Annual Report

Karnell Group AB (publ)

2024

Karnell.

Innehåll

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"We are building a group of leading industrial technology companies equipped for the future."

About Karnell

Karnell is an active and long-term owner of industrial technology companies.

The company's business concept is to identify and invest in industrial technology companies where Karnell assesses that there is development potential and thus the opportunity for value development with Karnell as a long-term owner.

Karnell applies a decentralized governance model where the Group companies have a great deal of responsibility and freedom to make important business decisions locally, close to their customers.

Product companies

The Product companies business area consists of companies that base their operations wholly or predominantly on proprietary products, which may include various rights such as trademarks, patents, etcetera.

Niche production

The Niche production business area consists of niched manufacturers with a higher degree of specialization within their expertise of manufacturing smaller product series, often in close dialogue with their customers with a clear niche and market position.

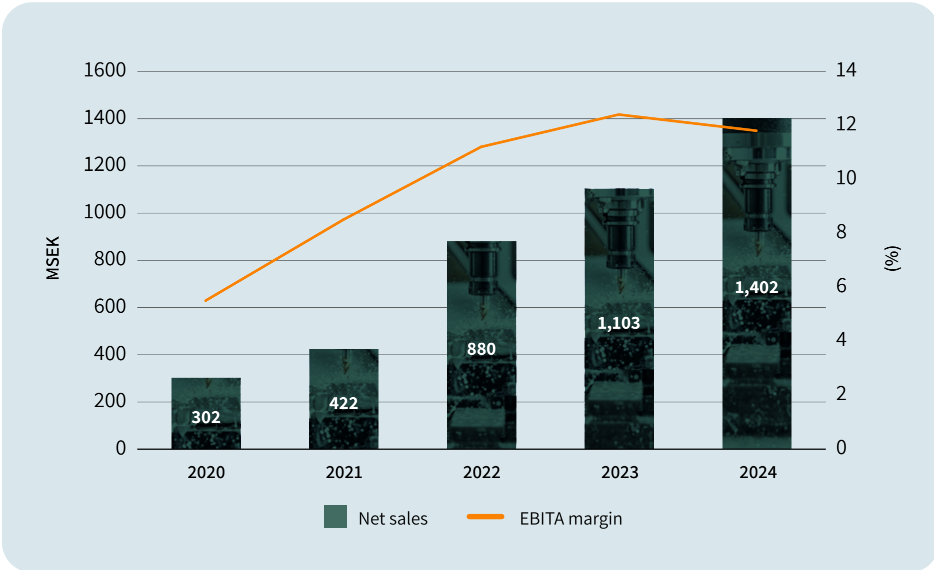
Summary of the year

- On March 22, Karnell's class B shares started trading on Nasdaq Stockholm. There was great interest in the listing among both institutional investors and private individuals
- During the year, four platform acquisitions and one add-on acquisition were completed. The acquired companies were Sähkö-Jokinen Oy, Ojop Sweden AB, NE Engineering LTD, Haco Tellus AB and Svenska Maskinskyltfabriken AB
- Net sales increased by 27.1% to SEK 1,402.3 million (1,103.3) and EBITA increased by 21.4% to SEK 165.8 million (136.7)
- Debt is at a low level and the Group's net debt at the end of the financial year amounted to SEK 174.0 million and Net debt/EBITDA (adjusted for IFRS16 leasing) amounted to 0.9

KEY FIGURES

MSEK	2024	2023
Net sales	1,402.3	1,103.3
Net sales growth, %	27.1%	25.4%
EBITA	165.8	136.7
EBITA margin, %	11.8%	12.4%
EBITA growth, %	21.4%	39.2%
Operating profit (EBIT)	150.7	132.6
EBIT margin, %	10.7%	12.0%
Earnings per share, diluted (SEK)	1.49	1.81
Net debt excl. leasing/ EBITDA excl. leasing	0.9	1.2
Cash flow from operating activities	174.1	132.7
Return on Equity	8.0%	11.3%
Return on Capital Employed	12.5%	13.7%
Average number of employees	665	535

NET SALES AND EBITA MARGIN



Comments from CEO Petter Moldenius

A year of growth, strategic expansion, and strengthened market position
2024 has been a pivotal year for Karnell, defined by strong revenue growth, strategic acquisitions, and continued portfolio development. In March, we completed our IPO on Nasdaq Stockholm, marking a major milestone in Karnell's journey.

Despite a dynamic macroeconomic environment, we executed on our strategy, expanding both organically and through acquisitions. Net sales grew by 27.1 percent to SEK 1,402.3 million, with organic growth of 3.6 percent and EBITA increasing by 21.4 percent to SEK 165.8 million. While market conditions varied across segments, we maintained a strong cash flow, positioning us well for continued expansion.

Profitable growth in a changing market
One of Karnell's key strengths is our decentralized structure, which allows our companies to operate independently while benefiting from the financial strength, expertise, and strategic support of the Karnell Group. We continuously refine our operating model to ensure that our companies are well-positioned to balance growth, efficiency, and profitability.

Karnell's growth in 2024 was driven by both strategic acquisitions and organic performance. Our Product companies segment saw strong revenue growth of 36.6 percent, supported by acquisitions and organic growth of 12.1 percent. Most of the companies within the segment performed in line with expectations.

The Niche manufacturing segment encountered a more challenging market environment, with organic sales slightly down and EBITA declining organically. The decline in EBITA is mostly due to end customers with CAPEX-related products who are facing tougher markets. While margin compression affected certain areas, we also observed early positive trends, indicating a potentially stronger market ahead.

Strengthened our team to support growth
To accelerate our strategy and enhance our ability to identify and execute new opportunities, we have expanded our team with investment directors in Helsinki, London, and Stockholm. Each of them brings unique strengths across business development, finance, and operational support, but their key focus is to drive a more proactive and systematic approach to deal sourcing.

These additions strengthen Karnell's ability to identify high-quality niche industrial companies, ensuring that we not only maintain our disciplined acquisition strategy but also actively pursue the best opportunities in our core markets. At the same time, their expertise enhances our ability to support and develop our existing portfolio companies, reinforcing Karnell's long-term competitiveness.

Strategic acquisitions to build a stronger Karnell
M&A remains a core pillar of Karnell's strategy. In 2024, we completed four acquisitions and one add-on acquisition, further strengthening our position in industrial technology.

Historically, four acquisitions per year would have been a strong pace—but given our position as a listed company and our expanded team, this should now be viewed as our new minimum target. In some years, we hope to exceed this number.

While our base remains in the Nordics, we are actively expanding outside of the Nordics. With two companies now in the UK and a strong pipeline, we will continue to grow our presence in this market.

Additionally, we have started looking at other European markets, especially Northern Italy, a region rich in family-driven, small industrial technology companies—an environment where our decentralized model and long-term ownership approach should work well. We recognize the importance of diversification. We do not want to become overly reliant on a few markets, and broadening our geographic footprint will enhance Karnell's long-term resilience.

A strong foundation for 2025 and beyond
As we enter 2025, we do so with a solid financial foundation, a clear strategic focus, and a strengthened team. Our financial position remains strong, with low leverage and strong cash flows. We continue to invest in our companies, ensuring they have the resources and capabilities to grow sustainably while strengthening our organization with new hires to enhance deal sourcing and operational support.

Expanding beyond the Nordics remains a key priority, with a growing presence in the UK and a strategic focus on Northern Italy. While market conditions remain dynamic, we are confident that our disciplined acquisition strategy, operational expertise, and financial stability will position Karnell for continued success.

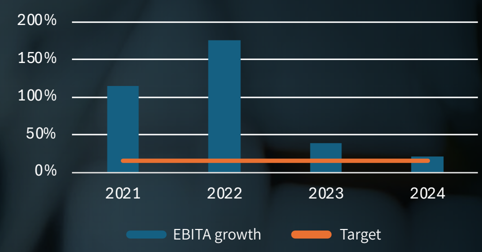
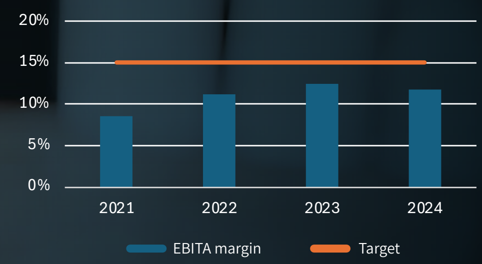
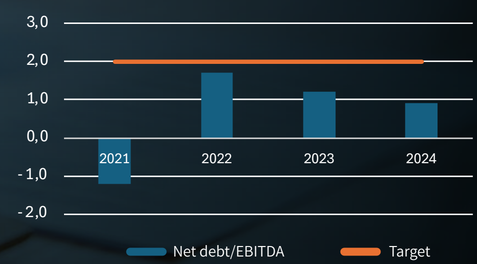
I want to extend my sincere gratitude to our employees, customers, and shareholders. Your dedication, trust, and support drive Karnell forward.

I look forward to another year of progress, growth, and value creation.

Petter Moldenius | CEO

Financial targets

Karnell's financial targets are set to help create long-term and sustainable profitable growth by acquiring and developing profitable businesses.

TARGET	OUTCOME 2024	HISTORY
EBITA growth Average annual EBITA growth should amount to at least 15% over a business cycle. Growth will be achieved both organically and through acquisitions.	EBITA growth amounted to 21.4%, of which -11.1% was organic growth.	
EBITA margin The EBITA margin shall amount to at least 15% in the medium term.	The EBITA margin for the year was 11.8%. The EBITA margin has been increasing in recent years. In 2024 the Group had unusually high costs both related to the IPO but also related to acquisitions, which had a negative impact on the margin.	
Net debt/EBITDA Net debt excl. leasing/EBITDA excl. leasing should normally not exceed 2x. The ratio may temporarily exceed this level in connection with acquisitions.	The debt/equity ratio was 0.9 as of the closing date.	

DIVIDEND

Karnell's earnings and available cash flows will be reinvested in the business in the short term and will mainly be used for expansion through new acquisitions. In the medium term (3-5 years), Karnell intends to distribute 20-30 percent of the year's profit.

Karnell is an active and long-term owner of industrial technology product owning and niche manufacturing companies.

The company's business concept is to identify and acquire businesses with a strong financial profile, good profitability, stable cash flows and significant development potential through a systematic and proactive acquisition strategy.

Business description

Karnell applies a decentralized governance model where the Group companies have a great deal of responsibility and freedom to make important business decisions locally, close to their customers. The model promotes efficiency, customer focus and flexibility, while Karnell provides strategic support and financial resources to further develop the businesses.

Karnell currently consists of fifteen directly owned Group companies, including subsidiaries, divided into two distinct business areas:

Product companies

Businesses that mainly base their business on in-house developed products. These companies may hold different types of rights such as trademarks and patents.

Niche production

Manufacturers with a high degree of specialization in their area of expertise, often in close dialogue with their customers. The production is usually smaller series with a clear niche and market position.

Strategy and acquisitions

Karnell's strategy is based on two main areas:

Expansion through selective acquisitions

Karnell works systematically and proactively to identify and acquire unlisted industrial technology businesses that meet the company's acquisition criteria:

- Companies with sales between SEK 50 and 350 million
- Stable financial history and good profitability with an EBITA above SEK 10 million and an EBITA margin above 10 percent
- Clear competitive advantages, such as high barriers to entry, good customer relationships or technological innovation
- The acquisitions are made both as platform acquisitions (new Group companies) and add-on acquisitions to strengthen existing companies. Karnell's proactive acquisition process enables early dialogue with entrepreneurs and owners, which creates the conditions for long-term and value-creating acquisitions.

Development of existing group companies

Karnell works actively to support and develop the Group companies. The support focuses on:

- Growth initiatives, such as geographic expansion and new markets
- Completion of complementary acquisitions
- Product development and launch strategies
- Streamlining processes and cost optimization

Each Group company is run as an independent unit under its own brand and management, while Karnell contributes with industrial expertise, strategic advice and financial resources.

In addition to the financial parameters, Karnell has developed the following acquisition criteria.

KARNELL'S ACQUISITION CRITERIA

Segment and market position

Karnell focuses on B2B businesses in industrial technology, with the possibility of being placed in one of the two business areas: Product companies or Niche production. The businesses must have long-term competitive advantages such as high barriers to entry, established customer relationships or innovative products with technical excellence.

Sellers of companies

Karnell prefers to acquire entrepreneurial and family-run companies where the founder has the ambition to continue in an active role during a transition period. This ensures a smooth transition and preserves important competencies, while this type of salesperson is often keen for the company to continue to develop.

Size and profitability

Acquisition candidates should have sales between SEK 50 and 350 million, stable profitability with an EBITA above SEK 10 million and an EBITA margin above 10 percent, preferably closer to 20 percent. Stable and positive cash flow is a prerequisite.

Competent management

The company evaluates the management's ability to execute the company's strategy. An experienced and knowledgeable management is crucial to drive the business forward. If necessary, Karnell initiates organizational changes before or after the acquisition.

Geographical location

The focus is primarily on the Nordic market, but Karnell is also evaluating acquisitions outside the Nordic region, primarily in the UK and northern Italy, when operations meet the company's acquisition criteria and strategic direction.

Financial and operational stability

Karnell acquires companies with stable and predictable sales, low cyclical sensitivity and the possibility of future reinvestments.

MARKET AND GEOGRAPHICAL EXPANSION

Karnell is currently primarily active in the Nordic region but has expanded through acquisitions in the UK in 2023 and 2024. Going forward, the company sees opportunities to continue acquisitions in other parts of Europe, especially the UK and northern Italy, where businesses with proven business models can fit into Karnell's strategy.

The sales of the Group companies are not exclusively within the Nordics. Several companies have a significant international presence, which creates further potential for growth.

LONG-TERM OWNERSHIP AND PARTNERSHIP

Karnell's goal is to be an attractive and reliable owner partner with an eternal ownership horizon. By combining industrial experience with financial strength, Karnell strengthens the competitiveness of its operations and creates the conditions for sustainable growth.

The partnership with the management of the Group companies is based on joint incentives and co-ownership. This creates long-term motivation and a strong common drive to develop the companies.

Sustainability and core values

Sustainability is an integral part of Karnell's strategy and work. The Company has three central core values:

Business areas

OVERVIEW OF THE GROUP COMPANIES

Through defined business areas and investment criteria, Karnell has delimited the type of companies that Karnell focuses its operations on, which in turn means that Karnell has a good understanding of the businesses that are acquired and refined. Karnell can thus provide knowledge of both ownership and operational expertise and thereby becomes an owner partner to the Group companies. With industrial technology companies as a starting point, Karnell has divided its operations into two business areas: (i) Product companies and (ii) Niche production.

Both business areas include small and medium-sized industrial technology companies where the end-customer offering is aimed at corporate customers (B2B). Companies in, for example, service, distribution and consulting thus fall outside Karnell's focus areas as these are considered to be relatively person-dependent and difficult to scale up to a sufficient extent. Instead, Karnell has chosen to focus primarily on industrial product companies with their own production, a stable financial profile with good margins and operating in markets with high barriers to entry. Furthermore, Karnell focuses on companies that sell products with low unit costs in the form of input and consumables rather than capital-intensive capital goods.

The Group companies conduct their business independently and, in some cases, have additional subsidiaries that have been acquired in order to strengthen the customer offering. The Group companies' head offices are located in Sweden, Finland and the United Kingdom.

Business area

Product companies

The Product Companies business area comprises nine directly owned Group companies that wholly or predominantly base their operations on proprietary products, which may also include various rights such as trademarks, patents, etc. The companies' product offerings are characterized by well-developed product solutions that create a strong identity and loyal customers.

Net sales 2024 (MSEK)	Share of Group sales
678.5	48%
EBITA 2024 (MSEK)	**EBITA margin**
95.9	14.1%

Business area

Niche production

The Niche Production business area comprises six directly owned Group companies. The business area consists of manufacturing companies with a high degree of specialization in their expertise that manufacture smaller product series, often in close dialogue with customers. Unlike manufacturing product ownership companies, which benefit from economies of scale and high production volumes, niche manufacturing companies focus on expertise in a specific area (niche) and can thus create value for the end customer. This is considered to enable long-term and good customer relationships and thus also a resilience to competition.

Net sales 2024 (MSEK)	Share of Group sales
723.8	52%
EBITA 2024 (MSEK)	**EBITA margin**
113.6	15.7%

The most important events of the year

JANUARY

The acquisition of the Finnish company Sähkö-Jokinen was completed. In connection with the acquisition, a directed share issue was made to the previous owners, which provided the Group with SEK 16.8 million.

JANUARY

An add-on acquisition was carried out when the Niche producer Tekniseri acquired AB Svenska Maskinskiltfabriken.

MARCH

Karnell's share was listed on Nasdaq Stockholm. In connection with the IPO, new shares were issued with proceeds of SEK 232.9 million after issue costs.

APRIL

In April, the over-allotment option issued in connection with the IPO was exercised and Karnell received SEK 37.5 million.

MAY

Karnell slutför förvärvet av Ojop Sweden AB.

JULY

NE Engineering, Karnell's second company in the UK, was acquired.

AUGUST

The sister companies Haco Tellus and Haco Rehabservice were acquired.

The Karnell share

SHARES AND SHARE CAPITAL

Karnell's Class B shares have been traded on Nasdaq Stockholm since March 22, 2024, under the ticker KARNEL B. At the end of 2024, Karnell's share capital amounted to SEK 5,292,099.2, divided into 6,180,520 Class A shares and 46,740,472 class B shares. Each class A share carries ten votes, and each class B share carries one vote.

TRADING

In 2024, a total of 16,299,081 shares were traded. On average, 84,088.5 shares were traded per day, corresponding to an average trading day turnover of SEK 3,874,675.

