitivity analysis with a 10% negative change in the key assumptions has been performed for all subsidiaries.

A decrease in sales growth by 10% annually for the forecast period would result in an impairment of 2.9 MSEK. A decrease in EBITDA margin by 10% annually would result in an impairment charge of 4.4 MSEK and an increase in the discount rate by 10% annually would result in an impairment of 9.2 MSEK.

Due to larger items of intangible assets with indefinite useful life, goodwill and value of shares, NaturVet, FAV, Vetio, Innovet and Nutravet have less headroom for impairment. A negative change in the above mentioned companies with 5% annually on sales growth would imply an impairment of 1.5 MSEK, a decrease in EBITDA margin with 5% annually would imply an impairment of 1.4 MSEK and an increase in the discount rate with 5% annually would imply an impairment of 4.7 MSEK. Due to a low margin in the sensitivity analysis, Swedencare will perform a new impairment test in H2 2023.

## NOTE 14 Buildings and land

| <b>GROUP 2022</b>                            | <b>Buildings and land</b> | <b>Right of Use Assets</b> | <b>Total buildings and land</b> |
|--|---------------------------|----------------------------|---------------------------------|
| <b>Beginning acquisition value</b>           | <b>78 366</b>             | <b>106 152</b>             | <b>184 518</b>                  |
| Purchases                                    | 23 295                    | -                          | 23 295                          |
| Through acquisitions of group companies      | 49 568                    | 162 875                    | 212 443                         |
| Conversion difference                        | 14 180                    | 19 263                     | 33 443                          |
| <b>Ending accumulated acquisition values</b> | <b>165 409</b>            | <b>288 290</b>             | <b>453 699</b>                  |
| <b>Depreciation</b>                          | <b>-3 885</b>             | <b>-8 823</b>              | <b>-12 708</b>                  |
| Annual depreciation                          | -8 478                    | -28 888                    | -37 366                         |
| Conversion difference                        | -2 150                    | -1 860                     | -4 010                          |
| <b>Ending accumulated depreciation</b>       | <b>-14 513</b>            | <b>-39 571</b>             | <b>-54 084</b>                  |
| <b>Net book value</b>                        | <b>150 896</b>            | <b>248 719</b>             | <b>399 615</b>                  |

| <b>GROUP 2021</b>                            | <b>Buildings and land</b> | <b>Right of Use Assets</b> | <b>Total buildings and land</b> |
|--|---------------------------|----------------------------|---------------------------------|
| <b>Beginning acquisition value</b>           | <b>8 943</b>              | <b>24 905</b>              | <b>33 848</b>                   |
| Purchases                                    | 10 064                    | -                          | 10 064                          |
| Through acquisitions of group companies      | 56 247                    | 81 626                     | 137 873                         |
| Sales/disposals                              | -                         | -1 494                     | -1 494                          |
| Conversion difference                        | 3 112                     | 1 115                      | 4 227                           |
| <b>Ending accumulated acquisition values</b> | <b>78 366</b>             | <b>106 152</b>             | <b>184 518</b>                  |
| <b>Depreciation</b>                          | <b>-1 524</b>             | <b>-2 483</b>              | <b>-4 007</b>                   |
| Annual depreciation                          | -2 865                    | -8 859                     | -11 724                         |
| Sales/disposals                              | -                         | 1 361                      | 1 361                           |
| Conversion difference                        | 504                       | 1 158                      | 1 662                           |
| <b>Ending accumulated depreciation</b>       | <b>-3 885</b>             | <b>-8 823</b>              | <b>-12 708</b>                  |
| <b>Net book value</b>                        | <b>74 481</b>             | <b>97 329</b>              | <b>171 810</b>                  |

## NOTE 15 Machinery and other tech assets

| <b>GROUP 2022</b>                            | <b>Machinery and other tech assets</b> | <b>Right of Use Assets</b> | <b>Total machinery and other tech assets</b> |
|--|--|----------------------------|--|
| <b>Beginning acquisition value</b>           | <b>66 817</b>                          | <b>9 302</b>               | <b>76 119</b>                                |
| Purchases                                    | 48 045                                 | 4 348                      | 52 393                                       |
| Through acquisitions of group companies      | 38 397                                 | -                          | 38 397                                       |
| Sales/disposals                              | -2 810                                 | -914                       | -3 724                                       |
| Conversion difference                        | 12 084                                 | 812                        | 12 896                                       |
| <b>Ending accumulated acquisition values</b> | <b>162 533</b>                         | <b>13 548</b>              | <b>176 081</b>                               |
| <b>Depreciation</b>                          | <b>-5 793</b>                          | <b>-2 874</b>              | <b>-8 667</b>                                |
| Annual depreciation                          | -19 057                                | -2 452                     | -21 509                                      |
| Sales/disposals                              | 2 916                                  | 384                        | 3 300  |
| Reclassifications                            | -3 103                                 | -                          | -3 103                                       |
| Conversion difference                        | -                                      | -172                       | -172   |
| <b>Ending accumulated depreciation</b>       | <b>-25 037</b>                         | <b>-5 114</b>              | <b>-30 151</b>                               |
| <b>Net book value</b>                        | <b>137 496</b>                         | <b>8 434</b>               | <b>145 930</b>                               |

| <b>GROUP 2021</b>                            | <b>Machinery and other tech assets</b> | <b>Right of Use Assets</b> | <b>Total machinery and other tech assets</b> |
|--|--|----------------------------|--|
| <b>Beginning acquisition value</b>           | <b>3 447</b>                           | <b>5 075</b>               | <b>8 522</b>                                 |
| Purchases                                    | 13 048                                 | 4 606                      | 17 654                                       |
| Through acquisitions of group companies      | 47 201                                 | -                          | 47 201                                       |
| Sales/disposals                              | -130                                   | -219                       | -349   |
| Conversion difference                        | 3 251                                  | -160                       | 3 091  |
| <b>Ending accumulated acquisition values</b> | <b>66 817</b>                          | <b>9 302</b>               | <b>76 119</b>                                |
| <b>Depreciation</b>                          | <b>-1 862</b>                          | <b>-1 448</b>              | <b>-3 310</b>                                |
| Annual depreciation                          | -3 172                                 | -1 436                     | -4 608                                       |
| Sales/disposals                              | 115                                    | 52                         | 167  |
| Conversion difference                        | -874                                   | -42                        | -916   |
| <b>Ending accumulated depreciation</b>       | <b>-5 793</b>                          | <b>-2 874</b>              | <b>-8 667</b>                                |
| <b>Net book value</b>                        | <b>61 024</b>                          | <b>6 428</b>               | <b>67 452</b>                                |