AUTHORIZATION TO ISSUE NEW SHARES

The 2024 annual general meeting resolved to authorize the board of directors to, on one or more occasions prior to the next annual general meeting, resolve on a new issue of class b shares corresponding to a maximum of 10 percent of the number of outstanding shares per the annual general meeting. Issues may be made with or without preferential rights for the shareholders. The purpose of the authorization, and the reason for any deviation from the shareholders' preferential rights, is to be able to finance and/or implement the company's acquisition strategy in a flexible and efficient manner.

DIVIDEND POLICY

Karnell intends to distribute 20-30 percent of the year's profit in the medium term. In the short term, Karnell intends to reinvest earnings and available cash flows in the business and mainly for expansion through new acquisitions. The board of directors therefore proposes no dividend for 2024.

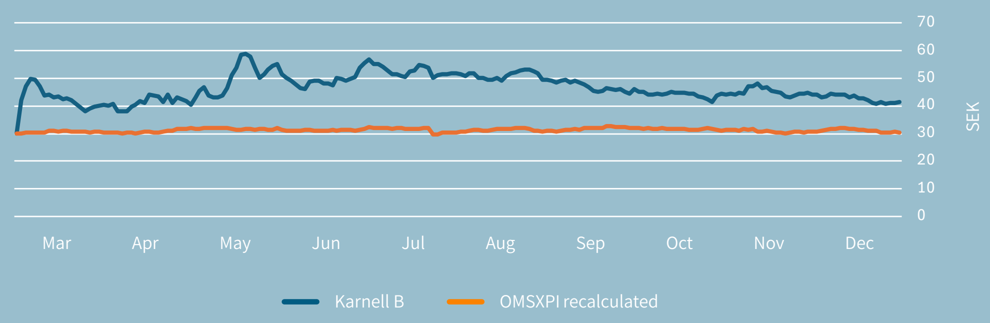
OWNERSHIP

At the end of 2024, the number of shareholders in karnell was 7,744 and the 10 largest shareholders owned 54.0 percent of the capital and 69.3 percent of the votes.

LARGEST SHAREHOLDERS IN KARNELL AS OF 31 DECEMBER 2024

Name	Karnell A	Karnell B	Capital	Votes
Östersjöstiftelsen		5,353,256	10.12%	4.93%
Capital Group		3,739,000	7.07%	3.44%
Handelsbanken Funds		3,142,829	5.94%	2.90%
Borgviks Bruk AB	2,615,480	453,526	5.80%	24.51%
Pari Norway AS	2,615,480	453,523	5.80%	24.51%
Swedbank Robur Funds		2,600,000	4.91%	2.40%
Adam Gerge (AEMG Capital)		2,350,000	4.44%	2.16%
Bergan Invest AB		1,884,670	3.51%	1.51%
Äspenäs Invest AB		1,820,120	3.39%	1.46%
Stiftelsen Djursjukvård i Stor-Stockholm		1,575,180	2.98%	1.45%
Total 10 largest shareholders	**5,230,960**	**23,372,104**	**53.96%**	**69.27%**
Other	949,560	23,368,368	46.04%	30.73%
Total number of shares	**6,180,520**	**46,740,472**		

PRICE DEVELOPMENT IN 2024



Sustainability report

GENERAL INFORMATION

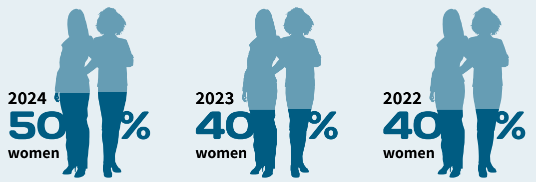
General basis for the preparation of the report

The Sustainability Report has been prepared on a consolidated basis, with the same scope of consolidation as the financial statements. The Group companies that, together with the Parent company Karnell Group AB (publ) (559043-3214), make up the Karnell Group as of 2024-12-31 are Tekniseri Nordic AB (559096-6163), Autori group AB (559124-1087), Simfas Sweden AB (556523-0652), Re-board Group AB (559230-0577), Vebe Teknik AB (556258-0844), KL Mechanics Group Oy (3232462-4), Rotomon Holding Oy (3250534-5), Drivex AB (556491-4587), Timeka Finland Oy (3304723-5), Vagnsteknik i Karlshamn AB (556682-1343), Plalite Ltd (00936082), Sähkö-Jokinen Oy (0511709-9), Ojop Sweden AB (556214-0755), Haco Tellus AB (556204-5194) and NE Engineering Ltd (13404454).

Role of administrative, management and supervisory bodies

Karnell is a Swedish public company based in Stockholm. Our corporate governance is based on Swedish law as well as rules and recommendations from relevant self-regulatory bodies, such as the Swedish Code of Corporate Governance. In Karnell, governance, management and control are distributed between the shareholders, the Board of Directors, the CEO and Group Management in accordance with applicable laws, rules and instructions.

GENDER DISTRIBUTION OF THE BOARD OF DIRECTORS



The Board of Directors consists of six members elected by the Annual General Meeting. All have been elected for a term of office that extends until the 2025 Annual General Meeting. Five of these members are non-executive. 67% of the Board members are independent in relation to Karnell and Group Management and in relation to major shareholders. The Group has no staff representative on the board.

Experience of the Board of Directors and Group Management

The Board members together have extensive expertise in private equity, strategy consulting, operational management, industrial operations, M&A, ECM and strategic investments. They have held senior positions across multiple sectors, including engineering, telecom, industrials, finance, and marketing, with experience from both listed and unlisted environments. The Board's experience spans international markets, with significant exposure to the Nordic region, particularly Sweden and Finland.

Similarly, the Group Management, including the CEO and CFO, contribute with professional expertise that complements the Board's experience. With backgrounds in roles such as CEO, M&A manager, group accounting manager, Finance manager and CFO, they possess strong competencies in technology-focused investments, financial management and corporate finance. Their experience spans both Sweden and international markets, with a particular focus on investment companies and finance-related roles.

Responsibility for the Group's sustainability work

At Karnell, responsibility for the Group's sustainability is divided between several roles: the Group CEO, the Board of Directors of each Group company and the CEO of each Group company.

Karnell's CEO has the ultimate responsibility for monitoring the Group's overall sustainability work, ensuring that sustainability work is effectively coordinated and in line with the Group's overall sustainability goals. The CEO sets the direction and maintains focus on achieving the Group's sustainability goals.

Within each Group company, the Board of Directors is responsible for implementing Karnell's ESG policy and for defining sustainability targets that are relevant, ambitious and in line with the Group company's business strategy. They are also responsible for annually reviewing and discussing the company's sustainability progress. As effective sustainability practices can drive business growth, it is critical that our companies integrate these efforts into their business and market strategies, ensuring clear communication to customers and stakeholders in the market.

The CEO of each group company is responsible for ensuring the implementation of sustainability initiatives within their company. Sustainability is considered as important as other strategic priorities and must be integrated into the company's day-to-day operations and long-term planning.

Each Group company reports its progress in sustainability to Karnell's CEO on an annual basis. This ensures that the companies' sustainability initiatives are regularly reviewed, and that constructive feedback is given to the Board of Directors of each Group company. To ensure responsibility, the sustainability performance of each Group company is measured annually through data collected for the Group's Sustainability Report. The metrics used to assess performance were first developed in collaboration with an external consultant in 2022 and updated in 2024.

Sustainability-related expertise and skills

At Karnell, sustainability-related expertise is distributed throughout the organization. Our Board of Directors, Group Management (consisting of the Group CEO and CFO), the Boards of Directors of each Group company and the CEOs of each Group company jointly contribute various areas of expertise, including company-specific strategy, governance and operational leadership. This expertise is further enhanced by our collaboration with an external consultant who specializes in ESG, strengthening our ability to consolidate and analyze ESG data while staying up-to-date on changing regulations and practices. Since its inception in 2021, the collaboration has strengthened our decision-making and further integrated sustainability into our business strategy as well as in the management of risks and opportunities, both at Group level and within individual Group companies.

About Karnell

Karnell is a committed long-term investor in industrial technology companies and is actively involved in their business. We focus on small to medium-sized private companies with promising growth opportunities in the industrial technology sector. At the end of 2024, our portfolio consists of 15 companies.

Our market segments

Our companies are divided into two business areas: Product companies and Niche production.

The **Product companies** business area includes companies that wholly or predominantly base their operations on proprietary products, which may include various rights such as trademarks, patents, etc. The companies' product offerings are characterized by well-developed product solutions that create a strong identity and loyal customers. Karnell has limited its investment focus to product owning companies in hardware.

The **Niche Production** business area includes manufacturing companies with a high degree of specialization in their expertise that produce smaller product series, often in close dialogue with customers. The companies focus on expertise in a specific area (niche) and can thus create value for the end customer.

The table below lists our companies, categorized by Product Company and Niche Production.

Year of acquisition	Product companies	Niche production
2017	• Autori	• Tekniseri
2019		• Simfas
2020	• Vebe and • Re-board	
2021		• KL Mechanics
2022	• Rotomon • Drivex	• Timeka
2023	• Vagnsteknik i Karlshamn (K-vagnen)	• Plalite
2024	• Sähkö-Jokinen • Ojop • Haco Tellus	• NE Engineering

Our products

Our companies manufacture a wide range of industrial products, which include both end products and components. Each company has a unique business, which contributes to the diversity of our product offering. Key products and services within our business areas include:

Products within Product companies	Products in Niche production
• Automatic sack filling systems • Paper-based board materials • Outdoor Lighting Products • Drainage products, cable protection and waste tanks • Tools for wheel loaders and tractors • Trailers for landscaping • Industrial wheels, roller conveyors, transport and moving aids • Eccentric locks, trailer locks and quick couplings for batteries • Infrastructure maintenance management system	• Industrial printing on plastics and metals • Fillers, adhesives and sealants • Small and complex components for demanding environments • Machine parts • Components used in various measuring instruments • Aerospace and High-Performance Vehicle Components

Our customers and end users

Karnell's products are mainly available in the Nordic market, while some also have a global reach. We mainly sell our products B2B (Business-to-Business), where the end users are companies and their employees, rather than private individuals. The products are used in a variety of industries, including machinery manufacturing, infrastructure (construction and excavation), real estate, agriculture, hardware, chemicals, printing, painting, landscaping, aviation, motorsports, medical, transportation, underwater telecommunications, and security.

Karnell's strategy

Karnell's strategy emphasizes the importance of each Group company establishing a clear and ambitious growth plan. This can involve initiatives such as launching new products, expanding into new geographic markets, acquiring additional customers, or conducting selective add-on acquisitions. By working under a decentralized model, each company develops and executes its own business plan and agenda. The Parent Company supports these efforts by offering strategic guidance, leveraging a broad network to promote long-term value creation, and facilitating access to additional capital to enable growth when needed.

Our strategy is driven by strong governance, risk reduction and resource optimization, where short-term performance is balanced with long-term value creation. To support this, ESG considerations are central to our strategy and are systematically included in all our decision-making processes. Several elements of our strategy relate to and influence ESG aspects:

- **Environment:** Our operations have an impact on climate change and the transition to a circular economy, for example through our production, choice of materials and energy use. Therefore, we are committed to reducing our carbon footprint, especially within our own operations, maximizing the use of recyclable inputs and working on resource efficiency in our production processes.

- **Social and governance issues:** We understand the important impact we have on our employees' work environment and well-being and strive to create a positive and developing workplace where everyone feels valued and motivated. In addition, as a company that relies on inputs and suppliers to produce and sell our own products, we see the importance of promoting good environmental and labor practices as well as business ethics, not least in our own operations, but also upstream in our value chain. This includes maintaining strong governance both within our own operations and at our suppliers.

Karnell's business models

Karnell is a decentralized group where each Group company has a unique business model.

The parent company's business model is dependent on inputs such as capital, market expertise and a carefully selected portfolio of companies. The primary output is the financial returns generated for investors. Through responsible capital allocation and strategic decisions, this business model creates long-term value by promoting and supporting responsible business practices within our portfolio. We focus on driving innovation while strengthening the companies we invest in to achieve sustainable growth and competitive advantage. Through these actions, this business model plays an important role in the overall economy, where the positive effects extend beyond financial returns and contribute to societal well-being and long-term development.

The Group companies have unique business models but have in common that they are manufacturing units. It is in the Group companies that we have identified our greatest impacts, risks and opportunities linked to sustainability issues. The common features of the Group companies' business models are described below.

Inputs: what we need

Purchased goods are crucial to our companies' operations. The majority of our purchased goods consist of inputs such as steel, aluminum, plastic and paper, including components and parts made from these materials. In addition to plastic, paper (cardboard) is mainly used as a packaging material.

Outputs: what we offer in the market

Our companies manufacture industrial products, both finished products and components. See page 15 for more information.

Value creation: the value we create

By purchasing our products, our customers and end-users gain access to solutions that create value for their business in different ways. Our finished products, such as machinery, help streamline operational processes, while our components, including machine parts, drainage pipes, and paper-based board materials, support our customers' production of high-quality goods. In conclusion, our products enable companies to optimize their manufacturing processes or serve as essential components of the finished products they sell.

01

INPUTS

Purchased goods consisting of inputs, such as steel, aluminum, plastics and paper, including components and parts made of these materials.

02

OUTPUTS

Our companies manufacture industrial products, both end products and components.

03

VALUE

Our finished products help streamline operational processes, while our components support our customers' production of high-quality goods.

KARNELL'S VALUE CHAIN

In 2024, we began mapping our value chain. This is a complex and challenging process, but we are committed to improving our understanding of the value chain in terms of its impact, as well as the risks and opportunities associated with it. By identifying and analyzing these factors, we can make more informed decisions and reduce business risks. The main aspects of our value chain are described below.

01. Raw materials

Extraction of raw materials such as iron ore, bauxite ore, crude oil and wood

02. Production

External production and processing of purchased goods

03. Transportation

Purchased goods are transported to our production facilities

04. Manufacturing

Our companies manufacture industrial end products and components

05. Logistics & Production

Transport and distribution from our production facilities and warehouses to customers

06. Customers & End Users

We sell b2b, directly and through distributors and retailers

07. Final handling

The majority of our products are designed to be recyclable, sold consumables are incinerated

Our upstream value chain

As Karnell consists of manufacturing companies, the goods included in our products and their related activities are central to our upstream value chain. Therefore, our upstream value chain includes activities and operators involved in the extraction, processing/production and transport of purchased goods to our production facilities.

We maintain direct relationships with our first-tier suppliers, which include input manufacturers, transportation providers, and electrical, heat, water, and waste management service providers – all of whom are critical to the operation of our production facilities, warehouses, and offices. We have no direct contact with suppliers further down the value chain, such as those involved in raw material extraction. Although most of our largest suppliers (based on purchase volume and spending) are located in the Nordics, our supplier network is global and spans Europe, Asia, North America and other regions.

The products that account for the majority of the Group's total purchased goods include steel, aluminum, plastics, and paper, along with components and parts made from these materials. Key raw materials for these products are iron ore (for steel), bauxite ore (for aluminum), crude oil (for plastics), and wood (for paper). Our products consist of, for example, iron ore from Sweden, bauxite from Romania, crude oil from Qatar, Saudi Arabia and Yemen, as well as wood from Sweden, Finland and Germany. However, due to the complexity of the global supply chain, some raw materials may originate from countries other than those mentioned above. We are committed to improving our understanding of the origin of raw materials in our supply chain in the coming years.

Our business

Our companies manufacture industrial end products and components (see page 15 for more information). Our production facilities, warehouses and offices are located in Sweden, Finland, Norway, the UK and China, with the majority of our operations based in Sweden and Finland.

Average number of employees per geographical area

Geographical area	Average number of employees
Finland	382
Sweden	201
United Kingdom	49
China	31
Norway	3

Our downstream value chain

We sell our products B2B, both directly and through distributors and retailers. End users – companies and their employees – integrate our components into their manufacturing processes or use our end products in their operations. As a result, our downstream value chain includes activities and operators involved in the transportation and distribution of goods sold to our customers and end-users, the use of these products, and their end-of-life management.

We maintain direct relationships with our customers and, in some cases, with transportation providers for our products sold. We also engage directly with end-user customers. However, we have no direct relationships with end users further down the value chain after sales to distributors or retailers, nor with companies involved in the handling of the final handling of our sold products. Our products are available in the Nordic market, and some also reach a global audience, reflecting the geographical location of our customers, end-users and other downstream operators.

Karnell's ESG policy

Karnell prioritizes sustainability throughout our ownership, with the goal of building resilient companies that can navigate future challenges and seize opportunities. Our strategy integrates environmental, social and governance (ESG) factors into investment decisions and operational practices. This includes setting clear ESG standards and expectations for our group companies. To ensure compliance with applicable laws and regulations, and to maintain the effectiveness of the Group's values and working methods within the organization, we have developed a Group-wide ESG policy that applies to all entities within the Group.

Karnell's CEO is responsible for the overall implementation of and compliance with the policy. The Boards of Directors of the group companies are responsible for ensuring that the policy is implemented in each company. The implementation of the policy is monitored annually through data collected for the Group's Sustainability Report. To ensure that the ESG policy remains relevant and up to date, it is reviewed annually by the Board of Directors. Our ESG policy covers various frameworks and policy areas described below.

Investment process framework

The investment process framework applies only to the parent company, as it relates to Karnell's investment process. The purpose of the framework is to define acceptable investments and ensure that we avoid companies involved in the manufacture of weapons, betting and gambling, alcohol and drugs, fossil fuels or illegal activities. The framework also emphasizes the importance of understanding how sustainability-related business risks and opportunities are managed through the value chain of a potential acquisition during the due diligence process. Therefore, all potential acquisitions are examined using several ESG criteria during this process. The results of the investigation are then reported in the investment recommendation, which is presented to the Board of Directors before an acquisition decision is made.

Framework for responsible ownership and sustainable business

The framework for responsible ownership and sustainable business applies to all units within the Group and aims to promote a holistic approach to sustainability by establishing common ESG focus areas that all units should actively work on. These focus areas cover sustainability themes such as climate change, circular economy, working conditions, human rights and business ethics – issues that are important to address with regards to impacts, risks and opportunities in our value chain.

- **Environment:** The Group's common environmental focus areas include reducing environmental impact through lower energy consumption, carbon dioxide reduction and transport optimization. Efforts will be made to replace environmentally harmful products with environmentally friendly alternatives where possible, minimize greenhouse gas emissions, maximize the use of recyclable materials and promote circular business models together with resource efficiency.

- **Social:** The Group's common social focus areas include promoting diversity and ensuring zero tolerance for discrimination, as well as ensuring fair treatment of employees and stakeholders. The Group is committed to complying with international human rights conventions, respecting employees' right to decent working conditions and striving to maintain a safe working environment that prevents work-related injuries and ill health.

- **Governance:** The Group's common governance focus areas include complying with laws and regulations in all operating regions, applying high business ethics and preventing corruption. The Group is committed to creating targeted sustainability plans that are integrated into our companies' governance models. We will maintain a clear corporate governance structure, with effective control mechanisms such as a whistleblowing service. In addition, sustainability aspects must be integrated into our companies' business plans and their follow-up processes.

Karnell's ESG goals and action plans

In 2024, we started performing a double materiality analysis in accordance with the requirements of the Corporate Sustainability Reporting Directive (CSRD) and the associated European Sustainability Reporting Standard (ESRS). Through this process, we have identified our material impact, risks and opportunities related to sustainability within our own operations, as well as along our upstream and downstream value chain. Although the double materiality analysis is still a work in progress, the preliminary results indicate that our material impact, risks and opportunities arise in relation to the following sustainability topics:

Environment	Social	Governance
• Climate change • Resource use and circular economy	• Own labor force • Workers in the value chain	• Responsible business

Below is a summary of our goals, key actions and performance indicators related to these topics. More information about our work in each specific area is presented later in this report.

ESG	Focus	Commitment	Planned measures for the Group	Action status	KPIs that are monitored annually	Target 2030
Environment	Climate change	Reduce the Group's carbon footprint and prepare for the transition to net-zero greenhouse gas emissions	Strategic plan for reducing greenhouse gas emissions	Work in progress	• Total scope 1 and 2 greenhouse gas emissions (market-based) • Scope 1 and 2 emission intensity (market-based) • Scope 1 and 2 emission intensity per employee (market-based) • Total amount of energy used in operations • Share of renewable energy used in operations	• Reduce greenhouse gas intensity in scope 1 and 2 by 40% from 2023 to 2030 (tons CO2e/MSEK net revenue) (market-based) • 100% of purchased energy is renewable (scope 2, market-based)
			Mapping of greenhouse gas emissions and energy use	Achieved		
			Klimatberäkning i enlighet med GHG-protokollet	Achieved		
	Resource use and circular economy	Contribute to a circular economy and responsible resource management	Climate calculation in accordance with the GHG Protocol	Work in progress	• Percentage of companies that have completed life cycle assessment(s) • Total waste and hazardous waste	• We plan to set targets for this area in 2025
Social	Own labor force	Protect workers' rights and promote a safe, secure and sustainable work environment for all	Maintain good social conditions and implement systems to measure social issues	Work in progress	• Turnover • Number of deaths • Number of registrable work-related accidents • Number of working days lost due to work-related accidents and deaths • Average number of training hours per year per employee • Employee engagement (through employee survey) • Gender diversity	• 98% attendance at work • High employee satisfaction Milestones: - 70% response rate for employee surveys - 90% of respondents rate their job satisfaction as high • Zero serious injuries and deaths • 100% of injuries must be reported and investigated • When hiring managers, at least 30% of candidates should be women (in the contact phase)
	Workers in the value chain	Safe ethical conditions throughout the value chain	Our Group companies implement Supplier Code of Conduct (SCoC)	Work in progress	• Number of SCoC controls, as well as a description of any identified deficiencies and measures taken	• Develop and implement a process to ensure that suppliers of critical raw materials in high-risk sectors related to raw material extraction provide adequate information and measures to manage human rights-related risks
			Follow-up and compliance of SCoC	Work in progress		
Governance	Responsible business	Foster a culture of integrity. We have zero tolerance for bribery and corruption	Training for employees	Work in progress	• Total number of whistleblower cases and actions taken • Percentage of employees who have completed training in business ethics	• No cases of corruption or bribery
			Implement whistleblower function	Achieved		

ENVIRONMENT

Climate change

Climate change mitigation policies, measures and targets

Not addressing climate issues entails both regulatory risks and reputational risks. The primary climate-related risks for the Group arise in relation to greenhouse gas emissions from operational activities, energy consumption and transports.

To mitigate these risks and steer us towards reducing our carbon footprint, the Group's ESG policy includes several key areas that our companies are expected to work on, including reduced energy consumption, transport optimization and improved resource efficiency.

Karnell has not established a formal transition plan at Group level to limit climate change. Although specific drivers for reducing greenhouse gas emissions (decarbonization levers) have not yet been determined, our companies are actively working on emission reduction in line with our ESG policy.

During the reporting year, the Group's companies have implemented several measures to reduce their climate impact in both direct (scope 1) and indirect (scope 2 and 3) emissions. Efforts include increased energy efficiency in corporate buildings through LED lighting, sensor-controlled lighting, heat pumps and improved insulation, as well as reduced and recycled waste management. Travel has been limited where possible and replaced by land-based alternatives, while electrification of machinery and transports has increased. Several companies have switched to greener electricity suppliers, evaluated suppliers and raw materials, and reduced the use of virgin materials and optimized data storage.

Going forward, the companies are planning further climate measures, such as the installation of energy-efficient equipment and lighting, centralization of logistics flows, the installation of charging stations for electric company cars, investments in more sustainable boilers and a gradual transition to HVO diesel where possible.

In relation to our climate commitment to reducing the Group's carbon footprint and prepare for the transition to net-zero greenhouse gas emissions, we have set two targets for reducing greenhouse gas emissions at Group level, which all our companies are working towards:

- Reduce greenhouse gas intensity within scope 1 and 2 by 40% from 2023 to 2030 (tons CO2e/MSEK) (market-based).
- 100% of purchased energy is renewable (scope 2, market-based) by 2030.

The target for emissions within scope 1 and 2 was previously formulated as an absolute number. This year we have updated the goal to an intensity goal.

Our energy consumption and mix

The energy data presented below includes data from the entire Group apart from one Group company (Haco Tellus). Of the companies included all our companies except the parent company and one group company operate in sectors with a high climate impact (such as manufacturing units in sector C of Annex I to Regulation (EC) No 1893/2006 of the European Parliament and of the Council, as defined in Commission Delegated Regulation (EU) 2022/1288). Data in black corresponds to data from companies that operate in sectors with a high climate impact, while data in brackets corresponds to data from companies that do not operate in sectors with a high climate impact. Market-based approach has been applied.

Energy consumption and energy mix	Unit	2023	2024
Fuel consumption from coal and coal products	MWh	46	12
Fuel consumption from crude oil and petroleum products	MWh	1,261	2,194
Fuel consumption from natural gas	MWh	0	101
Fuel consumption from other fossil sources	MWh	2,915	2,138
Consumption of purchased or acquired electricity, heat, steam and cooling from fossil sources	MWh	657	2,589
Total use of fossil energy	**MWh**	**4,879** (11)	**7,033** (133)
Share of fossil sources in total energy use	*%*	*34% (8%)*	*40% (65%)*
Use from nuclear sources	**MWh**	**567** (25)	**1,350** (0)
Share of nuclear energy sources in total energy consumption	*%*	*4% (18%)*	*8% (0%)*
Fuel consumption of renewable energy sources, including biomass (including industrial and municipal waste of biological origin, biogas, renewable hydrogen, etc.)	MWh	1,004 (0)	Item no. 353 (0)
Consumption of purchased or acquired electricity, heat, steam and cooling from renewable sources	MWh	7,781 (100)	8,661 (72)
Consumption of self-generated renewable non-fuel energy	MWh	96 (0)	6 (0)
Total use of renewable energy	**MWh**	**8,881** (100)	**9,020** (72)
Share of renewable sources in total energy use	*%*	*62% (74%)*	*52% (35%)*
Total energy use	**MWh**	**14,327** (136)	**17,403** (204)
Energy intensity per net income*	**Total energy use MWh / Total net income MSEK**	**14.42**	**13.96**
Net income	*Total net income MSEK*	*1,103***	*1,380*

* Calculated based on the total energy consumption of companies operating both in and outside sectors with a high climate impact
** Adjusted figure from the sustainability report 2023 due to incorrect figure reported

Significant changes in our total energy consumption between 2023 and 2024 are due to more companies being included in the reporting this year (14 compared to 10) and due to the fact that energy from some companies' fuel consumption was not reported in 2023. The inclusion of all fuels in 2024 increases our total use of fossil energy as our companies mainly use fossil fuels such as fossil petrol, diesel, heating oil and natural gas. The inclusion of all these fuels means that the share of renewable sources in our total energy use has decreased compared to 2023. Despite an increase in energy use in 2024, our energy intensity per MSEK net revenue has decreased by 3% from 2023.

Our climate report

Our climate accounts have been prepared according to the consolidation method operational control. Climate data has been collected from the parent company and all group companies apart from Haco Tellus. Our GHG emissions are calculated in accordance with GHG Protocol standards. We carry out full reporting for scope 1 and 2 emissions and report emissions within four scope 3 categories.

		Retroactively		
Scope 1 GHG emissions	**Unit**	**2023 (base year)**	**2024**	**% change between 2024 and 2023**
Stationary combustion	Tons CO2e	763	754	
Mobile Combustion	Tons CO2e	287	308	
Volatile emissions	Tons CO2e	22*	0	
Total Scope 1 Gross Greenhouse Gas Emissions	**Tons CO2e**	**1,071**	**1,061**	**-1%**
Percentage of scope 1 GHG emissions from regulated ETS	%	0%	0%	

		Retroactively		
Scope 2 GHG emissions	**Unit**	**2023 (base year)**	**2024**	**% change between 2024 and 2023**
Electricity (location-based)	Tons CO2e	141	550	
Heating (location-based)	Tons CO2e	0	180	
Total location-based gross greenhouse gas emissions scope 2	**Tons CO2e**	**141**	**730**	**418%**
Electricity (market-based)	Tons CO2e	420	662	
Heat (market-based)	Tons CO2e	59	133	
Total market-based gross greenhouse gas emissions scope 2	**Tons CO2e**	**479**	**796**	**66%**

		Retroactively		
Scope 3 GHG emissions	**Unit**	**2023 (base year)**	**2024**	**% change between 2024 and 2023**
1. Purchased products and services	Tons CO2e	51,158	84,861	
3. Energy and fuel-related activities	Tons CO2e	161	981	
4. Upstream transportation and distribution	Tons CO2e	968	1,701	
6. Business travel	Tons CO2e	84	110	
Total Scope 3 Gross Greenhouse Gas Emissions	**Tons CO2e**	**52,371**	**87,635**	**67%**

		Retroactively		
Total GHG emissions	**Unit**	**2023 (base year)**	**2024**	**% change between 2024 and 2023**
Total GHG emissions scope 1-3 (location-based)	**Tons CO2e**	**53,583**	**89,445**	**67%**
Total GHG emissions scope 1-3 (market-based)	**Tons CO2e**	**53,922**	**89,510**	**66%**
Total GHG emissions scope 1 & 2 (market-based)	**Tons CO2e**	**1,550**	**1,857**	**20%**
Emission intensity scope 1-3 (market-based)	Total CO2e emissions scope 1-3 per MSEK net income (tons CO2e/ MSEK)	53.75	70.95	32%**
Emission intensity scope 1 & 2 (market-based)	Total CO2e emissions scope 1 & 2 per MSEK net income (tons CO2e/ MSEK)	1.55	1.47	-5%
Emission intensity scope 1 & 2 per employee (market-based)	Total CO2e emissions scope 1 & 2 per employee (tons CO2e/employee)	2.80	2.79	-0.4%
Net income	*Total net income MSEK*	*1,103****	*1,380*	
Number of employees	*Total number of employees*	*553*	*665*	

* Adjusted figure from the 2023 Sustainability Report due to incorrect calculation of refrigerants
** The comparability between the figures for 2024 and 2023 is limited, especially since all purchased goods and services within Scope 3, Category 1: Purchased goods and services, have been included in the calculations for 2024, which was not the case for 2023. See further clarification in the text below
*** Adjusted figure from the Sustainability Report 2023 due to incorrect figure reported

Our total absolute scope 1 emissions have decreased compared to 2023, mainly because we have not had any fugitive emissions from refrigerant refills for refrigeration units. On the other hand, our total absolute land-based and plastic-based scope 2 emissions have increased significantly, mainly due to more companies being included in the reporting this year (14 instead of 10) and due to increased access to more reliable emissions data – both from specific suppliers and for local and national values. We also see that our scope 1-2 emissions per MSEK net income have decreased by 5% from the previous year.

Like our scope 2 emissions, our total absolute scope 3 emissions have increased significantly. This is due to several factors, including Karnell's growth and the inclusion of more companies. In addition, unlike last year, this is the first year in which we include all purchased goods and services in scope 3, category 1: Purchased goods and services. In 2023, the calculation only included purchases from each company's 10–15 largest suppliers, based on purchase volume. Another factor that has contributed to the increase is that we now use more specific emission factors for category 3: Energy and fuel-related activities as well as the group's general energy increase.

Method

Scope 1 emissions have been calculated based on the type of fuel used. Scope 2 emissions have been calculated according to both the location-based and market-based methodology. If specific emission data has not been identified for electricity suppliers or local grids, emission factors for the national residual mix and the national electricity mix for 2023 have been applied. Similarly, emission factors for local residual values and the national heat mix for 2023 have been used where specific emission data for heat suppliers or local heat networks are lacking.

To calculate emissions from scope 3, category 1: Purchased goods and services, we have been able to use Environmental Product Declarations (EPDs) for their specific products sold for two group companies and supplemented with spend data for other purchases. For other companies, we have, where applicable, used emission data from product-specific EPDs for purchased products, in combination with spend data. However, the majority of emissions have been calculated using the spend-based method, while the average data method has only been used to a limited extent.

For Category 3: Energy and fuel-related activities, all emissions have been calculated using the average data method, using average emission factors from DEFRA 2024. For Category 4: Upstream transport and distribution, we have received specific WTW (well-to-wheel) data from some transport providers, but the majority of emissions have been calculated using the spend-based method. For category 6: Business travel, we have received specific WTW data from some travel companies and also applied the distance-based method, but the majority of emissions have been calculated using the spend-based method.

For all spend-based calculations, expenditure for 2024 has been adjusted to 2021 price levels, as emission factors from 2021 have been applied. The adjustments have been made with the help of Statistics Sweden's price converter.

	Data-Quality	Method	Exclusions	Source emission factors
Scope 1	Primary	• Fuel-based	None	• Vendor specific • DEFRA 2024
Scope 2	Primary	• Location and market based	None	• Vendor specific • National residual mix and electricity mix 2023 from AIB • Local district heating values 2023 from Energiföretagen
Scope 3.1	Primary	• Vendor specific • Average data • Spend-based	None	• Product specific EPDs • Supplier specific EPDs • DEFRA 2024 • The National Agency for Public Procurement's spending factors 2021 • DEFRA's spending factors 2021
Scope 3.3	Primary	• Average data	Distribution is excluded. Emissions linked to the manufacture of vehicles, plants and infrastructure are excluded.	• DEFRA 2024
Scope 3.4	Primary	• Fuel-based • Spend-based	Emissions from hotel stays are excluded.	• Vendor specific (WTW) • The National Agency for Public Procurement's spending factors 2021
Scope 3.6	Primary	• Fuel-based • Distance-based • Spend-based	Emissions from hotel stays are excluded.	• Vendor specific (WTW) • DEFRA 2024 (WTW) • The National Agency for Public Procurement's spending factors 2021

Emissions outside the scope

2024 is the first year we report biogenic emissions. Biogenic emissions are CO2 emissions that originate from biological material, such as biomass, wood and other organic substances, and are part of the natural carbon cycle.

Biogenic emissions have been identified primarily in relation to our sold paper-based board materials, fillers, adhesives and sealants. This is because these products have product-specific environmental product declarations where the biogenic emissions are reported separately from the fossil fuels. In addition, biogenic emissions have been identified in relation to emission factors for the fuels we use in scope 1 and for a few purchased products in scope 3, category 1: Purchased goods and services. We have not been able to identify any biogenic emissions in relation to our other emission sources because the emission factors that have been used do not account for the biogenic factor separately. In this context, our total biogenic emissions are negative. This is mainly due to our sold paper-based board materials, which have bound carbon dioxide during the growth of the trees.

Out of scope	Unit	2024
Biogenic emissions (market-based)	Tons CO2e	- 2,299

Resource use and circular economy

Policy, measures and targets for resource use and circular economy

As a group of manufacturing companies, we rely on resources such as inputs (and their related raw materials) and energy, which can be affected by supply chain disruptions and price volatility. In addition, changes in environmental regulations or customer expectations of sustainable practices pose risks to our operations and competitiveness.

To mitigate these risks and steer us towards improving our resource efficiency and working towards a circular economy, the Group's ESG policy includes several key areas that our companies are expected to work on, including using more recyclable inputs in production and encouraging circular business models and resource efficiency.
To manage resource use and promote a circular economy, our companies have taken measures during the year such as improved waste sorting to reduce non-recyclable mixed waste, collection of scrap metal for reuse, increased use of packaging with PCR plastic and a greater focus on eco-design. Going forward, an even higher proportion of recycled materials in production and packaging is planned, as well as optimized manufacturing processes to reduce waste while improving product quality.

We currently have no goal related to resource use and circular economy. We plan to investigate relevant targets in 2025.