## NOTE 16 Furniture and fixtures

|  | GROUP         |               | PARENT COMPANY |             |
|--|---------------|---------------|----------------|-------------|
|  | 2022-12-31    | 2021-12-31    | 2022-12-31     | 2021-12-31  |
| <b>Beginning acquisition values</b>          | <b>12 150</b> | <b>9 015</b>  | <b>177</b>     | <b>141</b>  |
| Through acquisitions of group companies      | 615           | 976           | -              | -           |
| Purchases                                    | 3 350         | 3 194         | 50             | 92          |
| Sales/disposals                              | -407          | -1 623        | -              | -56         |
| Conversion difference                        | 1 626         | 878           | -              | -           |
| Reclassifications                            | -             | -290          | -              | -           |
| <b>Ending accumulated acquisition values</b> | <b>17 334</b> | <b>12 150</b> | <b>227</b>     | <b>177</b>  |
| <b>Depreciation</b>                          | <b>-4 115</b> | <b>-2 996</b> | <b>-74</b>     | <b>-104</b> |
| Sales/disposals                              | 255           | 780           | -              | 56          |
| Conversion difference                        | -586          | -253          | -              | -           |
| Reclassifications                            | -             | 43            | -              | -           |
| Annual depreciation                          | -2 666        | -1 689        | -30            | -26         |
| <b>Ending accumulated depreciation</b>       | <b>-7 112</b> | <b>-4 115</b> | <b>-104</b>    | <b>-74</b>  |
| <b>Net book value</b>                        | <b>10 222</b> | <b>8 035</b>  | <b>123</b>     | <b>103</b>  |

## NOTE 17 Deferred tax asset/tax liability

|   | GROUP         |              |
|---|---------------|--------------|
|   | 2022-12-31    | 2021-12-31   |
| Ending internal profit  | 5 494         | 2 445        |
| Deficit deduction   | 1 446         | 1 155        |
| Leasing agreements  | 860           | 196          |
| Temporary differences regarding differences between reported and tax values of fixed assets | 27 094        | 784          |
| Loss deductions that have not previously been reported                                      | 36 709        | -            |
| <b>Deferred tax assets</b>  | <b>71 603</b> | <b>4 580</b> |

|                               | GROUP          |                |
|-------------------------------|----------------|----------------|
|                               | 2022-12-31     | 2021-12-31     |
| Intangible assets             | 367 317        | 232 818        |
| Inventory                     | 96             | -              |
| <b>Deferred tax liability</b> | <b>367 413</b> | <b>232 818</b> |

| GROUP 2022  |                               |                                     |                       |                      |                              |
|---|-------------------------------|-------------------------------------|-----------------------|----------------------|------------------------------|
| Change deferred tax   | Opening balance<br>2022-01-01 | Reported in the<br>income statement | Conversion difference | Through acquisitions | Ending balance<br>2022-12-31 |
| Intangible assets   | -232 818                      | -33 440                             | -31 924               | -69 135              | -367 317                     |
| Inventory   | -                             | 9 949                               | 467                   | -10 511              | -95                          |
| Internal profit   | 2 445                         | 3 049                               | -                     | -                    | 5 494                        |
| Deficit deduction   | 1 155                         | 519                                 | 137                   | -                    | 1 811                        |
| Leasing agreements  | 196                           | 664                                 | -                     | -                    | 860                          |
| Loss deductions from previous years   | -                             | 35 556                              | 1 153                 | -                    | 36 709                       |
| Temporary differences regarding differences between reported and tax values of fixed assets | 784                           | 23 799                              | 918                   | 1 227                | 26 728                       |
| <b>Total</b>  | <b>-228 238</b>               | <b>40 096</b>                       | <b>-29 249</b>        | <b>-78 419</b>       | <b>-295 810</b>              |

| GROUP 2021  |                               |                                     |                       |                      |                              |
|---|-------------------------------|-------------------------------------|-----------------------|----------------------|------------------------------|
| Change deferred tax   | Opening balance<br>2021-01-01 | Reported in the<br>income statement | Conversion difference | Through acquisitions | Ending balance<br>2021-12-31 |
| Intangible assets   | -28 155                       | 18 147                              | -                     | -222 810             | -232 818                     |
| Internal profit   | 831                           | 1 614                               | -                     | -                    | 2 445                        |
| Deficit deduction   | 781                           | 374                                 | -                     | -                    | 1 155                        |
| Leasing agreements  | 34                            | 162                                 | -                     | -                    | 196                          |
| Temporary differences regarding differences between reported and tax values of fixed assets | -105                          | 889                                 | -                     | -                    | 784                          |
| <b>Total</b>  | <b>-26 614</b>                | <b>21 186</b>                       | <b>-</b>              | <b>-222 810</b>      | <b>-228 238</b>              |

Tax receivables are reported with (+) and tax liabilities with (-) in the table above.

#### Unreported deferred tax assets

The Group has additional loss deductions of 6,042 KSEK (169,316 KSEK). No deferred tax asset was recognized for these deficits.

The due dates for the deficit deductions are as follows:

Infinite maturity: 6,042 KSEK.

Transferable deferred tax assets have not been valued for these items because it is considered unlikely that the deductions will be able to be used in the foreseeable future.

## NOTE 18 Inventory

|                          | GROUP          |                | PARENT COMPANY |              |
|--------------------------|----------------|----------------|----------------|--------------|
|                          | 2022-12-31     | 2021-12-31     | 2022-12-31     | 2021-12-31   |
| Raw material             | 183 182        | 65 464         | 4 890          | 2 206        |
| Finished goods           | 249 848        | 92 206         | -              | 3            |
| Goods under construction | 8 502          | 629            | -              | -            |
|                          | <b>441 532</b> | <b>158 299</b> | <b>4 890</b>   | <b>2 209</b> |

In 2022, 8,609 KSEK (2021: 4,874 KSEK) was expensed as a result of the disposal of inventory. These items are no longer in stock. Reversal of previously made impairment amounted to 0 KSEK (2021: 0 KSEK).

## NOTE 19 Accounts receivable

All of the Group's accounts receivables and other receivables reported during the comparison period have been reviewed for indications of write-off needs. The written-off accounts receivables are primarily attributable to customers with financial difficulties.

When assessing the expected credit losses, accounts receivable has been assessed collectively because they have common credit risk characteristics. For the assessment of expected credit losses, the Group monitors established customer losses during the last two financial years.

|                           | GROUP        |              |
|---------------------------|--------------|--------------|
|                           | 2022         | 2021         |
| Net revenue               | 1 829 457    | 770 441      |
| Confirmed customer losses | 274          | 350          |
|                           | <b>0,01%</b> | <b>0,05%</b> |

|   | 2022-12-31 | 2021-12-31 |
|---|------------|------------|
| <b>Reconciliation of the bad debt reserve</b> |            |            |
| Opening balance                               | 212        | 721        |
| Recovered customer losses                     | -212       | -159       |
| New risk                                      | -          | -          |
| Confirmed loss                                | 274        | -350       |
| <b>Ending balance</b>                         | <b>-</b>   | <b>212</b> |

Maximum credit exposure amounts to 243,789 KSEK (2021: 118,826 KSEK).



## NOTE 20 Financial assets and liabilities

|   | GROUP            |                |
|---|------------------|----------------|
|   | 2022-12-31       | 2021-12-31     |
| <b>Financial assets at accrued acquisition value</b>      |                  |                |
| Deposition  | 815              | 273            |
| Accounts receivable                                       | 228 768          | 110 271        |
| Cash  | 245 068          | 136 086        |
|   | <b>474 651</b>   | <b>246 630</b> |
| <b>Financial liabilities at accrued acquisition value</b> |                  |                |
| Long-term debt  | 1 640 968        | 616 970        |
| Short-term debt   | -                | -              |
| Accounts payable  | 66 890           | 36 262         |
|   | <b>1 707 858</b> | <b>653 232</b> |

There were no financial instruments reported at fair value in the consolidated balance sheet at the end of the period.

## NOTE 21 Prepayments and accrued total revenue

|   | GROUP         |               | PARENT COMPANY |              |
|---|---------------|---------------|----------------|--------------|
|   | 2022-12-31    | 2021-12-31    | 2022-12-31     | 2021-12-31   |
| Prepaid rental costs                    | 2 494         | 954           | 188            | 174          |
| Prepaid insurance costs                 | 2 495         | 1 757         | 190            | 413          |
| Prepaid leasing costs                   | -             | -             | 69             | 93           |
| Prepaid marketing costs                 | 7 001         | 795           | 273            | 309          |
| Prepaid purchases of goods and services | 4 798         | 3 096         | -              | -            |
| Accrued revenues                        | 20 949        | 20 631        | -              | -            |
| Other prepaid costs                     | 2 525         | 4 771         | 748            | 3 072        |
|   | <b>40 262</b> | <b>32 004</b> | <b>1 468</b>   | <b>4 061</b> |

## NOTE 22 Other long- and short-term liabilities, interest-bearing

|  | GROUP            |                | PARENT COMPANY   |                |
|--|------------------|----------------|------------------|----------------|
|  | 2022-12-31       | 2021-12-31     | 2022-12-31       | 2021-12-31     |
| <b>Other long-term liabilities, interest-bearing</b> |                  |                |                  |                |
| Bank loan  | 1 640 968        | 616 970        | 1 640 424        | 616 970        |
| Lease liability                                      | 221 366          | 86 749         | -                | -              |
| <b>Total</b>   | <b>1 862 334</b> | <b>703 719</b> | <b>1 640 424</b> | <b>616 970</b> |

|   | GROUP         |               | PARENT COMPANY |            |
|---|---------------|---------------|----------------|------------|
|   | 2022-12-31    | 2021-12-31    | 2022-12-31     | 2021-12-31 |
| <b>Other short-term liabilities, interest-bearing</b> |               |               |                |            |
| Lease liability                                       | 39 840        | 17 814        | -              | -          |
| <b>Total</b>  | <b>39 840</b> | <b>17 814</b> | <b>-</b>       | <b>-</b>   |

## NOTE 23 Pledged collateral and contingent liabilities

| GROUP/PARENT COMPANY  | 2022-12-31    | 2021-12-31    |
|---|---------------|---------------|
| Corporate mortgage for long-term and short-term debt to credit institutions | 28 000        | 28 000        |
|   | <b>28 000</b> | <b>28 000</b> |

The Board of Directors has not identified any contingent liabilities.

## NOTE 24 Liabilities to credit institutions

| Lenders                       | GROUP                     |                           | PARENT COMPANY            |                           |
|-------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                               | Loan amount<br>2022-12-31 | Loan amount<br>2021-12-31 | Loan amount<br>2022-12-31 | Loan amount<br>2021-12-31 |
| Handelsbanken                 | 817 306                   | 616 970                   | 817 306                   | 616 970                   |
| SEB                           | 823 118                   | -                         | 823 118                   | -                         |
| Others                        | 544                       | -                         | 544                       | -                         |
| Short-term part of total debt | -                         | -                         | -                         | -                         |

The loan has financial KPI's regarding the financial net debt in relation to EBITDA and interest coverage ratio. During the year, Swedencare complied with the KPI's set by the bank in connection with the loan.

## NOTE 25 Other current liabilities

|                                  | GROUP          |               |
|----------------------------------|----------------|---------------|
|                                  | 2022-12-31     | 2021-12-31    |
| Advances from customers          | 408            | 365           |
| Leasing liabilities              | 39 840         | 17 814        |
| Acquisition-related liabilities* | 92 947         | -             |
| VAT & personnel-related taxes    | 12 957         | 9 866         |
|                                  | <b>146 152</b> | <b>28 045</b> |

\*Remaining purchase price to be paid to the seller by NaturVet, paid in January 2023

## NOTE 26 Accrued costs and prepaid total revenue

|                            | GROUP         |               | PARENT COMPANY |              |
|----------------------------|---------------|---------------|----------------|--------------|
|                            | 2022-12-31    | 2021-12-31    | 2022-12-31     | 2021-12-31   |
| Accrued cost of goods sold | 2 993         | 2 853         | -              | -            |
| Accrued personnel costs    | 17 631        | 8 829         | 4 211          | 2 211        |
| Accrued marketing costs    | 4 853         | 6 434         | 425            | 477          |
| Accrued interest costs     | 5 408         | -             | 5 408          | -            |
| Prepaid revenue            | 2 855         | 7 634         | -              | -            |
| Other accrued costs        | 13 711        | 10 623        | 1 228          | 2 352        |
|                            | <b>47 451</b> | <b>36 373</b> | <b>11 272</b>  | <b>5 040</b> |

## NOTE 27 Year-end adjustments

|                              | PARENT COMPANY |              |
|------------------------------|----------------|--------------|
|                              | 2022           | 2021         |
| Group contributions received | 2 710          | 3 000        |
|                              | <b>2 710</b>   | <b>3 000</b> |



## NOTE 28 Specification of shares in subsidiaries

## PARENT COMPANY

|  | Org. nr     | Reg. location     |     | Number of shares | Capital/voting rights | Booked value |
|--|-------------|-------------------|-----|------------------|-----------------------|--------------|
| Swedencare Nordic AB                   | 559001-4568 | Malmö             | SE  | 500              | 100%                  | 50           |
| Biodistra AB                           | 556670-7815 | Malmö             | SE  | 100 000          | 100%                  | 905          |
| Swedencare UK Ltd.                     | 7851598     | Leeds             | UK  | 100              | 100%                  | 5 367        |
| Nutravet (UK) Ltd.                     | 7338477     | Bolton            | UK  | 100              | 100%                  | 382 855      |
| Custom Vet Products Ltd.               | 6205607     | Loughborough      | UK  | 14               | 100%                  | 137 439      |
| Swedencare Ireland Ltd.                | 20161101    | Waterford         | IRE | 53 334           | 100%                  | 43 785       |
| Swedencare France SARL                 | 481599447   | Purget-sur-Argens | FR  | 50 000           | 100%                  | 4 715        |
| Swedencare Spain S.L.                  | B67392670   | Mataró            | SP  | 5 000            | 100%                  | 7 563        |
| Biovet I.K.E.                          | 58820604000 | Thessaloniki      | GR  | 386 000          | 100%                  | 5 847        |
| Innovet Italia SRL                     | 11929510151 | Saccolongo        | IT  | 96 900           | 100%                  | 526 952      |
| Swedencare North America Inc.*         | 47-5607670  | Jupiter           | FL  | 1 000            | 100%                  | 6 950 070    |
| - Swedencare USA Inc.                  | 35-2245132  | Rosenberg         | TX  | -                | 100%                  | -            |
| - Stratford Care USA, Inc.             | 85-1203523  | Odessa            | FL  | -                | 100%                  | -            |
| - Swedencare Tillverka Inc.            | 85-3648974  | Rosenberg         | TX  | -                | 100%                  | -            |
| - Pet MD Brands LLC                    | 27-5347392  | Odessa            | FL  | -                | 100%                  | -            |
| - RxV Enterprises Corp.                | 82-1360757  | Elmsford          | NY  | -                | 100%                  | -            |
| - Tropicchem Holdings, LLC             | 47-5603301  | Jupiter           | FL  | -                | 100%                  | -            |
| - Fullfillment Advantage Ventures Inc. | 81-1746064  | Odessa            | FL  | -                | 100%                  | -            |
| - The Garmon Corp.                     | 95-3374861  | Temecula          | CA  | -                | 100%                  | -            |