Resource inflows and outflows

Our resource inflows

Karnell's essential resource flows include inputs such as steel, aluminum, plastics and paper, together with components and parts made from these materials, which are used in the manufacture of our sold products. Other important resources include materials used for packaging, such as plastic and cardboard. Thus, the material resource flow in our upstream value chain includes the raw materials used for these products, including iron ore (for steel), bauxite ore (for aluminum), crude oil (for plastics), and wood (for paper). Although our business is also dependent on the facilities and equipment used in our production, new purchases in this category are relatively rare compared to the inputs mentioned above.

Our resource outflows

Karnell's significant resource flows consist of our sold products and the waste generated during our production.
In general, the Group's products are characterized by relatively long service life and hardiness. For example, our rainwater, culvert, drainage and cable protection products can last for decades, while our wheel loader and tractor attachments (e.g. attachments for snow removal and road maintenance) typically have a lifespan of around 20 years. In addition, a life cycle analysis of our paper-based board materials shows that the paper fibre used can be recycled up to 57 times before it becomes necessary to dispose of it.

Most of our products sold are designed to be recyclable, as they are composed of materials such as metal, plastic and paper, with packaging made of plastic and cardboard. An exception is our sold consumables (e.g. fillers, adhesives and sealants), for which the most common finishing methods are landfill and incineration, which means that they are not currently part of a circular system.

In our facilities, scrap metal makes up the largest part of our waste. We also generate wastewater, wood, cardboard, paper, energy recyclable waste and mixed waste. 4% of our total waste corresponds to hazardous waste, including oil, paint, cutting fluids, emulsions and aerosols. 2024 is the first year we collect waste data.

Waste generated in 2024*	Tons
Total amount of waste	2,098
Total amount of hazardous waste	84

* Does not include Haco Tellus.

The EU taxonomy

As of 2024, Karnell Group is subject to the EU Taxonomy Regulation. This is because we have more than 500 employees and have shares listed on a regulated market (Nasdaq Stockholm).

Taxonomy-eligible economic activities

We have identified our economic activities as eligible by reviewing the activities under the Taxonomy Regulation and its delegated acts. During this process, questions have been asked to all companies within the Group to confirm the operations.

Five economic activities have been identified for Karnell in relation to the Climate Change Mitigation (CCM) target:

- 4.1 Electricity production using photovoltaic technology
- 4.24. Production of heating/cooling from bioenergy
- 4.25. Production of heating/cooling using residual heat
- 6.6. Services relating to the carriage of goods by road
- 7.7 Acquisition and ownership of buildings

An economic activity has been identified for Karnell in relation to the Transition to a Circular Economy (CE) target:

- 4.1 Provision of data-driven IT and OT solutions

Taxonomy-aligned economic activities

The Taxonomy Regulation sets out criteria that an economic activity must meet in order to qualify as environmentally sustainable, i.e. be aligned with the taxonomy:

- Meet the Technical Review Criteria (TSC) for the environmental objectives by contributing substantially to one or more of the six environmental objectives and not causing significant harm (DNSH) to the other objectives.
- Comply with minimum requirements that include social and governance standards.

In order to assess the compatibility of the operations, all relevant companies were asked to answer questions in a questionnaire. The results show that none of Karnell's Taxonomy-eligible activities meet all technical screening criteria, in particular the requirement to carry out climate risk and vulnerability analyses in accordance with Appendix A of the delegated acts. Therefore, the group currently has no activities that are taxonomy-aligned. As we do not meet the TSC criteria for any economic activity, no further analysis has been carried out regarding the criteria for minimum safeguards.

KPIs

The financial information has been collected from each Group company's (and the parent company's) financial system and then compiled in the tables below.

The reported turnover from Taxonomy-eligible economic activities can essentially be derived from income from services sold and rental income. Capital expenditure (CapEx) during the financial year refers only to additions to right-of-use assets. Karnell has not drawn up a capital expenditure plan. Operating expenses (OpEx) during the financial year relate to repairs and maintenance of machinery and premises. No other expenses in addition to these operating expenses have been identified.

The denominator of the KPIs for the Taxonomy-eligible economic activities has been defined as:

- Total sales according to net sales in the Group's income statement on page 49.
- Total CapEx (investments) as shown in Note 10. Intangible assets, note 11. Property, plant and equipment and Note 12. Leasing in the consolidated financial statements. Investments related to goodwill and customer relationships are excluded.
- Total OpEx related to repair and maintenance of the Group's assets.

Share of sales from products or services associated with Taxonomy-aligned economic activities

Fiscal year	**2024**			**Criteria for substantial contribution**						**DNSH criteria (Do No Significant Harm)**									
Economic activities (1)	Code (a) (2)	Net sales (3)	Share of net sales (4)	Climate change mitigation (5)	Adaptation to climate change (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimun safeguards (17)	Proportion of Taxonomy-aligned (A 1) or eligible (A 2) net sales, 2023 (18)	Category of enabling activities (19)	Category transitional activity (20)
Text		SEK	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable (Taxonomy-aligned) activities																			
																	0%		
Net sales of environmentally sustainable (taxonomy-aligned) activities (A.1)		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**								**0%**		
Of which enabling activities		0	0%	0%	0%	0%	0%	0%	0%								0%	E	
Of which transition activities			0%	0%													0%		T
A.2. Taxonomy-eligible activities that are not environmentally sustainable (non-Taxonomy-aligned)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Electricity production using photovoltaic technology	CCM 4.1	421	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Production of heating/cooling from bioenergy	CCM 4.24	0	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Production of heating/cooling using residual heat	CCM 4.25	0	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Road freight transport services	CCM 6.6	0	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Acquisition and ownership of buildings	CCM 7.7	2,312,519	0.2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Provision of data-driven IT and OT solutions	CE 4.1	34,868,210	2.5%	N/EL	N/EL	N/EL	N/EL	EL	N/EL								0%		
Net sales of Taxonomy-eligible activities that are not environmentally sustainable (non-Taxonomy-aligned) (A.2)		**37,181,150**	**2.7%**	**0.2%**	**0.0%**	**0.0%**	**0.0%**	**2.5%**	**0.0%**								**0%**		
A. Net sales of Taxonomy-eligible activities (A.1+A.2)			**2.7%**	**0.2%**	**0.0%**	**0.0%**	**0.0%**	**2.5%**	**0.0%**								**0%**		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
Net sales of Taxonomy-non-eligible activities (B)		**1,365,084,128**	**97%**																
TOTALT (A+B)		**1,402,265,278**	**100%**																

	Net sales of Taxonomy-non-eligible activities (B)	
	Taxonomy compatibility per objective	Taxonomy-eligible targets
CCM	0%	0.2%
CCA	0%	0.0%
WTR	0%	0.0%
CE	0%	2.5%
PPC	0%	0.0%
BIO	0%	0.0%

Share of capital expenditure from products or services associated with Taxonomy-aligned economic activities

Fiscal year	2024			Criteria for substantial contribution						DNSH criteria (Do No Significant Harm)									
Economic activities (1)	Code (a) (2)	CapEx (3)	Share of CapEx (4)	Climate change mitigation (5)	Adaptation to climate change (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	"Water (13) "	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimun safeguards (17)	Proportion of Taxonomy-aligned (A 1) or eligible (A 2) CapEx, 2023 (18)	Category of enabling activities (19)	Category transitional activity (20)
Text		SEK	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. VERKSAMHETER SOM OMFATTAS AV TAXONOMIN																			
A.1. Environmentally sustainable (Taxonomy-aligned) activities																			
CapEx of environmentally sustainable (taxonomy-aligned) activities (A.1)		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**										
Of which enabling activities		0	0%	0%	0%	0%	0%	0%	0%								0%	E	
Of which transition activities		0	0%	0%													0%		T
A.2. Taxonomy-eligible activities that are not environmentally sustainable (non-Taxonomy-aligned)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Electricity production using photovoltaic technology	CCM 4.1	0	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Production of heating/cooling from bioenergy	CCM 4.24	0	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Production of heating/cooling using residual heat	CCM 4.25	0	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Road freight transport services	CCM 6.6	0	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Acquisition and ownership of buildings	CCM 7.7	89,943,547	63.2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Provision of data-driven IT and OT solutions	CE 4.1	0	0.0%	N/EL	N/EL	N/EL	N/EL	EL	N/EL								0%		
CapEx of Taxonomy-eligible activities that are not environmentally sustainable (non-Taxonomy-aligned) (A.2)		**89,943,547**	**63.2%**	**63.2%**	**0.0%**	**0.0%**	**0.0%**	**2.5%**	**0.0%**								**0%**		
A. CapEx of Taxonomy-eligible activities (A.1+A.2)		**89,943,547**	**63.2%**	**63.2%**	**0.0%**	**0.0%**	**0.0%**	**2.5%**	**0.0%**								**0%**		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities (B)		**52,421,430**	**37%**																
TOTAL (A+B)		**142,364,977**	**100%**																

	Share of CapEx/total CapEx	
	Taxonomy compatibility per objective	Taxonomy-eligible targets
CCM	0%	63.2%
CCA	0%	0.0%
WTR	0%	0.0%
CE	0%	0.0%
PPC	0%	0.0%
BIO	0%	0.0%

Share of operating expenditure from products or services associated with Taxonomy-aligned economic activities

Fiscal year	2024			Criteria for substantial contribution						DNSH criteria (Do No Significant Harm)									
Economic activities (1)	Code (a) (2)	OpEx (3)	Share of OpEx (4)	Climate change mitigation (5)	Adaptation to climate change (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	"Water (13) "	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimun safeguards (17)	Proportion of Taxonomy-aligned (A 1) or eligible (A 2) OpEx, 2023 (18)	Category of enabling activities (19)	Category transitional activity (20)
Text		SEK	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. VERKSAMHETER SOM OMFATTAS AV TAXONOMIN																			
A.1. Environmentally sustainable (Taxonomy-aligned) activities																			
OpEx of environmentally sustainable (taxonomy-aligned) activities (A.1)		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**								**0%**		
Of which enabling activities		0	0%	0%	0%	0%	0%	0%	0%								0%	E	
Of which transition activities			0%	0%													0%		T
A.2. Taxonomy-eligible activities that are not environmentally sustainable (non-Taxonomy-aligned)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Electricity production using photovoltaic technology	CCM 4.1	0	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Production of heating/cooling from bioenergy	CCM 4.24	0	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Production of heating/cooling using residual heat	CCM 4.25	0	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Road freight transport services	CCM 6.6	113,498	0.4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Acquisition and ownership of buildings	CCM 7.7	1,818,471	5.8%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Provision of data-driven IT and OT solutions	CE 4.1	0	0.0%	N/EL	N/EL	N/EL	N/EL	EL	N/EL								0%		
OpEx of Taxonomy-eligible activities that are not environmentally sustainable (non-Taxonomy-aligned) (A.2)		**1,931,969**	**6.1%**	**6.1%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**								**0%**		
A. OpEx of Taxonomy-eligible activities (A.1+A.2)		**1,931,969**	**6.1%**	**6.1%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**								**0%**		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities (B)		**29,595,922**	**94%**																
TOTAL (A+B)		**31,527,891**	**100%**																

	Share of OpEx/total OpEx	
	Taxonomy compatibility per objective	Taxonomy-eligible targets
CCM		
CCA	0%	0.0%
WTR	0%	0.0%
CE	0%	0.0%
PPC	0%	0.0%
BIO	0%	0.0%

Nuclear and fossil gas-related activities

As the table below shows, there are no economic activities in Karnell that relate to nuclear-related activities.

	Nuclear energy related activities	YES/NO
1.	The Company conducts, finances or is exposed to the research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear energy processes with minimal waste from the fuel cycle.	NO
2.	The Company performs, finances or is exposed to the construction and safe operation of new nuclear installations for the production of electricity or process heat, including for district heating or industrial processes, such as hydrogen production, as well as for their safety upgrades, using the best available techniques.	NO
3.	The company performs, finances or is exposed to the safe operation of existing nuclear installations producing electricity or process heat, including for district heating or industrial processes, such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO

	Fossil gas related activities	YES/NO
4.	The Company performs, finances or is exposed to the construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The Company performs, finances or is exposed to the construction, renovation and operation of plants for combined production of heating/cooling and electricity using fossil gaseous fuels.	NO
6.	The Company performs, finances or is exposed to the construction, renovation and operation of heat production plants that produce heating/cooling using fossil gaseous fuels.	NO

SOCIAL

Own labor force

Policy, measures and goals for the own workforce

Our employees are our most valuable resources, which means that the well-being of our employees is crucial for our development and long-term value creation. Risks associated with not ensuring a good work environment include:

- High employee turnover and absenteeism leading to higher recruitment and training costs
- Low productivity or strikes
- Bad reputation leading to negative effects on the brand
- Difficulty attracting talent

To mitigate these risks and steer us towards promoting employee well-being, the Group's ESG policy includes several key areas that our companies are expected to prioritize. These include promoting diversity and maintaining zero tolerance for discrimination, ensuring fair treatment of employees, complying with international human rights conventions, respecting employees' right to decent working conditions, and promoting a safe work environment to prevent work-related injuries and ill health.

During the year, our companies have taken several measures to promote a safe and healthy work environment. Examples include team-building activities, health screenings, and wellness allowances. The companies have also invested in protective equipment, conducted safety meetings and training, regular risk assessments and engaged external actors for work environment and ergonomics analysis.

Going forward, further investments are planned in protective equipment and safety systems, improved incident reporting procedures, development of recruitment processes and integration of safety aspects into investments and machine upgrades.

In relation to our commitment to protect employee rights and promote a safe, secure and sustainable work environment for all, we have set five goals to be maintained and achieved by 2030 at Group level, which all our companies are working towards:

- 98% attendance at work
- High employee satisfaction
  Milestones:
  - 70% response rate for employee surveys
  - 90% of respondents rate their job satisfaction as high
- Zero serious injuries and deaths
- 100% of injuries must be reported and investigated
- When hiring managers, at least 30% of candidates should be women (in the contact phase)

Karnell's employees

The majority of Karnell's employees are permanently employed. Only a small proportion of the workforce is temporary and on-demand employees. As last year, the group consists mostly of men.

Sex	Unit	2023	2024
Women	#	98	113
Men	#	437	552
Total average number of employees (persons)	**#**	**535**	**665**

Employee turnover	Unit	2023	2024
Employee turnover*	%	16%	10%**

* Calculation method used in 2023: The number of employees who started and left as a percentage of the average number of employees during the reporting period. New method used in 2024: The number of employees who left as a percentage of the average number of employees during the reporting period.
** Does not include Haco Tellus

The table below shows the total average number of employees broken down by country for the countries where Karnell has 50 or more employees, representing at least 10% of our total number of employees.

Employees in each country where Karnell has 50 or more employees, representing at least 10% of the group's total number of employees in 2024	
Sweden	**Finland**
201	382

Karnell has employees both in countries within the European Economic Area (EEA) – Sweden, Finland and Norway – as well as in non-EEA countries – the United Kingdom and China. The table below provides further information about our collective agreement coverage in relation to these regions. Of all our employees, 80 percent are covered by collective agreements. Those who are not covered in Sweden and Finland are employed in senior positions, such as CEO and CFO. Employees in China and employees of one of our companies in the UK do not have collective agreements.

	Collective agreement coverage 2024*	
Coverage	**Employees in the EEA**	**Employees outside the EEA**
0%-19%		China
20%-39%		
40%-59%		United Kingdom
60%-79%		
80%-100%	Sweden and Finland	

* Norway is not included when the number of employees in the country does not amount to 50 and does not represent at least 10% of the Group's total number of employees. Data from Haco Tellus is not included.

All employees have, or have the opportunity to, social protection in the event of loss of income due to illness, occupational injuries, parental leave, pension or unemployment, either through their employer or through general programs such as unemployment insurance.

Description of non-employees in Karnell's workforce

The majority of Karnell's workforce consists of its own employees. However, some group companies hire non-employees from temporary employment agencies and self-employed people. Non-employees are mainly brought in for temporary assignments and are covered by their respective companies' health and safety systems.

Metrics related to own workforce

All tables below include data from the entire Group excluding Haco Tellus.

Diversity and skills development

Employees at management level in all companies	Unit	2024
Women	#	5
Proportion of women at management level	%	9%
Men	#	49
Proportion of men at management level	%	91%
Total number of employees at management level	**#**	**54**

Skills development	Unit	2024
Percentage of employees who participated in regular performance and career development reviews	%	**50%**
Average number of training hours per employee	#	**10**

Health and Safety

Employee health and safety	Unit	2023	2024
Number of deaths	#	0	0
Number of recordable work-related accidents	#	22	29
Frequency of reportable work-related accidents**	%	0.05	27.51
Number of days lost due to work-related injuries and deaths	#	*	282

* Calculated for the first time in 2024.
** Calculation method used in 2023: Accident rate per total hours worked. New method to be used in 2024: Accident rate per one million hours worked.

During the year, employees suffered some injuries, mainly to fingers, hands or limbs. There have also been incidents such as slips, trips, blows to the head, minor cuts and a fall where a particle ended up in the eye. Most injuries were minor and only required a few days of sick leave, while a few accidents required longer sick leave.

Compensation

Pay gap	Unit	2024
Gender pay gap*	%	10%
Annual total remuneration rate**	%	574%

* The CEO's salary for each company has not been included in the calculation.
** The denominator in the calculation corresponds to the median of all companies' reported median values for all employees' total remuneration (excluding the highest paid individual).

Incidents and reports

Incidents and reports of serious human rights impacts	Enhet	2024
Number of confirmed cases of discrimination	#	0
Total number of cases of discrimination, including harassment, reported during the reporting period	#	1
The number of confirmed serious human rights incidents related to the company's employees	#	0

Workers in the value chain

Karnell's value chain includes workers involved in the extraction, processing, production and transportation of purchased goods (upstream value chain), as well as workers engaged in the transportation, distribution, use and final handling of our sold products (downstream value chain).

Certain groups within our value chain are considered to be more vulnerable to adverse effects due to specific characteristics or contexts. For us, these vulnerabilities are particularly linked to the extraction of crude oil which is included in plastic granules that we use in our products, which is happening in Qatar, Saudi Arabia and Yemen. Identified vulnerable groups include:

- **Migrant workers:** In Qatar, Saudi Arabia and Yemen, migrant workers often face limited legal protections, poor working conditions and limited access to support networks.
- **Trade union representatives:** In regions with limited labor rights and union activities, such as Qatar, Saudi Arabia, and Yemen, union representatives may face discrimination or retaliation for advocating for workers' rights.

Policy, actions and targets for workers in the value chain

Karnell has a Code of Conduct through which we commit to promoting human rights, equal pay and a workplace free from discrimination, harassment, forced labor and child labor. We are committed to ensuring ethical relationships throughout the value chain and expect our business partners to share these commitments. That is why we have a Code of Conduct for Business Partners that covers the same areas. Furthermore, we encourage all our companies to implement a Supplier Code of Conduct that includes statements on social issues, such as workers' rights, as well as to regularly monitor suppliers' compliance with the Code.

During the reporting year, our companies have taken several measures to prevent or reduce negative impacts on workers in the value chain. These include supplier audits with ESG review and contract terms, implementation of the Code of Conduct in supplier dialogues, and collaboration with local suppliers to ensure compliance with local laws and regulations. Going forward, the companies plan to continue and expand the work with supplier audits.

This year, the Group initiated a detailed mapping of our value chain to identify areas where workers may be exposed to negative impacts (see information on identified vulnerable groups under the previous heading). Going forward, we plan to systematically monitor our related suppliers to effectively manage risks. In relation to this, we aim to:

- Develop and implement a process to ensure that suppliers of critical raw materials in high-risk sectors related to raw material extraction provide adequate information and measures to manage human rights-related risks.

GOVERNANCE

Responsible business

Responsibility and expertise regarding business ethics

At Karnell, responsibility for responsible business is shared between the Group's CEO, the Boards of Directors of each Group company and the CEO of each Group company. The Group CEO has the overall responsibility for maintaining good business practices and ensures that the Group works in line with the Group's sustainability and ethical goals. Each Group company's Board of Directors is responsible for implementing the Group's ESG policy and ensuring that companies comply with it. The CEO of each Group company is responsible for integrating ethical guidelines into the day-to-day operations and long-term strategy, as well as reporting on progress annually to the Group CEO. This structure ensures a consistent focus on responsible business conduct within the organization.

Karnell's Board members and Group Management contribute expertise that paves the way for good business conduct, which includes upholding ethical standards, corporate governance and compliance. Their experience covers areas such as private equity, industrial operations, and finance, with a particular focus on promoting responsible business practices. This allows the Group to operate with integrity, particularly in areas related to labor rights, social issues and compliance with relevant laws in both local and international markets.

Business Conduct Policy and Corporate Culture

We promote good business practices and a culture of integrity. We maintain a zero-tolerance policy against all forms of corruption and bribery, whether they occur within our business or among our partners. Such unethical behavior would distort competition and damage fair business practices and our reputation. In addition, corruption incidents can lead to higher costs, lower returns, a loss of stakeholder trust, and undermine environmental and social performance, which would ultimately jeopardize the Group's long-term success.

We shape our corporate culture through different approaches. Firstly, we work in a decentralized manner, which makes it possible for each company to maintain its unique culture and way of working. Despite our decentralized approach, we have three core values that guide principles throughout the Group:

- **Sustainability:** Clear focus on sustainability, with ESG high on the agenda.
- **Professionalism:** Develop a culture where everyone's voices are heard and ideas big and small are valued.
- **Challenge and improve:** Flexibility combined with freedom with responsibility is the key to success.

In addition, our ESG policy sets out key business conduct priorities that apply to all entities within the Group. These include compliance with applicable laws and regulations, maintaining high business ethics and preventing corruption, developing targeted sustainability plans integrated into governance models, establishing clear corporate governance structures with effective control mechanisms (e.g. a whistleblower function), and integrating sustainability aspects into business planning and follow-up processes.

In addition to our ESG policy, the entire Group shall adhere to a Code of Conduct that promotes human rights, equal pay and a workplace free from discrimination, harassment, forced labor and child labor. According to the Code, we must ensure safe working conditions and protect freedom of association, and have zero tolerance for corruption, tax crimes, money laundering, insider trading and conflicts of interest. Furthermore, we will comply with sanctions, export control laws and privacy legislation and ensure responsible and secure IT use. Karnell expects business partners to share these commitments and therefore has a Code of Conduct for Business Partners, which covers compliance with the law, human rights, business integrity, working conditions, safety and environmental responsibility. Each Group Company's CEO is responsible for ensuring that each employee is aware of the Code of Conduct. Karnell's CEO is responsible for implementing and ensuring compliance with the Code of Conduct, which is reviewed annually by the Board of Directors and updated as necessary.

Management system

We strive for every company within the Group to implement a formal management system, such as ISO or a similar standard. This is because such systems ensure consistent quality, which strengthens customer trust and satisfaction, while supporting regulatory compliance, risk management and continuous improvement. In 2024, 9 of our group companies were ISO certified or preparing for certification. The management systems in question include ISO 9001, ISO 14001, ISO 45001, and ISO 27001.

Our whistleblower system

To detect illegal behavior or actions that are contrary to our values and ESG policy, we have implemented a group-wide whistleblowing function. It offers employees and other stakeholders a platform to anonymously report suspicious incidents. The feature is managed by an external party and is available through our website, www.karnell.se.

Prevention and detection of corruption and bribery

Karnell actively collaborates with each Group company to implement robust internal control systems aimed at preventing money laundering and other unethical practices. Any suspected incidents of bribery, fraud, corruption or other illegal activities should be immediately reported to Karnell, where we will undergo a thorough investigation, and appropriate measures will be taken to deal with the situation.

Metrics related to business ethics

Corruption and bribery*	Unit	2023	2024
Number of confirmed cases of corruption and bribery	#	0	0
Number of confirmed cases where employees have been dismissed or disciplined for corruption or bribery-related incidents	#	0	0
Number of confirmed cases involving agreements with business partners that have been terminated or not renewed due to offences related to corruption and bribery	#	0	0
Number of convictions for violations of anti-corruption and bribery laws	#	0	0
Fines for violations of anti-corruption and bribery laws	SEK	N/A	N/A
Percentage of employees who have completed business ethics training	%	0%	16%

* Does not include Haco Tellus.

With regard to training in business ethics, all employees in some companies have completed training during the year, while in other companies no training has been carried out at all. In the companies where only certain employees have been trained, these are white-collar employees, employees in sales, employees in managerial positions and employees in China. We do not have any group-wide training in business ethics, but we do require each company to take part in our Code of Conduct, which contains positions regarding business ethics.

THE AUDITOR´S OPINION REGARDING THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders of Karnell Group AB (publ), corporate identity number 559043-3214

Engagment and responsibility

The Board of Directors is responsible for the statutory sustainability report for the year 2024 on pages 14-32, and that it is prepared in accordance with the Annual Accounts Act according to the prior wording that was in effect before 1 July 2024.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor´s opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinions

A statutory sustainability report has been prepared.

Gothenburg according to the date of electronic signature
Ernst & Young AB

Michaela Nilsson
Authorized Public Accountant

Corporate Governance Report

CORPORATE GOVERNANCE

The company is a Swedish public limited company whose Class B shares are listed on Nasdaq Stockholm. The governance and control of the company is exercised by the shareholders at the general meeting and otherwise by the Board of Directors, the CEO and other members of the management. Governance and control are based on the Swedish Companies Act, the Articles of Association, Nasdaq's regulatory framework, the Swedish Code of Corporate Governance and internal rules and regulations.

Compliance with the Swedish Corporate Governance Code

As a listed company, Karnell applies the Swedish Code of Corporate Governance (the Code), which is available on www.bolagsstyrning.se. Deviations from the Code and justifications therefor are reported on an ongoing basis in the text. The company deviates on one point, in the section on the Remuneration Committee.

GENERAL MEETING

The Annual General Meeting is Karnell's highest decision-making body. At the Annual General Meeting, shareholders exercise their voting rights on key issues, such as the adoption of income statements and balance sheets, the allocation of the company's profit, discharge from liability for the members of the Board of Directors and the CEO, election of the members of the Board of Directors and auditor, and remuneration to the Board of Directors and the auditor.

The Annual General Meeting is held within six months of the end of the financial year. In addition to the Annual General Meeting, Extraordinary General Meetings may be convened. According to the Articles of Association, notice of general meetings shall be given by means of an announcement in the Swedish Official Gazette (Sw. Post-och Inrikes Tidningar) and on the company's website, www.karnell.se. At the time of the notice of the meeting, information that notice has been issued shall also be published in Dagens Industri.

Right to participate in general meetings

Shareholders who wish to participate in a general meeting must be entered in the share register on the day that falls six banking days before the meeting and notify the company of their participation no later than the date stated in the notice of the meeting. Shareholders may attend the Annual General Meeting in person or by proxy and may also be assisted by a maximum of two persons. Usually, it is possible for a shareholder to give notice of attendance at the General Meeting in several different ways, which are stated in the notice of the General Meeting. In addition to notifying the company of their intention to participate in the Annual General Meeting, shareholders whose shares are nominee-registered, through a bank or other nominee, must request that their shares are temporarily registered in their own name in the share register maintained by Euroclear Sweden in order to be entitled to participate in the Annual General Meeting. A shareholder, or its proxy, is entitled to vote for all shares that the shareholder holds or represents. Shares of series A in Karnell entitle to ten (10) votes per share and shares of series B in Karnell entitle to one (1) vote per share.

Shareholder initiatives

A shareholder who wishes to have a matter considered at the general meeting must request this in writing to the board of directors. The matter shall be discussed at the Annual General Meeting provided that the request has been received by the Board of Directors no later than one week before the date on which a notice pursuant to the Swedish Companies Act may be issued at the earliest, or after this date but in such time that the matter may be included in the notice of the General Meeting.

Annual General Meeting 2024

The company's Annual General Meeting was held on 14 May 2024 in Stockholm. At the Annual General Meeting, 5,795,100 Class A shares and 25,924,357 Class B shares were represented, representing a total of 78,080,257 votes, corresponding to 48.99 percent of the total number of shares and 71.93 percent of the total number of votes in the company. The Annual General Meeting resolved on the following, among other things:

- The Board of Directors and the CEO were discharged from liability for the financial year 2023
- In accordance with the Nomination Committee's proposal, the Board members who had stood for re-election were re-elected and Helena Nordman-Knutson was elected as a new Board member. Patrik Rignell was elected Chairman of the Board
- Re-election of the accounting firm Ernst & Young AB for a period of one year
- Fees to the Board of Directors and auditors were established
- The Annual General Meeting resolved, in accordance with the Board of Directors' proposal, on guidelines for remuneration to senior executives
- The Annual General Meeting resolved, in accordance with the Board of Directors' proposal, on a warrant program for senior executives
- The Board of Directors was authorized to resolve on a new issue of up to 10 percent of the number of shares
- The other resolutions of the Annual General Meeting are outlined in the complete minutes, which, together with other information about the Annual General Meeting, are available on www.karnell.se

Annual General Meeting 2025

The company's Annual General Meeting is scheduled to be held on 7 May 2025 in Stockholm. Notice of the Annual General Meeting will be given in accordance with the procedure described above.

NOMINATING COMMITTEE

In accordance with the instructions adopted by Karnell's Annual General Meeting, the Nomination Committee shall consist of a minimum of three and a maximum of four members. The Chairman of the Board shall be a member of the Nomination Committee. The members are appointed by the three largest shareholders in the company in terms of voting rights as of the last banking day in August each year. If the Chairman of the Board of Directors is one of the three largest shareholders in the company in terms of votes, the right to appoint a member to the Nomination Committee shall be transferred to the next largest shareholder in terms of voting rights. If any of the three largest shareholders in terms of voting rights does not exercise its right to appoint a member, the right to appoint such a member shall be transferred to the next largest shareholder in terms of voting rights that has not already exercised its right to appoint a member of the Nomination Committee. The Chairman of the Nomination Committee shall be the member representing the largest shareholder in terms of voting rights, unless the Nomination Committee decides otherwise. The Chairman of the Board or any other Board member shall not be the Chairman of the Nomination Committee. The composition of the Nomination Committee shall be published on the company's website no later than six months prior to the next Annual General Meeting.

According to the instructions, the Nomination Committee is tasked with presenting proposals to the Annual General Meeting regarding, among other things, the number of Board members and the composition of the Board of Directors, including the Chairman of the Board, as well as proposals for Board fees, divided between the Chairman and other members, as well as any remuneration for committee work. The Nomination Committee shall also present proposals regarding the Chairman of the Annual General Meeting, election of auditors and their remuneration, as well as proposals for changes to the Nomination Committee instructions (where applicable). The company's website shall contain information on how shareholders can submit proposals to the Nomination Committee. The Nomination Committee's proposals to the Annual General Meeting are set out in the notice.

Ahead of the 2025 Annual General Meeting, the Nomination Committee consists of Mattias Klintemar (appointed by Östersjöstiftelsen), who is also the Chairman of the Nomination Committee, Christian Karlander (appointed by Borgviks Bruk AB), Per Nordgren (appointed by PN Verksamhetsutveckling AB and Patrik Rignell (Chairman of the Board of Karnell).

BOARD

The work of the Board

The main task of the Board of Directors is to manage the company's operations on behalf of the owners so that the owners' interest in a long-term good return on capital is met in the best possible way. The Board of Directors has the ultimate responsibility for Karnell's organization and the management of Karnell's operations. It is responsible for the Group's long-term development and strategy, for continuously monitoring and evaluating the Group's operations and for the other tasks that follow from the Swedish Companies Act. The Chairman of the Board shall organize and lead the work of the Board and ensure that this work is carried out efficiently and in accordance with applicable laws and regulations.

In 2024, the Board held 19 Board meetings and the Board members' participation in this year's meetings is shown in the table below.

		Attendance (total number of meetings)			Independent of		
Member	Year elected	Board meetings	Remuneration Committee	Audit Committee	Company	The company's major shareholders	Total Board fees
Patrik Rignell (Chairman)	2016	19/19			No	No	500.000
Hans Karlander	2016	19/19	4/4		No	No	300.000
Per Nordgren	2016	19/19		6/6	Yes	Yes	325.000
Dajana Mirborn	2022	19/19	4/4		Yes	Yes	285.000
Lena Wäppling	2023	18/19		6/6	Yes	Yes	300.000
Helena Nordman-Knutson	2024	4/5			Yes	Yes	250.000

The work of the Board of Directors follows rules of procedure that are adopted annually. The rules of procedure describe the division of responsibilities between the Board of Directors and the Executive Management, the responsibilities of the Chairman and the CEO, respectively, as well as the forms of financial reporting. The company's Board meetings deal with, among other things, the company's financial situation, acquisition-related issues, evaluation of the operations and other relevant issues in the Group companies. The company's auditor attends and reports at board meetings at least twice a year and in addition as needed.

An annual evaluation of the work of the Board is carried out under the leadership of the Chairman of the Board. The Nomination Committee is informed of the results of this evaluation. The Board of Directors continuously evaluates the CEO's work. This item is also dealt with annually and no member of the Group's management is present.

Composition of the Board of Directors

Composition of the Board of Directors
In accordance with Karnell's Articles of Association, the Board of Directors shall consist of a minimum of three and a maximum of ten Board members with no deputies. At the 2024 Annual General Meeting, six members and no deputies were elected as follows: Patrik Rignell (Chairman), Hans Karlander, Dajana Mirborn, Per Nordgren, Lena Wäppling and Helena Nordman-Knutson.

In preparing its proposal for the Board of Directors, the Nomination Committee has applied item 4.1 of the Code as a diversity policy and hereby took into account that the Board of Directors, taking into account the company's operations, stage of development and conditions in general, shall have an appropriate composition characterized by versatility and breadth in terms of competence, experience and background.

Board committees

The Board of Directors of Karnell currently has two committees: a Remuneration Committee and an Audit Committee. The committees are preparatory bodies for the Governing Board.

Remuneration Committee

Karnell has a Remuneration Committee consisting of two members: Hans Karlander (Chairman), and Dajana Mirborn. The Remuneration Committee shall prepare proposals for remuneration principles and remuneration and other terms of employment for the company's senior executives. The Remuneration Committee is also tasked with monitoring and evaluating programs for variable remuneration to senior executives, the application of guidelines for remuneration to senior executives adopted by the Annual General Meeting and current remuneration structures and remuneration levels in the company. In 2024, the committee had 4 recorded meetings.

In accordance with the Code, the majority of the members of the committee shall be independent in relation to the company and its management. The Chairman of the Committee, Hans Karlander, is not independent in relation to the company and Group Management. The company's explanation for this deviation from the Code is that Hans Karlander is one of the company's largest shareholders, which is why the company does not consider it likely that he, through his previous employment with the company, would be in such a position of dependence on the company or company management that would negatively affect his role in the Remuneration Committee.

Revisionsutskottet

Karnell has an Audit Committee consisting of two members: Per Nordgren (Chairman) and Lena Wäppling. In accordance with the Code, the majority of the members of the committee shall be independent in relation to the company and its management. The Audit Committee's main tasks are, without affecting the Board's responsibilities and tasks, to ensure that there is satisfactory control for risk management, internal control, accounting and financial reporting and to ensure that the company's financial reporting is prepared in accordance with law, other relevant regulations and applicable accounting standards. The Committee shall ensure continuous contact with the external auditors, review the results of and evaluate the work of the external auditors and make recommendations to the Nomination Committee for election, re-election or termination of assignments regarding external auditors. The Committee shall also review and evaluate the external auditors' independence and independence in relation to the company and pay particular attention to whether the auditors provide and may provide the company with services other than auditing. In addition, the committee shall inform the Board of Directors of the results of the external audit, including how the audit has contributed to the reliability of the company's financial reporting and what function the committee has played. In 2024, the committee had 6 meetings recorded in minutes.