## SUMMARY BOOKED VALUE

8 065 548

\*In 2022, the company changed its company name from Tropicchem Blocker Corp. to Swedencare North America Inc.

|  | 2022-12-31       | 2021-12-31       |
|--|------------------|------------------|
| Opening balance                              | 2 817 939        | 826 615          |
| Purchases                                    | 5 244 304        | 1 989 686        |
| Shareholder contributions in subsidiaries    | 3 305            | 1 638            |
| <b>Ending accumulated acquisition values</b> | <b>8 065 548</b> | <b>2 817 939</b> |

## NOTE 29 Specification shares in associated companies

|                             | Org. nr  | Reg. location             | Number of shares | Capital/ voting rights | Booked value |
|-----------------------------|----------|---------------------------|------------------|------------------------|--------------|
| Almi Health Care sro        | 17105323 | Petrovice, Czech Republic | 1 000 000        | 40%                    | 244          |
| <b>Summary booked value</b> |          |                           |                  |                        | <b>244</b>   |

|  | GROUP      |            | PARENT COMPANY |            |
|--|------------|------------|----------------|------------|
|  | 2022-12-31 | 2021-12-31 | 2022-12-31     | 2021-12-31 |
| Beginning acquisition values                 | -          | -          | -              | -          |
| Purchase                                     | 427        | -          | 427            | -          |
| The Group's share of the year's profit       | -183       | -          | -              | -          |
| <b>Ending accumulated acquisition values</b> | <b>244</b> | <b>-</b>   | <b>427</b>     | <b>-</b>   |

## NOTE 30 Number of shares and quota value

|  | PARENT COMPANY     |             |
|--|--------------------|-------------|
|  | NUMBER OF SHARES   | QUOTA VALUE |
| <b>Subscribed and paid shares</b>          |                    |             |
| Opening balance 2022-01-01                 | 118 150 028        | 0.01        |
| New share issue                            | 40 581 872         | -           |
| <b>Total outstanding shares 2022-12-31</b> | <b>158 731 900</b> | <b>0.01</b> |
| Opening balance 2021-01-01                 | 20 884 743         | 0.05        |
| Share split 5:1                            | 84 720 068         | -           |
| New share issue                            | 12 545 217         | -           |
| <b>Total outstanding shares 2021-12-31</b> | <b>118 150 028</b> | <b>0.01</b> |

## NOTE 31 Principles and routines for asset management

The Group's goals with asset management are:

- to ensure the Group's ability to continue operations,
- to provide an appropriate return to shareholders by pricing products and services corresponding to the level of risk.

The Group monitors capital based on the reported value of equity less cash and cash equivalents as reported in the statement of financial position and cash flow hedges reported in other comprehensive income and through the ratio for Net debt/EBITDA and the Group's equity/assets ratio. Within the framework of asset management, the Group controls the following key ratios that are included as financial covenants in accordance with the bank's terms: net debt in relation to Proforma EBITDA and interest rate subscription.

Management assesses the Group's capital needs to maintain an effective overall financing structure and at the same time avoid excessive leverage effects. This also includes subordinate levels of the Group's various debt classes. The Group manages the capital structure and adjusts in the event of changed economic conditions and regarding the risk properties of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the amount of dividends to shareholders, repay capital to shareholders, issue new shares or sell assets to reduce liabilities.

The amounts managed as capital by the Group for the current financial year are summarized as follows:

|   | 2022-12-31       | 2021-12-31       |
|---|------------------|------------------|
| Total equity                                | 7 460 691        | 2 419 800        |
| Cash  | -245 068         | -136 086         |
| <b>Capital</b>                              | <b>7 215 623</b> | <b>2 283 714</b> |
| Total equity                                | 7 460 691        | 2 419 800        |
| Borrowing                                   | 1 640 968        | 616 970          |
| <b>Total financing</b>                      | <b>9 101 659</b> | <b>3 036 770</b> |
| <b>Capital adequacy ratio</b>               | <b>0.79</b>      | <b>0.75</b>      |
| Net debt (The company has its own net cash) | 1 657 106        | 585 447          |
| EBITDA                                      | 380 732          | 129 708          |
| <b>Net debt/EBITDA*</b>                     | <b>4.4</b>       | <b>4.5</b>       |
| Equity                                      | 7 460 691        | 2 419 800        |
| Balance sheet total                         | 10 004 662       | 3 471 119        |
| <b>Solvency</b>                             | <b>74.6%</b>     | <b>69.7%</b>     |

\*Net debt/Proforma EBITDA: 2022 3.39 (2021: 2.62)



## NOTE 32 Financial costs

| <b>GROUP</b>                       | <b>2022</b>    | <b>2021</b>   |
|------------------------------------|----------------|---------------|
| Exchange rate gains                | 2 999          | 1 355         |
| Interest revenue                   | 293            | -             |
| <b>Financial total revenue</b>     | <b>3 292</b>   | <b>1 355</b>  |
| Leasing interest                   | -7 058         | -1 697        |
| Other interest                     | -33 469        | -7 312        |
| Present value calculation earn-out | -2 463         | -             |
| <b>Financial expenses</b>          | <b>-42 990</b> | <b>-9 009</b> |
| <b>Financial costs</b>             | <b>-39 698</b> | <b>-7 654</b> |

| <b>PARENT COMPANY</b>           | <b>2022</b>    | <b>2021</b>   |
|---------------------------------|----------------|---------------|
| Dividend from group companies   | 171 836        | 63 358        |
| Interest income group companies | 1 056          | 710           |
| Exchange rate gains             | 3 066          | 1 355         |
| Interest revenue                | 245            | -             |
| <b>Financial total revenue</b>  | <b>176 203</b> | <b>65 423</b> |
| Other interest                  | -33 612        | -7 277        |
| <b>Financial expenses</b>       | <b>-33 612</b> | <b>-7 277</b> |
| <b>Financial costs</b>          | <b>142 591</b> | <b>58 146</b> |

## NOTE 33 Exchange rate differences in the income statement

Receivables and liabilities in foreign currency are valued at the exchange rate on the balance sheet date. Exchange rate differences on operating receivables and operating liabilities are included in operating profit, while exchange rate differences on financial receivables and liabilities are reported among financial items.

|                     | <b>GROUP</b>  |              | <b>PARENT COMPANY</b> |              |
|---------------------|---------------|--------------|-----------------------|--------------|
|                     | <b>2022</b>   | <b>2021</b>  | <b>2022</b>           | <b>2021</b>  |
| In operating profit | 8 490         | 7 789        | 6 942                 | 7 611        |
| In financial costs  | 2 999         | 1 355        | 3 066                 | 1 355        |
| <b>Total</b>        | <b>11 489</b> | <b>9 144</b> | <b>10 008</b>         | <b>8 966</b> |

## NOTE 34 Risk related to financial instruments

### *Risk management objectives and principles*

The Group is exposed to various risks related to financial instruments. Summarised information on the Group's financial assets and financial liabilities by category is provided in note 20. The main types of risk are market risk, credit risk and liquidity risk. The Group's risk management is coordinated at its head office. The Group does not actively trade in financial assets for speculative purposes nor does it issue options. The most significant financial risks to which the Group is exposed are described below.