AUDITOR

The auditors are appointed at the Annual General Meeting to serve until the end of the next Annual General Meeting. At the Annual General Meeting on 14 May 2024, the registered accounting firm Ernst & Young AB ("EY") was re-elected as the company's auditor. The authorized public accountant Michaela Nilsson was appointed auditor in charge. EY conducts the audit in Karnell Group AB and in the majority of its subsidiaries. The company's auditor works according to an audit plan, in which the views of the Board of Directors and the Audit Committee have been incorporated. The auditor reports his observations to company management, management and to Karnell's Board of Directors and Audit Committee, partly during the audit and partly in connection with the adoption of the annual accounts. The external auditors participate in at least two Board meetings per year. On at least one of these occasions, the auditors shall hold discussions with the

Board of Directors without the presence of the CEO or any other member of Group Management. The auditors also participate in the meetings of the Audit Committee. Remuneration to auditors is specified in Note 6.

PRESIDENT AND CEO AND MANAGEMENT TEAM

The company's CEO is responsible for the company's day-to-day management in accordance with the rules of the Swedish Companies Act as well as the instructions for the CEO and the reporting instructions adopted by the Board of Directors. The CEO's responsibilities include acquisitions and divestments, personnel, finance and financial issues, as well as ongoing contacts with the Group's stakeholders and the financial market. The CEO leads the work of Group Management and makes decisions in consultation with other members of Group Management. During 2024 Group Management consisted of CEO, CFO and the group's Investment Directors. From 1 January 2025 Group Management consist of CEO and CFO. Group management has regular business reviews under the direction of the CEO.

The CEO and other members of Group Management are presented in the section "Management Team".

REMUNERATION TO THE BOARD OF DIRECTORS, CEO AND SENIOR EXECUTIVES

Remuneration to the Board of Directors

The Annual General Meeting of Karnell resolves each year on remuneration to the Board of Directors. According to a resolution at the 2024 Annual General Meeting, fees shall be paid in the amount of SEK 250,000 to each of the Board members and SEK 500,000 to the Chairman of the Board. The Chairman of the Audit Committee shall receive an annual fee of SEK 75,000, and the other member shall receive an annual fee of SEK 50,000. The Chairman of the Remuneration Committee shall receive an annual fee of SEK 50,000 and the other member of the Remuneration Committee shall receive an annual fee of SEK 35,000.

Chairman of the Board Patrik Rignell receives a salary from the company for the additional tasks he performs in addition to those of a Chairman of the Board, as stated in Note 5.

Guidelines for remuneration to the CEO and senior executives

At the Annual General Meeting on 14 May 2024, the Board of Directors' proposal for guidelines for remuneration to the company's senior executives was adopted. The guidelines also include remuneration to Karnell's Board members, to the extent that they receive remuneration outside their Board assignments. The guidelines do not apply to remuneration resolved by the Annual General Meeting.

The remuneration shall be in line with market conditions and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. In addition, and independently of these guidelines, the Annual General Meeting may decide on, for example, share- and share price-related remuneration. Fixed salary and variable cash remuneration shall be proportionate to the senior executive's responsibilities and qualifications.

Fixed salary

The fixed salary shall consist of a fixed annual cash salary. The fixed salary must be market-adapted and determined with regard to responsibility, competence and performance. The fixed salary is revised every year.

Variable cash remuneration

Fulfilment of the criteria for payment of variable cash remuneration shall be measurable over a period of one year. The variable cash remuneration shall amount to a maximum of 50 per cent of the total annual base salary. The senior executives' variable cash remuneration shall be linked to predetermined and measurable criteria, which may be financial or non-financial. The criteria can also be individualized, quantified, or qualified goals. The criteria shall also be designed to contribute to the company's business strategy and long-term interests, for example by being clearly anchored in the business strategy or by promoting the senior executive's long-term development.

When the measurement period for fulfilment of criteria for payment of variable cash remuneration has ended, it shall be assessed/determined to what extent the criteria have been met. The company's Board of Directors, in consultation with the Remuneration Committee, is responsible for the assessment of the variable cash remuneration to the CEO. For variable cash remuneration to other senior executives, the CEO, in consultation with the Remuneration Committee, is responsible for the assessment. Board members who are employed by the company shall not receive variable cash remuneration. For financial targets, the assessment shall be based on the latest financial information published by the company.

The terms and conditions for variable cash remuneration shall be formulated in such a way that enables the Board of Directors, in exceptional financial circumstances, to limit or stop payment of variable cash remuneration when such remuneration is deemed unreasonable and not compatible with the company's obligations to its shareholders, employees and other stakeholders. Furthermore, it shall be possible to limit or stop the payment of variable cash remuneration if the Board of Directors decides that this is appropriate for other reasons. The Board of Directors shall also have the right to reclaim already paid variable cash remuneration if it is later discovered that a senior executive has violated the company's values, policies, standards or instructions.

Pension, insurance and other benefits

Pensions and insurance are offered according to national legislation, rules and market practices and are designed according to collective agreements, company-specific plans or a combination of both. Karnell shall have a defined contribution pension and the pension provision may not exceed 35 percent of the fixed basic salary.

Group Management is entitled to other customary benefits that are designed to be competitive in relation to similar businesses in each country. The benefit allowance may not exceed 15 percent of the fixed basic salary.

Pension

Pension benefits shall only include specific supplementary pension benefits, unless the senior executives are subject to specific benefit pensions in accordance with applicable collective agreement terms. The fixed supplementary pension benefit shall be no more than 35 percent of the fixed annual basic salary. The CEO's variable cash remuneration shall not qualify for pension benefits. Other senior executives' variable cash remuneration shall qualify for pension benefits unless otherwise stated in the senior executives' individual agreements.

Other benefits

Other benefits may include, for example, life insurance, health insurance, and car benefits. Such benefits may amount to a maximum of 15 percent of the fixed annual salary.

With regard to employment relationships that are subject to rules other than Swedish, with regard to pension benefits and other benefits, appropriate adjustments may be made to comply with such mandatory rules or established local practice, in which case the overall purpose of these guidelines shall nevertheless be met as far as possible.

Any senior executives who are seconded to or from Sweden may receive additional remuneration and other benefits to the extent reasonable in light of the special circumstances linked to the arrangement, whereby the overall purpose of these guidelines shall nevertheless be met as far as possible. Such benefits may not exceed 35 percent of the fixed annual salary in total.

Remuneration to Board members who are not employed by the company

Board members elected by the Annual General Meeting who are not employed by the company shall, in special cases, be able to receive consultancy fees or other market-based remuneration for work performed on behalf of the company in addition to their work on the Board. The Board of Directors shall decide whether such consultancy fees or other market-based remuneration shall be paid.

Termination of employment

In the event of termination of employment by the company, the notice period shall not exceed twelve months. Fixed salary during the notice period and severance pay shall not exceed an amount corresponding to the fixed annual salary for 24 months. When termination is made by a senior executive, the notice period shall not exceed six months, without the right to severance pay.

In addition, compensation may be paid for non-compete commitments. Such compensation shall compensate for loss of income and shall only be paid to the extent that the previously employed senior executive is not entitled to severance pay. Any new income from employment, or remuneration as a consultant, must be deducted against the severance pay.

Decision-making process

The Board of Directors shall prepare proposals for new guidelines at least every four years and present the proposal for decision at the Annual General Meeting. The guidelines shall apply until new guidelines have been adopted by the Annual General Meeting but shall be evaluated annually by the Remuneration Committee, which shall thereafter, where applicable, present proposed amendments to the guidelines. The Remuneration Committee shall also monitor and evaluate any ongoing and completed programs for variable remuneration for senior executives, the application of guidelines for remuneration to senior executives and current remuneration structures and remuneration levels in the company. The Board's consideration of and decisions on remuneration-related matters are not attended by the Executive Chairman of the Board, the CEO or other members of Group Management, to the extent that they are affected by the issues.

Deviations from the guidelines

The Board of Directors may decide to temporarily deviate from the guidelines in whole or in part, if there are special reasons for doing so in an individual case and a deviation is necessary to meet the company's long-term interests, including its sustainability, or to ensure the company's financial viability. During 2024, a deviation from the guidelines was made regarding an extra remuneration of SEK 1,000,000 awarded to the company's CEO. The Board of Directors is of the opinion that there are such special reasons for the deviation as are required by the remuneration guidelines, taking into account the extensive and value-creating work performed by the CEO during the year, including the listing of the company on Nasdaq Stockholm Main Market, which contributed to the company's long-term interests and to ensuring the company's financial viability.

Long-term share-based incentive programs

As of December 31, 2024, there were four outstanding share-based incentive programs in the company, in the form of warrants, entitling to a total of 3,878,640 Class B shares. The programs aim to increase motivation and create participation for managers and senior executives regarding the opportunities in the company's development. Furthermore, the intention is to motivate managers and senior executives to continue their employment in the Group. The programs consist of warrants. See further information in Note 5.

INTERNAL CONTROL

General

Karnell's Board of Directors is responsible for internal control within the Group. Karnell's Board of Directors has adopted a policy for risk management and internal control which sets out the basic principles for Karnell's internal control. It is part of the Board's duties to ensure that the company has good internal control, including through formalized processes, procedures and controls that ensure that established principles for financial reporting and internal control are complied with and that there are effective systems in place for monitoring and controlling the Group's operations and the risks related to the Group's operational objectives. Internal control shall ensure efficient and resilient operations, that external financial reporting is reliable and prepared in accordance with generally accepted accounting principles, that applicable laws and regulations are complied with and that other requirements for listed companies are met. Internal governance and control within the Group is based on a framework of governing documents, processes and defined roles and responsibilities.

Control environment

Karnell strives for an effective control environment through formalized governance, clearly defined risk ownership and a healthy risk culture. The company's formalized governance is based, among other things, on clearly defined responsibilities, for example through the Board's rules of procedure, including committee instructions, instructions to the CEO regarding financial reporting, the company's financial handbook and other policies and instructions applied within the Group. Compliance with the governing documents is continuously monitored and evaluated by the Board's Audit Committee.

Risk assessment

Karnell conducts an annual Group-wide risk assessment where inherent risks are identified and evaluated based on their potential impact on the Group's ability to achieve its long-term goals and visions and the likelihood of the risks materializing. The purpose of the risk assessment is to identify and evaluate inherent risks in Karnell's material processes and forms the basis for the work to ensure that the financial reporting is reliable and how the risks in the reporting are to be managed through various control structures. Balance sheet and profit and loss items, where the risk of material error could arise, are also reviewed continuously.

Control activities

To ensure that operations are conducted efficiently and appropriately, and that financial reporting gives a true and fair view, Karnell's Board of Directors has established an internal control process that includes the entire Group. This includes defining key controls in the business and regularly following up on the design and effectiveness of key controls. The control activities include regular follow-up of risk exposure, authorization and approval procedures, bank and account reconciliations, monthly follow-up of income and balance sheet items at Group level and ongoing checks of Karnell's IT environment. The results are compiled in an internal control report that is presented annually to the Board.

Information and communication

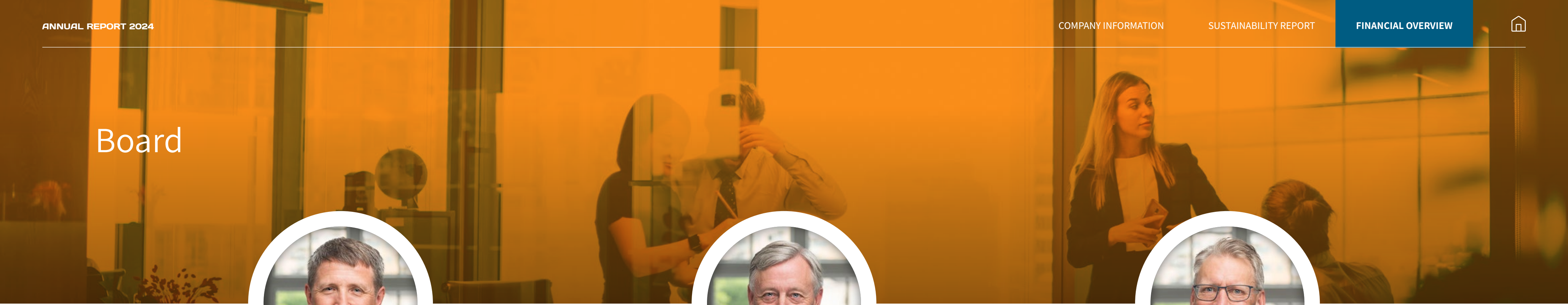
Karnell's Board of Directors has adopted a communication policy and an insider policy that together govern Karnell's handling and communication of inside information and other information. Within Karnell, the Chairman of the Board and the CEO shall jointly assess whether inside information exists regarding the company, where the CEO is responsible for ensuring that various assessments are documented. The company holds Group Management meetings as a way to ensure appropriate and efficient distribution of information related to risk management in the Group. It is also the responsibility of the CEO to ensure that process owners for material processes related to financial reporting have sufficient knowledge of the material risks and related control activities in the specific process.

Governance and follow-up

Group management shall evaluate that the Group-wide risk assessment and management as well as the specific control activities carried out within the framework of the internal control process remain relevant and effective in managing the material inherent risks to which Karnell is exposed. The execution of control activities must be documented to ensure traceability in the company's control activities. Follow-up to ensure the effectiveness of internal control is carried out by the Board of Directors, the Audit Committee, the CEO, Group Management and relevant persons at the Group companies.

Internal audit

Karnell's Board of Directors has made the assessment that, in addition to existing processes and functions for internal governance and control, Karnell does not need a formalized internal audit. Follow-up is carried out by the Board of Directors and Group Management. The level of control is currently considered to meet Karnell's needs.



Board

Patrik Rignell

Executive Chairman of the Board since 2021
Board member since 2016

Born: 1968

Education and work experience: M.Sc. in Business Administration and Finance from the Stockholm School of Economics and M.Sc. in Engineering Physics from the Royal Institute of Technology in Stockholm. Patrik Rignell is one of the founders of Karnell with several years of experience in private equity. Other work experience includes positions as a strategy consultant at SIAR-Bossard and Andersen Consulting.

External assignments: Owner and board member of RIGAM II AB.

Holdings: Via the ownership in RIGAM II; 2,615,480 Class A shares, 453,523 Class B shares and 85,376 warrants entitling rights to purchase an additional 853,760 shares.

Hans Karlander

Board member since 2016
Chairman of the Remuneration Committee since 2022

Born: 1953

Education and work experience: M.Sc. in Economics and Business administration from the Stockholm School of Economics. Hans Karlander is one of the founders of Karnell with several years of experience in private equity. Previous senior positions in business and administration, including State Secretary in the Ministry of Enterprise and Innovation and Executive Vice President of Swedbank.

External assignments: Owner and Chairman of the Board of Borgviks Bruk AB.

Holdings: Via the ownership in Borgviks Bruk AB; 2,615,480 Class A shares, 453,526 Class B shares and 85,376 warrants entitling rights to purchase an additional 853,760 shares.

Per Nordgren

Board member since 2016
Chairman of the Audit Committee since 2022

Born: 1966

Education and work experience: M.Sc. in Industrial Engineering and Management from Linköping Institute of Technology. Per Nordgren is active as an industrial advisor. Has experience from operational roles in management, production, technology and marketing, including as CEO of Hägglunds Drives.

External assignments: Owner of PN Verksamhetsutveckling AB. Chairman of the Board of Hydroware AB, Micropower Group AB, Rototilt Group AB and Scanacon Group AB.

Holdings: Via ownership in PN Verksamhetsutveckling AB; 553,850 Class A shares, 160,094 Class B shares and 36,516 warrants entitling rights to purchase an additional 365,160 shares.

Board

Dajana Mirborn

Board member since 2022

Member of the Remuneration Committee since 2022

Born: 1980

Education and work experience: M.Sc. in Business Administration from the University of Gothenburg, studies in mechanical engineering at Chalmers University of Technology and management training in digital marketing strategies from INSEAD. Dajana Mirborn's experience includes advising on M&A and ECM from Carnegie Investment Bank AB, business development and strategic M&A from Modern Times Group MTG AB, investments and business development with a focus on companies in transformation, and board work in both listed and unlisted environments.

External assignments: Chairman of the Board of Humble Group AB (publ). Board member of Röhnisch SE Holding AB, Mentimeter AB and the insurance company Avanza Pension. Investment manager at Creades AB (publ).

Holdings: 13,165 Class B shares

Lena Wäppling

Board member since 2023

Member of the Audit Committee since 2023

Born: 1968

Education and work experience: M.Sc in Industrial Engineering and Management from Linköping Institute of Technology. Lena Wäppling has more than 25 years of experience from international industrial operations through a number of roles within ABB.

External assignments: Board member of Drupps AB, Envac AB and Pinja Oy. Chairman of Lena Wäppling's Foundation.

Holdings: 16,910 Class B shares

Helena Nordman-Knutson

Board member since 2024

Born: 1964

Education and work experience: M.Pol.Sc from the University of Helsinki, M.Econ.Sc from Hanken School of Economics in Helsinki. Helena Nordman-Knutson has 20 years of experience from the financial market, extensive experience as a senior communications advisor and from the telecom and technology industry.

External assignments: Alimak Group, Board member and Chairman of the Audit Committee, Exel Composites (FIN), Board member and Chairman of the Audit Committee, Nivika, Board member and member of the Audit Committee, USWE, Board member and member of the Audit Committee. Royal Swedish Academy of Sciences, member of the placement committee. Sjöberg Foundation, member of the investment council.