### Market risk analysis

The Group does not hold any hedging instruments. The Group is exposed to market risk through its use of financial instruments and in particular to currency risk.

#### *Currency risk*

Exchange rate developments affect the Group's earnings to some extent because invoicing is mainly in USD and Euro, which is largely balanced by the Group's international subsidiaries and by purchases from subcontractors in France, the USA and Ireland. All currency accounts are converted at the closing rate.

Net sales in the US represent 81% of the Group's total sales. A currency change of USD of by +/-10% would mean a change in the profit of +/- 9.5 MSEK. A currency change of EUR by +/-10% would mean a change in the profit of +/- 1.5 MSEK and a currency change of GBP by +/-10% would mean a change in the profit of 2.9 MSEK.

#### *Interest rate risk*

Interest rate risk refers to the effect on profit caused by a change in interest rates. As the Group is a net borrower and does not invest money in quoted instruments, it is mostly the Group's debt to credit institutions which is affected by changes in interest rates. The contract has a variable interest rate and thus future cash flows are affected by changes in the variable interest rate. The Group endeavours to strike a balance between a reasonable ongoing cost of its borrowing and the risk of having a significant negative impact on earnings in the event of a major change in interest rates.

#### *Sensitivity analysis RCF and Loans as at 31 December (MSEK)*

|                      | Liabilities to credit institutions | Average interest rate (AIR) | AIR +1%      | AIR +2%      | AIR +3%      |
|----------------------|------------------------------------|-----------------------------|--------------|--------------|--------------|
| RCF*                 | 825                                | <b>3.46%</b>                | <b>4.46%</b> | <b>5.46%</b> | <b>6.46%</b> |
| Interest costs RCF   |                                    | 28.6                        | 36.8         | 45.1         | 53.3         |
| Loans                | 818                                | <b>2.34%</b>                | <b>3.34%</b> | <b>4.34%</b> | <b>5.34%</b> |
| Interest costs Loans |                                    | 19.1                        | 27.3         | 35.5         | 43.6         |
| <b>Total</b>         | <b>1,643</b>                       | <b>47.7</b>                 | <b>64.1</b>  | <b>80.5</b>  | <b>97.0</b>  |

\* Non-utilised RCF amounts to 175 MSEK.

Swedencare's liabilities to credit institutions amounted to 1,643 MSEK as of December 31<sup>st</sup>, 2022. The average interest rate for the Group's RCF of 825 MSEK amounted to 3.46% as of December 31<sup>st</sup>. The utilised amount is divided into four drawings, which fall due at 3-month intervals and carry a variable interest rate (STIBOR + margin) linked to net debt. The revolving credit facility extends to September 2024 with the possibility of two extension options of one year each, which gives a possible final maturity in September 2026. As of MSEK, the Group has unutilised credit facilities of 175 MSEK. The remaining loan to credit institutions is a term loan of 818 MSEK. The agreement extends to September 2024 with the possibility of two extension options of one year each, which gives a possible final maturity in September 2026. The loan carries a variable interest rate (STIBOR + margin). The average interest rate as of MSEK was 2.34%.

The reported value of taken loans (1,643 MSEK) and interest (30.6 MSEK) at the balance sheet date totalled 1,673.6 MSEK. The actual value of taken loans and interest at the balance sheet date amounts to 1,706.5 MSEK. The loans run with financial covenants regarding the financial net debt in relation to EBITDA and interest coverage ratio. During the year, Swedencare has fulfilled the covenants set by the bank in connection with borrowing. The covenants will be reduced in the coming quarters, which the company is expected to continue to fulfil through the Group's positive cash flow.

## Credit risk analysis

Credit risk is the risk that a counterparty will not fulfil an obligation to the Group. The Group is exposed to this risk through various financial assets such as cash and cash equivalents in the bank, accounts receivable and other receivables.

### *Credit risk management*

Credit risk is managed at group level based on the group's credit risk management policies and procedures. Credit risk with respect to cash and cash equivalents in banks and bank deposits is managed by using only large and reputable financial institutions. The Group uses prepayments for new customers. Credit terms vary between 30 and 180 days. The ongoing credit risk is managed through a regular review of the age analysis per customer. Trade receivables consist of a medium-sized number of corporate customers in different geographical areas. The Group's largest customer is Amazon, which is the only customer that exceeds 10% of net sales.

### *Accounts receivable*

In the assessment of expected credit losses, trade receivables have been assessed collectively as they share common credit risk characteristics. For the assessment of expected credit losses, the Group performs a follow-up of confirmed customer losses during the last two financial years. A calculation of confirmed customer losses during 2021-2022 has been made which showed a customer loss of 0%. The calculation is performed and reassessed every six months. Given the short period of time that trade receivables are exposed to credit risk and as the Group has historically not had any significant bad debt losses, no collective provision is made because it is not considered material. However, the Group makes an individual assessment of expected credit losses on overdue trade receivables as this, together with the absence of a payment plan, are indicators that there is no probable expectation of receiving full payment. See note 19.

### *Collateral*

The Group does not hold any collateral for other financial assets (e.g. derivative instruments and cash at banks).

### *Liquidity risk*

Liquidity risk is the risk that the Group cannot fulfil its obligations. As of December 31<sup>st</sup> 2022, the Group's cash and cash equivalents amounted to 245.1 MSEK (136.1 MSEK), and as of the same date the Group had interest-bearing long-term and short-term liabilities totalling 1,902.2 MSEK (721.5 MSEK). As of December 31<sup>st</sup> 2022, the Group has a net debt amounting to 1,657.1 MSEK (585.4 MSEK).

The Group generates a positive cash flow from operating activities every quarter. The Group considers expected cash flows from financial assets when assessing and managing liquidity risk, in particular cash reserves and trade receivables. The Group's existing cash reserves and trade receivables significantly exceed the current cash outflow requirements. Cash flows from trade and other receivables are all due within six months.

A maturity analysis of financial instruments is presented below, showing the nominal undiscounted cash flows.

|                             | SHORT-TERM      |               | LONG-TERM        |                    |
|-----------------------------|-----------------|---------------|------------------|--------------------|
|                             | Within 6 months | 6-12 months   | 1-5 years        | Later than 5 years |
| <b>2022-12-31</b>           |                 |               |                  |                    |
| Bank loans and interest     | 39,090          | 38,416        | 1,870,383        | -                  |
| Lease obligations           | 19,920          | 19,920        | 137,363          | 84,003             |
| Trade and other liabilities | 66,890          | -             | -                | -                  |
|                             | <b>125,900</b>  | <b>58,336</b> | <b>2,007,746</b> | <b>84,003</b>      |



|  | SHORT-TERM         |                | LONG-TERM      |                       |
|--|--------------------|----------------|----------------|-----------------------|
|  | Within<br>6 months | 6-12<br>months | 1-5<br>years   | Later than<br>5 years |
| <b>2021-12-31</b>                      |                    |                |                |                       |
| Bank loans and interest                | 4 017              | 4 017          | 625 004        | -                     |
| Leasing obligations                    | 8 914              | 8 914          | 59 245         | 27 504                |
| Accounts payable and other liabilities | 36 262             | -              | -              | -                     |
|  | <b>49 193</b>      | <b>12 931</b>  | <b>684 249</b> | <b>27 504</b>         |

## NOTE 35 Cash flow

|                       | GROUP          |               | PARENT COMPANY |               |
|-----------------------|----------------|---------------|----------------|---------------|
|                       | 2022           | 2021          | 2022           | 2021          |
| <b>Interest rates</b> |                |               |                |               |
| Interest received     | 293            | -             | 1 301          | 710           |
| Interest paid         | -30 583        | -7 312        | -33 612        | -7 277        |
| <b>Interest, net</b>  | <b>-30 290</b> | <b>-7 312</b> | <b>-32 312</b> | <b>-6 567</b> |

|  | GROUP         |               | PARENT COMPANY |            |
|--|---------------|---------------|----------------|------------|
|  | 2022          | 2021          | 2022           | 2021       |
| <b>Non-cash flow items</b>             |               |               |                |            |
| Exchange rate differences              | 2 998         | -3 504        | -6 203         | -801       |
| Deferred tax                           | -1 299        | -2 530        | -              | -          |
| Interest costs not affecting cash flow | -9 943        | -             | -              | -          |
| Present value of earn-out payment      | -2 463        | -             | -              | -          |
| Inventory fair value adjustment        | 35 765        | 43 295        | -              | -          |
| Other                                  | -2 127        | -             | 3 067          | 1 355      |
| <b>Total</b>                           | <b>22 931</b> | <b>37 261</b> | <b>-3 136</b>  | <b>554</b> |

| Reconciliation of debts attributable to financing activities - Group | Opening balance 2022-01-01 | Cash flows     | Acquisitions   | Reclassification | Conversion difference | Ending balance 2022-12-31 |
|--|----------------------------|----------------|----------------|------------------|-----------------------|---------------------------|
| Bank loan  | 616 970                    | 1 022 424      | 544            | 1 030            | -                     | 1 640 968                 |
| Lease liability  | 104 563                    | -29 830        | 168 236        | -                | 18 237                | 261 206                   |
| <b>Total</b>   | <b>721 533</b>             | <b>992 594</b> | <b>168 780</b> | <b>1 030</b>     | <b>18 237</b>         | <b>1 902 174</b>          |

| Reconciliation liabilities attributable to financing the business - Group | Opening balance 2021-01-01 | Cash flows     | Acquisitions  | Reclassification | Conversion difference | Ending balance 2021-12-31 |
|---|----------------------------|----------------|---------------|------------------|-----------------------|---------------------------|
| Bank loan   | 153 000                    | 465 000        | -             | -1 030           | -                     | 616 970                   |
| Lease liability   | 21 432                     | -9 514         | 86 914        | -                | 5 731                 | 104 563                   |
| <b>Total</b>  | <b>174 432</b>             | <b>455 486</b> | <b>86 914</b> | <b>-1 030</b>    | <b>5 731</b>          | <b>721 533</b>            |

| Reconciliation liabilities attributable to financing the business - Parent company | Opening balance 2022-01-01 | Cash flows       | Acquisitions | Reclassification | Conversion difference | Ending balance 2022-12-31 |
|--|----------------------------|------------------|--------------|------------------|-----------------------|---------------------------|
| Bank loan  | 616 970                    | 1 022 424        | -            | 1 030            | -                     | 1 640 424                 |
| <b>Total</b>   | <b>616 970</b>             | <b>1 022 424</b> | <b>-</b>     | <b>1 030</b>     | <b>-</b>              | <b>1 640 424</b>          |

| Reconciliation liabilities attributable to financing the business - Parent company | Opening balance 2021-01-01 | Cash flows     | Acquisitions | Reclassification | Conversion difference | Ending balance 2021-12-31 |
|--|----------------------------|----------------|--------------|------------------|-----------------------|---------------------------|
| Bank loan  | 153 000                    | 465 000        | -            | -1 030           | -                     | 616 970                   |
| <b>Total</b>   | <b>153 000</b>             | <b>465 000</b> | <b>-</b>     | <b>-1 030</b>    | <b>-</b>              | <b>616 970</b>            |

Management report

Group - financial reports

Parent company - financial reports

Notes

Audit report

## NOTE 36 Acquisitions

### NaturVet – Acquisition of the leading American pet supplement company

On February 1<sup>st</sup>, 2022, Swedencare acquired 100% of the American company NaturVet, one of America's largest and most profitable companies in the premium segment of food supplements for the pet market. The purchase price of a total of 4,365 MSEK (456.9 MUSD) is paid through a cash settlement of 3,553 MSEK (409.4 MUSD) and an issue in kind of shares totaling 3,854,978 shares in Swedencare, 431 MSEK (47.5 MUSD) upon closing. A condition-based purchase price (earn-out) of 290.4 MSEK (27.5 MUSD) was paid on July 15, 2022. The result for fiscal year 2021 shows a total revenue of 65.0 MUSD and an EBITDA of 20.7 MUSD, corresponding to an EBITDA margin of 28.7%. Through the acquisition, Swedencare gains a very strong position within premium products on the American pet market, while NaturVet's products can gradually be offered within Swedencare's global distribution network.

### Innovet – Acquisition of an Italian company with focus on the veterinary segment

On March 1<sup>st</sup>, 2022, Swedencare acquired 100% of the Italian company Innovet, one of Italy's leading and most profitable dietary supplement companies focused on the veterinary segment. The purchase price of a total of 524 MSEK (50 MEUR) is paid through a cash payment of 447 MSEK (42,5 MEUR) and an issue in kind of shares totaling 606 799 shares in Swedencare, 77,2 MSEK (7,5 MEUR) upon closing. Innovet had a revenue of 13.1 MEUR during the financial year 2021 with an EBITDA of 4.5 MEUR corresponding to an EBITDA margin of 34.4%. Through the acquisition, Swedencare will have a strong position in dietary supplements in the Italian pet market, while Innovet's internationalization will have increased resources through Swedencare's global distribution network.

### Custom Vet Products – Acquisition of a British company with a focus on the manufacture of soft chew products for pets

On November 1<sup>st</sup>, 2022, Swedencare acquired 100% av det Brittish company Custom Vet Products (CVP). CVP is a manufacturer of soft chew products for pets sold mainly in the UK and in some European countries. The purchase price of a total of 134,7 MSEK (10,6 MGBP) is paid through a cash payment of a total of 108,2 MSEK (8,5 MGBP) and an issue in kind of shares totaling 620 095 shares in Swedencare, 26,5 MSEK (2,1 MGBP), upon closing. CVP had a revenue of 31,4 MSEK (2,4 MGBP) during the last financial year (April 2021 – March 2022) with an EBIT of 13.1 MSEK (1.0) MGBP corresponding to an EBIT margin of 44%. Through the acquisition, Swedencare gains a strong presence in the manufacturing and development of premium soft chews for the pet market in Great Britain and Europe.

| Acquisition  | NaturVet         | Innovet        | Custom Vet Products |
|--|------------------|----------------|---------------------|
| <b>Purchase price</b>                                |                  |                |                     |
| Cash payment for this year's acquisition             | 3 553 020        | 446 579        | 108 194             |
| Issue in kind of shares                              | 430 987          | 77 185         | 26 556              |
| Transferred remuneration to seller, paid in Jan 2023 | 92 890           | -              | -                   |
| Additional purchase price*                           | 288 128          | -              | -                   |
| <b>Total purchase price</b>                          | <b>4 365 025</b> | <b>523 764</b> | <b>134 750</b>      |