Holdings: 1,000 Class B shares

Management team

Petter Moldenius

VD sedan 2021

Born: 1980

Education and work experience: M.Sc. in Engineering Physics from Umeå University. Petter Moldenius has experience from technology-oriented investments and has worked with investment companies both in Sweden and abroad, including Lagercrantz Group, Optimizer Invest and the Swiss group Ascom.

External assignments: None.

Holdings: 10,290 Class A shares, 213,571 Class B shares and 252,135 warrants entitling rights to purchase an additional 946,350 shares.

Lars Neret

CFO sedan 2023

Born: 1977

Education and work experience: M.Sc. in Business and Economics from Lund University. Lars Neret has experience from work as group financial controller at Tobii and East Capital, finance manager at Oscar Properties, and CFO at Zostera.

External assignments: None.

Holdings: 30,000 Class B shares and 60,000 warrants entitling rights to purchase an additional 60,000 shares.

Financial development

The Board of Directors and the CEO of Karnell Group AB (publ) present the following Annual Report and Consolidated Financial Statements for the financial year 2024.

INFORMATION ABOUT THE ACTIVITIES

Karnell is an active and long-term owner of industrial technology companies. The company's business concept is to identify and invest in industrial technology companies where Karnell assesses that there is development potential and thus the opportunity for value development with Karnell as a long-term owner. The acquisition targets consist of unlisted B2B companies which, as a starting point, should have sales between SEK 50-350 million, good profitability and a stable financial history.

Karnell is a committed and active owner who supports the Group companies' management teams in business development and in important decisions. Areas where Karnell can support the Group companies include, among other things, product strategy, product launch strategy, processes and systems for efficiency improvements, growth strategy including implementation of add-on acquisitions, development of customer offering and pricing.

The Group's operations are divided into the business areas Product companies and Niche production. The Product companies business area consists of companies that base their operations wholly or predominantly on proprietary products, which may include various rights such as trademarks, patents, etc. The Niche production business area consists of manufacturing companies with a higher degree of specialization in their expertise, which manufacture smaller product ranges, often in close dialogue with their customers and with a clear niche and market position.

FINANCIAL DEVELOPMENT AND SIGNIFICANT EVENTS DURING THE YEAR

The Group's sales increased by 27.1 percent and amounted to SEK 1,402.3 million (1,103.3). Acquisitions accounted for 23.8 percent, exchange rate effects for -0.2 percent and organic sales increased by 3.6 percent. Both business areas increased sales during the year overall, but the organic increase came from product companies, while Niche production decreased sales organically. During the year, product companies have seen a recovery towards a weaker 2023 with higher sales for most units in the business area. For niche production, the market has been slightly weaker, compared to a very strong 2023.

EBITA increased by 21.4 percent and amounted to SEK 165.8 million (136.7). Acquisitions accounted for 32.7 percent, exchange rate effects for -0.3 percent and organic EBITA decreased by 11.1 percent. The EBITA margin was 11.8 percent (12.4). Operating profit increased by 13.7 percent compared to the same period last year and amounted to SEK 150.7 million (132.6). The increased profit comes from product companies, where the recovery towards a weaker 2023 has had a positive effect on earnings and margins. Niche production, which had a strong 2023, has reduced earnings and EBITA margin due to a weaker market with lower activity from larger industrial customers. Central costs have been abnormally high during the year, mainly attributable to the IPO in March. The Parent Company incurred costs of SEK 7.2 million (5.6) related to this during the year. Transaction costs for acquisitions amounted to approximately SEK 8.4 million (3.9) during the year.

Net financial items amounted to SEK –36.1 million (-23.1) during the year and consisted mainly of interest expenses to credit institutions of SEK -30.9 million (-23.2), interest on lease liabilities of SEK -6.1 million (-4.8), interest income of SEK 7.6 million (7.7) and SEK -1.0 million (0.6) of currency effects. Net financial items are also affected by revaluation of put/call options and earn-outs of SEK -7.5 million (-3.4).

Profit after tax for the year amounted to SEK 77.5 million (77.4) and earnings per share (diluted) to SEK 1.49 (1.81).

Cash flow from operating activities for the year amounted to SEK 174.1 million (132.8). The increase is primarily related to an increase in earnings, but also a relative improvement in working capital. During the year, SEK 48.2 million (22.2) was invested in property, plant and equipment and SEK 4.2 million (4.3) in intangible non-current assets. This year's acquisitions had an impact on cash flow of SEK -336.4 million (-162.3). Cash flow from financing activities amounted to SEK 304.0 million (97.5). The financial operations have primarily been affected by the new share issues carried out in connection with the IPO and the acquisition of Sähkö-Jokinen, which provided the Group with SEK 287.0 million adjusted for issue costs.

During the year, the portfolio was strengthened with four new platform companies in niche industrial technology. Three acquisitions have been made in the Product Companies business area. In January, Finnish Sähkö-Jokinen Oy, a leading developer and manufacturer of outdoor lighting products, was acquired with annual sales of approximately EUR 8.5 million. The company has had a strong development in recent years, with good margins.

At the end of May, we acquired Ojop Sweden AB, a manufacturer of high-quality eccentric locks, trailer locks and battery connectors. The company has a turnover of approximately SEK 50 million with good profitability.

In August, the sister companies Haco Tellus AB and Haco Rehabservice AB, leading players in industrial wheels and spare parts for wheelchairs and rollators, were acquired. The companies have a turnover of approximately SEK 70 million and have a strong position in a growing niche.

In the Niche Production business area, we acquired NE Engineering Ltd in the UK at the beginning of July. NE Engineering is a leading player in CNC milling and turning of small and complex components for demanding environments and has a turnover of approximately GBP 5 million with a solid customer base in sectors such as subsea telecom, automotive and energy.

During the year, the platform company Tekniseri also made an add-on acquisition in AB Svenska Maskinskyltfabriken.

Read more about this year's acquisitions in note 22.

FINANCIAL TARGETS

The Group's financial targets consist of:

- EBITA growth: Average annual EBITA growth shall amount to at least 15 percent over a business cycle. Growth will be achieved both organically and through acquisitions.
- EBITA margin: The EBITA margin shall amount to at least 15 percent in the medium term.
- Debt/equity ratio: Net debt excl. leases/EBITDA excl. leases should normally not exceed 2x. The ratio may temporarily exceed this level in connection with acquisitions.
- Dividend: Karnell's earnings and available cash flows will be reinvested in the business in the short term (0-3 years) and mainly used for expansion through new acquisitions. In the medium term (3-5 years), Karnell intends to distribute 20-30 percent of the year's profit.

DEVELOPMENT BY BUSINESS AREA

Product companies

For the Product companies business area, sales increased in 2024 by 48.4 percent and amounted to SEK 678.5 million (457.2). Acquisitions accounted for 38.1 percent and exchange rate effects for -0.2 percent of the increase. Organically, sales increased by 10.5 percent. EBITA increased for the year by 87.9 percent and amounted to SEK 95.9 million (51.0). Organically, EBITA increased by 35.2 percent, while acquisitions and currency had an impact of 52.8 percent and -0.2 percent, respectively.

2024 meant a recovery from a weaker 2023 for most companies in the business area. Most sectors and markets have performed better during the year, while the construction sector in Finland is still cautious, which still affects some companies in the business area. Towards the end of the year, some stability has been seen and hopefully a start to recovery.

Niche production

Sales increased during the year by 12.0 percent to SEK 723.8 million (646.0), with organic growth of -1.2 percent. Acquisitions contributed 13.6 percent and FX -0.3 percent. EBITA decreased during the year by 3.3 percent to SEK 113.6 million (117.5). Organically, EBITA decreased by 18.8 percent. Acquisitions contributed 15.8 percent and currency effects -0.3 percent.

2024 was a more cautious year compared to a very strong 2023. Sales have been maintained at approximately the same level as in 2023 for comparable units, but several markets have experienced a cooler business climate, resulting in price pressure. Particularly larger industrial customers have been more cautious, especially in the Finnish market.

MATERIAL RISKS AND UNCERTAINTIES

The uncertainty factors that are primarily assessed to affect the Group are the following:

Market-related risks	Handling
The Group is affected by macroeconomic factors, including general economic and geopolitical conditions. The majority of the group companies direct their sales to other companies (B2B), mainly in industry, which means that demand from industrial buyers is particularly significant. A weakening of the industrial economy, particularly in Sweden and Finland, risks having a negative impact on earnings and financial position.	Through an increasing number of companies focusing on different niche markets, Karnell can be less sensitive to economic fluctuations in individual industrial industries and industries. Karnell also works continuously to develop businesses that are less dependent on a specific market and to adapt costs to specific conditions.
Acquisitions are an important part of Karnell's strategy. The criteria that Karnell sets for investments limit the number of potential target companies, which may mean that the Group is unable to maintain the acquisition rate that is considered desirable. The Group also faces competition from other acquirers.	Karnell's main market for acquisitions is the Nordic region. Within the Nordic region, Karnell has identified and contacted virtually all potential acquisition candidates and is in regular contact with them. Access to acquisitions is expected to be good in the coming years, but in order to expand the Group's investment universe, Italy and the UK have been identified as interesting markets for selective acquisitions.
Most of Karnell's subsidiaries are active in industries that are exposed to competition. There is a risk that businesses will become less competitive if they do not adapt to global trends in their markets, such as sustainability and automation. Increased competition, or a subsidiary's weakened ability to meet new market needs, may have a negative impact on the Group's financial position and earnings.	Karnell strives to offer products and services where price is not the single determining factor. Karnell adds value in the form of technical knowledge, delivery reliability and availability, which reduces the risk of reduced demand. To reduce the risk of competition from other suppliers, Karnell works continuously to ensure that the collaboration with the Group is the most profitable strategy.
Karnell's subsidiaries purchase several different types of materials and raw materials within the framework of their operations, including metals, plastics and chemicals. Several of the companies also have significant electricity consumption. The availability of raw materials, components and other production materials is subject to significant price fluctuations attributable to, among other things, transport costs, exchange rate fluctuations and other macroeconomic factors. Price fluctuations of materials and raw materials used in production can have a negative impact on Karnell's profitability.	In recent years, prices for materials and raw materials, including energy, have risen sharply, mainly due to inflation. Karnell handles this by having sales agreements that allow price increases to customers in the event of increased costs for materials and raw materials. The effects of price increases on customers are taking place with a certain lag compared to the increased cost increases.

Operational risks	Handling
Karnell is exposed to risks related to the companies that are acquired. The most significant risk is that Karnell makes an incorrect commercial assessment in connection with an acquisition, for example regarding the company's development potential, market, customers or organization, and that the purchase price is therefore higher than what the acquired company, or its assets, are worth, which could have a negative effect on Karnell's financial position and results.	All potential acquisitions and their operations are thoroughly analyzed by Karnell before the acquisition is completed. This analysis includes, among other things, sustainability due diligence, legal and financial due diligence as well as discussions with customers, suppliers and other parties. The agreements entered into seek to obtain the necessary guarantees to limit the risk of unknown obligations.
Karnell is dependent on key personnel both among Group Management and among the Group's employees in general. Karnell's continued success depends on being able to retain experienced employees with specific skills and to be able to recruit new, knowledgeable people. If the Group fails to recruit, train, motivate and retain Group Management and other key personnel, it may have a negative impact on the Group's operations and results.	Karnell prioritises creating good conditions for staff to develop and thrive within the Group. The acquisition strategy includes that the companies' key employees should be well motivated to continue to run the company independently as part of the Group. At the same time, Karnell works strategically with succession and that the operations should not be too dependent on individuals.
The majority of the Group's subsidiaries are producing companies with their own production facilities that are critical to their respective production. Production disruptions and downtime can have a negative impact on the subsidiaries' operations and earnings. Furthermore, in some cases, investments in the production facilities are required to meet increased demand and to streamline production.	Karnell strives to have good control over deliveries, technology, work environment and administrative procedures to reduce the risk of operational disruptions. When acquiring subsidiaries, an investment plan is often made for the review and possible updating of the companies' production facilities.
Karnell is dependent on raw materials and materials supplied from external suppliers to be able to manufacture, sell and deliver its products and services. Inadequate, delayed or non-delivery may result in disruptions to operations, which may have a negative impact on Karnell's financial position and results.	Karnell's many and good relationships with carefully selected suppliers reduce the risk that deliveries will not be able to take place as promised. The Group is not dependent on any single supplier in the long term.
Karnell has a decentralised organisation, which is based on the fact that the subsidiaries have a great deal of local responsibility for their operations. This places high demands on financial reporting and follow-up. Shortcomings in this can lead to inadequate control and management of the business and that Karnell is unable to use its resources in the most efficient way.	Karnell manages its subsidiaries through active board work, group-wide policies, financial targets and instructions regarding financial reporting. By being an active owner and following the development of the subsidiaries, risks can be quickly identified and addressed in accordance with the Group's guidelines.
Karnell is dependent on various information systems and other technology to manage and develop its operations. Unplanned downtime or cybersecurity incidents, such as data breaches, viruses, sabotage, and other cybercrimes, can result in both loss of revenue and reputation.	To ensure stable IT environments and prevent incidents, Karnell works with regular risk analyses as well as continuous maintenance and review of IT security, both at Group level and at subsidiary level. The risks are limited through the decentralized organization where the individual subsidiaries operate with individual solutions and separate IT infrastructures.

Operational risks, cont'd	Handling
External expectations, for example from authorities, customers, suppliers or investors, may increase requirements related to environmental, social and governance (ESG). As a result, Karnell may be forced to introduce stricter ESG targets or standards. If the Group does not succeed in effectively managing these expectations, confidence in Karnell and its operations and/or access to capital may deteriorate.	Karnell follows up the business and ESG-related risks with sustainability reporting. The Group has a clear sustainability work and clear goals for the work, which are used in dialogues with stakeholders. In this way, the Group or individual subsidiaries can quickly identify any discrepancies with stakeholder expectations and can then process these. Karnell publishes a sustainability report every year where the group's goals and ESG data are stated.
The activities of group companies are subject to different regional, national and local laws and regulations. Future regulation may, for example, entail stricter environmental requirements that affect the group companies' operations through, for example, restrictions on the use of certain environmentally hazardous substances, which may have a negative impact on the companies' operations and results.	Karnell continuously monitors changes in laws and regulations. When there are major changes, the group companies continuously adapt their processes.

Financial risks	Handling
The financial risks mainly relate to credit risk, liquidity risk, currency risk and interest rate risk.	Information and management of these risks can be found in Note 20. Financial risks.

ACTIVITIES SUBJECT TO PERMIT OR NOTIFICATION UNDER THE ENVIRONMENTAL CODE

The subsidiary SimFas has an impact on the external environment mainly through emissions of organic solvents as well as transport and noise. The company has the necessary permits for environmentally hazardous activities under the Environmental Code. In addition to the environmental permit, the company also has a permit for the handling of flammable goods.

EXPECTED FUTURE DEVELOPMENT

We prepare for the future by supporting our companies with strategic initiatives to position them in a time of uncertainty. Karnell will continue to drive efficiency, and we are confident that our decentralized structure is well adapted to meet these times of higher uncertainty.

Preparing for the future also means ensuring that we promote sustainability and present competitive solutions, while building strong customer relationships. Our portfolio of prominent small industrial technology companies with leading market positions and high profitability provides a robust foundation for our work to create long-term value.

Karnell also intends to continue with the acquisition strategy and is optimistic about the opportunities to find suitable acquisition targets in the future as well.