\*The additional purchase price has been paid and no further settlement can take place.

|   |                  |          |          |
|---|------------------|----------|----------|
| Shareholder contributions in connection with acquisitions | 204 428          | -        | -        |
| <b>Total disbursed cash</b>                               | <b>4 569 453</b> | <b>-</b> | <b>-</b> |



| <b>Payments for acquisitions</b>  | <b>NaturVet</b>  | <b>Innovet</b> | <b>Custom Vet Products</b> |
|---|------------------|----------------|----------------------------|
| Payment for this year's acquisition                                       | 4 365 025        | 523 764        | 134 750                    |
| Acquired cash and bank balances   | 530              | 35 223         | 3 499                      |
| Issuance costs that are deductible items in equity                        | -8 717           | -8 332         | -289                       |
| Transaction costs that are included in Net income as Other external costs | -8 160           | -3 189         | -2 688                     |
| <b>Total paid</b>   | <b>4 348 678</b> | <b>547 466</b> | <b>135 272</b>             |

#### Contributions from acquired companies

| <b>Contribution from the time when the controlling influence existed</b> | <b>NaturVet</b> | <b>Innovet</b> | <b>Custom Vet Products</b> |
|--|-----------------|----------------|----------------------------|
| Total revenue  | 637 095         | 125 171        | 1 305                      |
| <b>Net income</b>  | <b>128 256</b>  | <b>24 978</b>  | <b>-86</b>                 |

#### Contribution if the acquisition had been made January 1<sup>st</sup>, 2022

|               | <b>NaturVet</b> | <b>Innovet</b> | <b>Custom Vet Products</b> |
|---------------|-----------------|----------------|----------------------------|
| Total revenue | 695 993         | 144 544        | 19 804                     |
| Net income    | <b>143 983</b>  | <b>25 893</b>  | <b>4 813</b>               |

The share price of SEK 111.8 for NaturVet is calculated on the weighted average price of the parent company's shares during the last 10 banking days before January 25<sup>th</sup>, 2022, and is calculated on the average USD/SEK rate for the same period, which amounted to 9.0734.

The share price of SEK 127.2 for Innovet is calculated on the weighted average price of the parent company's shares during the last 30 banking days before the day before the signing date, January 25<sup>th</sup>, 2022, and is calculated on the average USD/SEK rate for the same period, which amounted to 10, 2913.

The share price of SEK 42.80 for Custom Vet Products is calculated on the weighted average price of the parent company's shares during the last 20 banking days before October 31<sup>st</sup>, 2022, and is calculated on the average GBP/SEK rate for the same period, which amounted to 12.5740.

|                  | <b>NaturVet</b> | <b>Innovet</b> | <b>Custom Vet Products</b> |
|------------------|-----------------|----------------|----------------------------|
| Exchange rate    | 9.07            | 10.29          | 12.57                      |
| Share price      | 111.80          | 127.20         | 42.80                      |
| Number of shares | 3 854 978       | 606 799        | 620 095                    |

Goodwill is attributable to the strategic and transformative acquisitions of NaturVet, Innovet and CVP. NaturVet has a proprietary portfolio of premium products in several categories produced in their own manufacturing facility in California, Innovet has a patent-protected portfolio of science-based products in several categories and CVP manufactures premium soft chews for the pet market in the UK and Europe. The acquisitions contribute to the broadening of the product offering within Swedencare's group and to the acceleration of the soft chew launch in Europe, at the same time that Swedencare's market position in the USA and in Europe is further strengthened. Swedencare's existing customer coverage in the US of approximately 15,000 veterinary clinics is increased with the same number of petshops, while the online share also increases significantly. Innovet's products are mainly sold in Italy but with great potential for internationalization, which Swedencare will help with by speeding up the process significantly. Several synergy projects have been identified with all acquired companies.

Swedencare, together with the seller of NaturVet, has made a joint application for Section 338(h)(10) in the US, which treats the acquisition transaction for tax purposes as an asset acquisition and thus all excess values are tax deductible. Through the acquisition of NaturVet, a goodwill of 1,860 MSEK arises which is tax deductible and is intended to be written off over 15 years. For 2022, this resulted in utilized tax depreciation of 222.3 MSEK (21.3 MUSD), which means 0% in tax expense. This means a lower tax of 52.2 MSEK (5 MUSD) for 2022 compared to an average tax rate of 23.75%. The fiscal distribution of the excess values meant that there is no tax liability linked to brands and customer relationships in the acquisition analysis.

| <b>Acquired assets and liabilities</b> | <b>NaturVet</b>  | <b>Innovet</b>  | <b>Custom Vet Products</b> | <b>Total</b>     |
|--|------------------|-----------------|----------------------------|------------------|
| Intangible assets                      |                  |                 |                            |                  |
| - Brands                               | 1 148 150        | 77 495          | -                          | 1 225 645        |
| - Customer relationships               | 1 278 218        | 197 732         | 46 696                     | 1 522 646        |
| - Intellectual property                | -                | -               | 6 129                      | 6 129            |
| - Other intangible assets              | 9 167            | 67              | 476                        | 9 710            |
| Tangible assets                        | 80 127           | 567             | 2 214                      | 82 908           |
| Inventory                              | 168 217          | 62 700          | 4 886                      | 235 803          |
| Accounts receivable                    | 56 243           | 26 459          | 2 486                      | 85 188           |
| Other current receivables              | 2 353            | 4 781           | 28                         | 7 162            |
| Cash                                   | 530              | 35 223          | 3 499                      | 39 252           |
| <b>Total acquired net assets</b>       | <b>2 743 005</b> | <b>405 024</b>  | <b>66 414</b>              | <b>3 214 443</b> |
| Accounts payable                       | -23 273          | -21 743         | -499                       | -45 515          |
| Other current liabilities              | -9 861           | -55 567         | -4 159                     | -69 587          |
| Deferred tax liability                 | -                | -65 762         | -10 197                    | -75 959          |
| <b>Total acquired net liabilities</b>  | <b>-33 134</b>   | <b>-143 072</b> | <b>-14 855</b>             | <b>-191 061</b>  |
| Goodwill                               | 1 859 582        | 261 812         | 83 191                     | 2 204 585        |
| <b>Total</b>                           | <b>4 569 453</b> | <b>523 764</b>  | <b>134 750</b>             | <b>5 227 967</b> |

## NOTE 37 Proposed allocation of profits

### The following profit is available to the Annual General Meeting:

|  |                      |
|--|----------------------|
| Retained earnings and share premium fund | 6 299 034 320        |
| Net income                               | 150 266 444          |
|  | <b>6 449 300 764</b> |

### The Board of Directors suggest the following profit allocation (SEK):

|   |                      |
|---|----------------------|
| Dividend to shareholders 0.22 SEK x 158 731 900 | 34 921 018           |
| Transferred to retained earnings                | 6 414 379 746        |
|   | <b>6 449 300 764</b> |

## NOTE 38 Transactions with related parties

Apart from compensation for senior executives and the fact that some members of the management group have subscribed for shares within the framework of the incentive program, there have been no significant related transactions. See also note 8 regarding remuneration to employees, board and senior executives.

At the extraordinary general meeting on October 19<sup>th</sup>, 2022, an incentive program was decided, including a targeted new issue of warrants to the company for onward transfer to key employees within the Swedencare group at market value. During the year, the transfer of 251,500 warrants was carried out to key employees in the incentive program 2022/2026.

## NOTE 39 Significant events after the yearend

Patterson Veterinary has acquired exclusive rights to market and sell the Animal Pharmaceuticals® brand in the United States.

## NOTE 40 Definitions of KPI's

Since the Group has acquired several companies during 2020 and 2022, alternative KPI's are also used to provide a fairer picture of the business.

### **Net revenue**

The main revenue of the Company

### **Change of revenue (%)**

Total revenue in relation to the previous corresponding period

### **Gross profit**

Sales revenue minus costs for raw materials, components, merchandise and transportation costs

### **Gross margin (%)**

Gross profit as a percentage of total revenue

### **EBITDA**

Operating profit before depreciation and other operating expenses

### **EBITDA-margin (%)**

EBITDA as a percentage of total revenue

### **EBITA**

Operating profit before amortization and other operating expenses

### **EBITA-margin (%)**

Operating profit before amortization and other operating expenses as a percentage of total revenue

### **EBIT**

Operating profit

### **EBIT-margin (%)**

EBIT as a percentage of total revenue

### **Net income margin (%)**

Profit after tax as a percentage of total revenue

### **Solvency (%)**

Equity (equity and untaxed reserves minus deduction for deferred tax) calculated as a percentage of total assets

### **Interest-bearing net debt**

Interest-bearing debt including financial leasing minus cash

### **Earnings per share**

Net income for the period in relation to the average number of shares during the period

### **Equity per share**

Equity in relation to the number of shares at the end of the period

### **Organic Growth**

Change in net sales during the current period, excluding acquisitions and exchange rate effects, in relation to the net sales corresponding period of the previous year. The acquisitions are included in organic net sales after a period of twelve months

### **Proforma revenue**

The operation's net sales and acquired companies' net sales during the same period

### **Operational Gross Margin**

Gross margin excluding items affecting comparability

### **Operational Gross Margin (%)**

Op. Gross profit as a percentage of total revenue

### **Operational EBITDA**

EBITDA excluding items affecting comparability. The measure is relevant for showing the Group's results generated by operating activities

### **Operational EBITDA-margin (%)**

Op. EBITDA as a percentage of total revenue

### **Operational EBITA**

EBITA excluding items affecting comparability. The measure is relevant for showing the Group's results generated by operating activities

### **Operational EBIT-margin (%)**

Op. EBIT as a percentage of total revenue

### **Items affecting comparability**

Items affecting comparability refer to events and transactions whose earnings effects are important to pay attention to when the period's earnings are compared with previous periods and include; amortization of acquisition-related intangible assets, cost of goods that arose as a technical accounting consequence of allocation of acquisition purchase consideration and acquisition costs. Acquisition costs does mainly include legal expences, warranty insurance and tax consultations. Items affecting comparability are a designation of items which excluded show the Group's earnings excluding items which by their nature are not recurring as part of current operations. In addition, peer comp analysis of companies that do not make acquisitions is facilitated, at the same time as analysis and assessment of acquisition objects becomes clearer and more transparent as their EBIT contribution coincides with the actual contribution to the Group after consolidation. At the same time, it is important to note that the effect of the acquisitions is reflected in the Group's capital structure and net debt in accordance with accepted accounting principles.



## Consolidated Operational KPI's

|   | 2022             | 2021           |
|---|------------------|----------------|
| Total revenue   | 1 834 319        | 773 208        |
| <b>Operational gross profit</b>                           | <b>1 056 201</b> | <b>431 934</b> |
| <i>Operational gross margin</i>                           | 57.6%            | 55.9%          |
| Accounting adjustment of acquired inventory to fair value | 35 765           | 43 295         |
| <b>Gross profit</b>                                       | <b>1 020 436</b> | <b>388 639</b> |
| <i>Gross margin</i>                                       | 55.6%            | 50.3%          |
| <b>Operational EBITDA</b>                                 | <b>430 535</b>   | <b>190 245</b> |
| <i>Operational EBITDA-margin</i>                          | 23.5%            | 24.6%          |
| Acquisition costs   | 14 037           | 17 241         |
| Accounting adjustment of acquired inventory to fair value | 35 765           | 43 295         |
| <b>EBITDA</b>   | <b>380 733</b>   | <b>129 709</b> |
| <i>EBITDA margin</i>                                      | 20.8%            | 16.8%          |
| <b>Operational EBITA</b>                                  | <b>367 083</b>   | <b>171 924</b> |
| <i>Operational EBITA-margin</i>                           | 20.0%            | 22.2%          |
| Acquisition costs   | 14 037           | 17 241         |
| Accounting adjustment of acquired inventory to fair value | 35 765           | 43 295         |
| <b>EBITA</b>  | <b>317 281</b>   | <b>111 388</b> |
| <i>EBITA margin</i>                                       | 17.3%            | 14.4%          |
| <b>Operational EBIT</b>                                   | <b>373 831</b>   | <b>178 678</b> |
| <i>Operational EBIT-margin</i>                            | 20.4%            | 23.1%          |
| Acquisitions costs  | 14 037           | 17 241         |
| Accounting adjustment of acquired inventory to fair value | 35 765           | 43 295         |
| Depreciation of acquisition-related intangible assets     | 204 058          | 53 587         |
| <b>EBIT</b>   | <b>119 970</b>   | <b>64 555</b>  |
| <i>EBIT margin</i>  | 6.5%             | 8.3%           |

Management report

Group - financial reports

Parent company - financial reports

Notes

Audit report

## NOTE 41 Approval of the annual financial report and consolidated accounts

The Annual financial report and consolidated accounts for the financial year ended December 31<sup>st</sup>, 2022 (including comparative figures) was approved by the Board on April 6<sup>th</sup>, 2023.

Malmö April 6<sup>th</sup>, 2023

Håkan Lagerberg  
**CEO**

Håkan Svanberg  
**Chairman of the Board**

Johan Bergdahl  
**Board Member**

Sara Brandt  
**Board Member**

Thomas Eklund  
**Board Member**

Jean-Yves Parisot  
**Board Member**

Ulrika Valassi  
**Board Member**

Our audit report has been submitted

Grant Thornton Sweden AB  
Petter Rankell  
Authorized public accountant



# Auditor's report



N.B. The English text is a translation of the official version in Swedish. In the event of any conflict between the Swedish and English version, the Swedish shall prevail.

To the general meeting of the shareholders of Swedencare AB (publ) (publ.)

Corporate identity number 556470 - 3790

Report on the annual accounts and consolidated accounts

## Opinions

We have audited the annual accounts and consolidated accounts of Swedencare AB (publ) (publ.) for the year 2022.

The annual accounts and consolidated accounts of the company are included on pages 56-126 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of 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 Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1 - 55. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

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

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

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

## Auditor's responsibility

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

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

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



required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

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

Report on other legal and regulatory requirements

## Opinions

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

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

A separate list of loans and collateral has been prepared in accordance with the provisions of the Companies Act.

## Basis for Opinions

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

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

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

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

## Auditor's responsibility

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

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

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

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism 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 the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Malmö, according to the date indicated by the electronic signature.

**Grant Thornton Sweden AB**

Petter Sebastian Rankell  
Authorised Public Accountant



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