MULTI-YEAR REVIEW

MSEK	**2024**	**2023**	**2022**	**2021**
Net sales	1,402.3	1,103.3	880.1	422.3
Operating income	150.7	132.6	96.1	34.5
Operating margin, %	10.7%	12.0%	10.9%	8.2%
Balance sheet total	2,233.1	1,600.4	1,282.0	810.1
Solidity	52%	48%	46%	52%
Number of employees	671	553	470	295

APPROPRIATION OF PROFITS

The Board of Directors proposes that available earnings (TSEK):

Accumulated loss	-124,414
Premium reserve	986,286
Loss of the year	-6,749
	855,123
Are carried forward	855,123

Consolidated income statement
The Group

MSEK	Note	1 Jan-31 Dec 2024	1 Jan-31 Dec 2023
Net sales	3,4	1 402.3	1 103.3
Other operating income		7.9	8.6
Total income		**1 410.2**	**1 111.9**
Change in inventory		-9.8	6.9
Raw materials and consumables		-591.6	-485.1
Employee benefits expense	5	-402.9	-323.2
Other external expenses	6	-170.2	-121.9
Depreciation and amortization of property, plant and equipment	11	-37.9	-28.7
Depreciation and amortisation of right-of-use assets	12	-31.9	-23.2
Depreciation and amortisation of intangible fixed assets	10	-15.1	-4.1
Operating income		**150.7**	**132.6**
Financial income	7	35.0	18.7
Financial expenses	8	-71.1	-41.8
Net financial items		-36.1	-23.1
Profit before tax		**114.6**	**109.5**
Current tax		-35.7	-34.3
Deferred tax		-1.4	2.1
Tax on profit/loss for the year	9	-37.1	-32.1
Profit/loss for the year		**77.5**	**77.4**
Earnings per share, SEK			
- before dilution	23	1.54	1.88
- after dilution	23	1.49	1.81

Consolidated comprehensive income
The Group

MSEK	Note	1 Jan-31 Dec 2024	1 Jan-31 Dec 2023
Profit/loss for the year		**77.5**	**77.4**
Items that may be reversed to the statement of income			
Translation differences		26.4	-3.2
Other comprehensive income for the year		**26.4**	**-3.2**
Total comprehensive income for the year		**103.9**	**74.2**

Consolidated statement of Financial Position
The Group

MSEK	Note	31 Dec 2024	31 Dec 2023
ASSETS			
Fixed assets			
Goodwill	10	806.5	554.8
Other intangible fixed assets	10	176.9	77.8
Right-of-use assets	12	136.2	65.6
Property, plant and equipment	11	276.4	224.0
Deferred tax asset	9	1.2	4.2
Other financial assets		0.6	0.6
Total non-current assets		**1 397.7**	**927.0**
Current assets			
Inventories	13	293.0	251.6
Accounts receivable	18, 20	239.6	211.1
Other current receivables	14	8.4	11.7
Prepaid expenses and accrued income	15	8.0	8.6
Cash and cash equivalents	16	286.3	190.4
Total current assets		**835.3**	**673.4**
TOTAL ASSETS		**2 233.1**	**1 600.4**

MSEK	Not	31 dec 2024	31 dec 2023
EQUITY AND LIABILITIES			
Share capital	17	5.3	4.2
Other capital contributed		987.3	677.4
Translation reserves		42.4	16.0
Retained earnings including profit for the year		130.0	76.9
TOTAL EQUITY		**1 164.9**	**774.5**
Non-current liabilities			
Deferred tax liability	9	66.1	37.4
Provisions	19	4.8	4.6
Non-current interest-bearing liabilities	18, 20	367.3	283.3
Other non-current liabilities	18, 20	129.9	134.4
Non-current leasing liabilities	20	97.7	42.1
Total non-current liabilities		**665.8**	**501.8**
Current liabilities			
Current interest-bearing liabilities	18, 20	93.0	92.8
Trade payables	18, 20	94.8	79.1
Contractual liabilities	4, 18	6.4	20.8
Current tax liabilities		2.0	4.9
Current leasing liabilities	20	40.8	26.0
Other current liabilities	20	95.9	41.4
Accrued expenses and prepaid income	21	69.6	59.1
Total current liabilities		**402.4**	**324.1**
TOTAL EQUITY AND LIABILITIES		**2 233.1**	**1 600.4**

Consolidated report on changes in equity

The Group

MSEK	Share capital	Other contributed capital	Translation reserve	Retained profit incl. this year's profit/loss	Total equity
Opening balance, equity 1 Jan 2024	4.2	677.4	16.0	76.9	774.5
Net profit for the year				77.5	77.5
Other comprehensive income for the year			26.4		26.4
Comprehensive income for the year			**26.4**	**77.5**	**103.9**
New share issue	1.1	324.9			326.0
Issue costs		-17.3			-17.3
Option premiums		2.2			2.2
Repurchase warrants				-24.4	-24.4
Closing balance, equity 31 Dec 2024	**5.3**	**987.3**	**42.4**	**130.0**	**1,164.9**

MSEK	Share capital	Other contributed capital	Translation reserve	Retained profit incl. this year's profit/loss	Total equity
Opening balance, equity 1 Jan 2023	3.7	567.6	19.1	-0.5	590.0
Net profit for the year				77.4	77.4
Other comprehensive income for the year			-3.2		-3.2
Comprehensive income for the year			**-3.2**	**77.4**	**74.2**
New share issue	0.5	114.2			114.7
Issue costs		-4.4			-4.4
Closing balance, equity 31 Dec 2023	**4.2**	**677.4**	**16.0**	**76.9**	**774.5**

Consolidated cash flow statement
The Group

MSEK	Note	1 Jan-31 Dec 2024	1 Jan-31 Dec 2023
Ongoing operations			
Operating profit (EBIT)		150.7	132.6
Adjustment for non-cash items	24	85.9	64.4
Interest received		7.6	7.7
Interest paid		-37.0	-28.1
Paid tax		-46.5	-33.7
Cash flow before changes in working capital		**160.7**	**143.0**
Changes in working capital			
Changes in inventories		24.1	-15.5
Changes in trade receivables		12.9	-20.7
Change in other operating receivables		5.1	5.2
Changes in trade payable		-18.3	2.9
Change in other operating liabilities		-10.5	17.8
Cash flow from changes in working capital		**13.4**	**-10.2**
Cash flow from operating activities		**174.1**	**132.8**
Investment			
Acquisition of subsidiaries		-336.4	-162.3
Investments in intangible assets	10	-4.2	-4.3
Investments in property. plant and equipment	11	-48.2	-22.2
Divestments of property. plant and equipment		2.0	0.3
Changes in other financial assets		0.2	-0.6
Cash flow from investing activities		**-386.5**	**-189.2**
Financing activities			
Borrowings	24	153.0	427.8
Loan repayments	24	-39.1	-373.6
Loan repayments. leasing	24	-32.1	-23.4
Change in current credit facility	24	-57.9	-27.3
New share issue. net after deduction of transaction costs		287.0	110.3
Warrants		-0.5	-
Cash-settled put/call options		-6.3	-16.4
Cash flow from financing operations		**304.0**	**97.5**
Cash flow for the period		**91.6**	**41.2**
Cash and cash equivalents at the beginning of the period		**190.4**	**148.7**
Effects of translation differences in cash and cash equivalents		4.3	0.7
Cash and cash equivalents at the end of the period		**286.3**	**190.4**

Notes – The Group

NOTE 1 – ACCOUNTING PRINCIPLES

These financial reports cover the Swedish parent company Karnell Group AB (publ), company registration number 559043-3214, hereinafter referred to as Karnell, with its registered office in Stockholm, Sweden, and its subsidiaries. The address of the head office is Riddargatan 13D, 114 51 Stockholm. Its main business is to conduct investment activities. The Board of Directors approved the financial statements on April 3. The Group's income statement and statement of financial position as well as the parent company's income statements and balance sheets will be subject to adoption at the Annual General Meeting on 7 May 2025.

Basis for the preparation of the reports

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretative opinions of the International Financial Reporting Committee (IFRIC) as adopted by the European Union (EU). In addition, the consolidated financial statements comply with the recommendation of the Swedish Council for Sustainability and Financial Reporting RFR 1 "Supplementary accounting rules for groups".

Prerequisites for the preparation of consolidated financial statements

Karnell Group AB's functional currency is Swedish kronor, which is also the reporting currency for the Group. This means that the financial statements are presented in Swedish kronor. All amounts are, unless otherwise stated, stated in millions of SEK (MSEK). The consolidated financial statements have been prepared on the basis of cost, which means that assets, provisions and liabilities have been based on historical cost estimates, unless otherwise stated. There may also be contingent purchase prices, which are measured at fair value (see Note 18 Financial assets and liabilities).

The accounting principles set out below have, unless otherwise stated, been consistently applied to all periods presented in the Group's financial statements. The Group's accounting principles have been consistently applied by the Group's companies.

The preparation of financial statements in accordance with IFRS requires estimates, judgments and assumptions. For more information, see note 2.

New and amended standards

New and amended standards and interpretations that have entered into force

Amendments to IAS 1 Presentation of Financial Statements. The amendments clarify what affects the classification of debt as short or long and entail new disclosure requirements regarding loan debts that are associated with covenants.

New and amended standards and interpretations that have entered into force have not had any material impact on the Group's financial statements.

New and amended standards and interpretations that have not yet been applied by the Group

A number of new and amended standards and interpretations have been published by the IASB but have not yet entered into force. None of the new or amended standards or interpretations have been prematurely applied by the Group. A new standard, IFRS 18 presentation and disclosures in financial statements, has been published on 9 April 2024 and will come into force from 1 January 2027 if adopted by the EU. Karnell is currently analysing the details of the standard and possible consequences.

Consolidated financial statements

Foundations of consolidation

Consolidated financial statements include the parent company and its subsidiaries. Subsidiaries are companies that are under Karnell's controlling influence. An investor has a controlling influence over a company when the investor is exposed to, or entitled to, variable returns from his or her involvement in the company and can influence the return through his influence. Subsidiaries' financial statements are included in the consolidated financial statements from the date of acquisition, so-called closing, until the controlling influence ceases and is accounted for in accordance with the acquisition method. The method means that the acquisition of a subsidiary is considered a transaction whereby the group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis determines the consolidated fair value on the acquisition date of acquired identifiable assets and assumed liabilities as well as any non-controlling holdings. Initially, non-controlling interests are valued at fair value or at their proportionate share of net assets. Additional purchases and sales of shares from non-controlling interests are recognised in equity, provided that Karnell continues to have control of the company.

Transaction expenses arising in connection with business combinations are recognized directly in profit for the year. In the case of business combinations where the transferred remuneration exceeds the fair value of the net assets, the difference is recognised as goodwill. Should this difference be negative, so-called acquisitions at a low price, this is reported directly in the profit for the year. Therefore, goodwill does not arise in these transactions.

Transactions and balance sheet items in foreign currency

Transactions in foreign currency are reported in the functional currency at the exchange rate available on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the exchange rate prevailing on the balance sheet date. Capital gains and losses on operating receivables and liabilities are recognised in operating profit, while capital gains and losses attributable to financial items are recognised in net financial items.

Translation of foreign operations

Assets and liabilities in international operations, including goodwill and other Group-related surplus and undervalue, are translated from the functional currency of the foreign operations to the Group's reporting currency of Swedish kronor. These translation effects are recognized as other comprehensive income and in the category Translation reserves in equity. In the event of a divestment of a foreign business, the attributable currency effects are realised and reclassified as profit for the year.

Classification

An asset is classified as a current asset when it is expected to be realised within twelve months of the reporting period, held primarily for trading purposes or consists of cash and cash equivalents (unless the asset is subject to restrictions on being exchanged or used to settle a debt for at least twelve months after the reporting period). All other assets are classified as fixed assets. A debt is classified as a current liability when it is held primarily for trading purposes, is to be settled within twelve months after the reporting period or when the Group does not have an unconditional right to defer settlement of the debt for at least twelve months after the reporting period. All other liabilities are classified as non-current liabilities.

Operating segments

An operating segment is a part of the group that conducts business from which it can generate net sales and incur costs and for which stand-alone financial information is available. Operating segments are reported in a manner consistent with the Group's internal reporting, which is submitted to the highest executive decision-maker for follow-up. Karnell's CEO is responsible for steering and leading the business in accordance with the strategy adopted by the Board. The CEO is thus Karnell's highest executive decision-maker, and is the one who allocates resources and evaluates results within the Group. Senior executive decision-makers assess the development and performance of operating segments based on EBITA. Financial items and taxes are reported for the Group as a whole.

According to the above criteria, Karnell's segment is divided into Product Companies and Niche Production. Records that are not classified into any of the mentioned categories are referred to as Central and Elimination.

For reporting of operating segments, see Note 3.

Net sales from contracts with customers

The Group reports net sales when a performance commitment has been met. For the majority of the Group's services and products, this means when delivery or execution has taken place and the control and benefit has thus been transferred to the customer, i.e. at a specific time. For some of the Group's services, fulfilment of performance obligations means providing software, which takes place and is recognised as net sales over time.

Net sales consists of the amount that the Group is expected to receive as compensation for transferred goods and services. Net sales are reported excluding VAT and elimination of intra-group sales. Karnell's significant net sales are attributable to sales of products, project sales and performance of service assignments.

Net sales from sales of products

In principle, the Group's agreement for the sale of products always consists of a distribution agreement at its core, and when the customer places an order and receives an order confirmation, the agreement with the customer arises. Individual framework agreements also exist within the Group, in these cases it is the framework agreement together with the call-off that constitutes the agreement with the customer. The performance obligations in this category consist of the supply of the goods provided for in the contract. In some cases, freight is a separate performance commitment in the Product Company segment, i.e. when the freight takes place after the time when control of the goods has been transferred to the customer and the freight thus constitutes a separate service. Services relating to the customisation of the product are considered to be so closely linked to the product as a whole that it constitutes a package solution and thus does not constitute a separate performance commitment. The absolute majority of sales in this category are made at list prices. Volume discounts and the like only occur to a very limited extent, thus it is not considered that there is any variable remuneration that can result in a significant reversal of accumulated revenue. When the product and control of the same have been delivered to the customer, the performance commitment is considered to have been fulfilled, and the revenue recognition takes place at this time. In cases where freight is a separate performance commitment, it is also essentially fulfilled at the same time, whereupon the revenue recognition of the freight coincides with the goods.

Net sales from project sales

The Group's agreement regarding project sales arises when commercial terms and conditions in accordance with general provisions for the delivery and assembly of mechanical and electronic products have been fulfilled and the customer has received an order acknowledgement. The agreements cover the manufacture and assembly of automated systems according to the customer's order, shipping, assembly and installation, testing and training. Separately from this, we also offer aftermarket services and sales, i.e. spare parts and service. These automated systems require both software and hardware, which are considered to be so closely connected that they cannot separately constitute separate performance commitments, as they alone do not provide any value to the customer. The Group performs a significant service of integrating software and hardware with each other. Once the system is manufactured, it is assembled and installed at the customer's site, which is a standardized mechanical installation that potentially other players than those within the group could perform. For this reason, assembly and installation is considered to be a distinct performance commitment. Testing and training do not substantially alter or adapt the system, so they constitute a common performance commitment that is distinct. Spare parts sales and post-installation service are separate agreements and performance commitments.

The transaction price for the manufacture of automated sack fillers is a fixed price as agreed upon at the time of order recognition. Assembly and installation, as well as testing and training, are in most cases on a current account with fixed hourly rates. The transaction price for spare parts is determined according to the price list. Services are billed per occasion and hour at fixed prices. As all performance commitments have separate transaction prices corresponding to stand-alone sales prices, no problems arise regarding the allocation of transaction prices. Project sales report revenue over time, based on the number of components used in relation to the entire project's budget.

For these projects, the customer is invoiced in advance according to a certain allocation, which can give rise to contractual liabilities at the time of the financial statements. In cases where the project progresses before pre-invoicing has taken place, these accrued, un-invoiced revenues are reported within prepaid costs and accrued revenues.

Net sales from the provision of services

Essentially, the agreements in the sale of service assignments relate to a SaaS (Software as a Service) solution. The Group provides a software via a cloud service and a mobile application regarding road and street entertainment as well as support services. Within the solution, there is an offline functionality. The mobile application has only limited functionality without the SaaS solution. It is the combined package solution that provides the customer with the critical functionality of the service, where the SaaS solution is the main service. Thus, they constitute a joint performance commitment. The support service is considered a separate performance commitment separate from the SaaS solution. The transaction price is easily allocated to the respective performance commitment, as the SaaS solution is billed per user per month and the support services are billed per hour according to a separate price list. The revenue attributable to the SaaS solution is recognized over time over the duration of the agreement, while the support service is recognized as revenue is recognized in connection with the execution and invoicing. There is no variable remuneration that could result in a material reversal of accumulated revenue, as any discounts only adjust the transaction price going forward and are thus known in advance. The Group only has corporate customers. There are no significant financing components. The Group considers itself to act as the principal in its agreements with customers. There are no significant additional expenses to obtain an agreement in the Group. Costs for fulfilling agreements consist of shipping costs.

Contractual liabilities

A contractual debt is reported if the group is entitled to an unconditional compensation amount before the group transfers a service or a product. The accounting of the contractual debt takes place when the customer pays or when payment is due, whichever occurs first. Contractual liabilities are recognised as revenue when the Group performs in accordance with the contract (i.e. transfers control of the goods or services concerned to the customer). The Group incurs contractual debts linked to the revenue recognition for project sales, as the customer pays in advance during the project at the start of each new milestone. Regarding the sale of service assignments, the customer is invoiced quarterly in advance for the use of the software. Contractual debts therefore consist partly of received advance payments and partly of what has been invoiced but not yet accrued.

Employee benefits

Pensions

The Group only has defined contribution pension plans. A defined contribution pension plan is a pension plan under which the Group pays fixed contributions to a separate legal entity. The Group has no legal or informal obligation to pay additional fees if this legal entity does not have sufficient funds to pay all employee compensation related to the employees' service during the current or previous periods. The Group has no further risk as a result. The fees for the defined contribution plans are recognized as an expense in profit or loss for the period at the rate at which they are earned.

Compensation in the event of termination

A cost of compensation in connection with the dismissal of staff is only recognized if the company is demonstrably obligated, without realistic possibility of withdrawal, by a formal detailed plan to terminate an employment before the normal time.

Warrants

The Group has issued warrants entitling the holder to acquire shares in the parent company Karnell Group AB (publ). In order to receive a warrant, the holders have paid the fair value of the warrant, which has been calculated by applying the Black & Scholes model. Upon issuance of warrants, the receipt of warrant proceeds is reported as cash and cash equivalents and a corresponding increase in equity (other contributed capital). The warrants have been issued to Karnell's Group Management and current and former employees, including certain members of the Board of Directors. The parties have paid an option premium corresponding to the fair value of the options. There are no terms of service linked to the warrants for the senior executives. Thus, the issue does not lead to any personnel costs or social security contributions for the company.

Financial income and expenses

Financial income

Financial income consists of interest income and any foreign exchange gains. Interest income is reported in accordance with the effective interest method. The effective interest rate is the interest rate that means that the present value of all future payments and payments during the maturity is equal to the carrying amount of the receivable or liability. Foreign exchange gains and losses are not reported on a net basis.

Financial expenses

Financial expenses consist mainly of interest expenses on loans and foreign exchange losses. Interest expenses on loans are reported according to the effective interest rate method. Foreign exchange gains and losses are not reported on a net basis.

Revaluation of put/call options and earn-outs

Put/call options to non-controlling owners and contingent earn-outs are measured at fair value and revaluations are recognized as financial income or financial expenses.

Taxes

Income taxes consist of current tax and deferred tax. Income taxes are recognised in profit or loss for the year, except when the underlying transaction has been recognised in other comprehensive income or in equity, in which case the associated tax effect is recognised in other comprehensive income and in equity. Current tax is tax payable or received in respect of the current year, applying the tax rates decided or in practice decided on the balance sheet date. Current tax also includes adjustments of current tax attributable to previous periods.

Intangible assets

An intangible fixed asset is recognized in the balance sheet when it is considered identifiable, the acquisition value can be reliably calculated, the Group has control over the asset, and it is likely that financial benefits will accrue to the Group. Assets with a determinable lifespan are depreciated linearly over the estimated useful life. Assets with an indefinite useful life and assets that have not yet been taken into use and started to be depreciated are tested annually for possible impairment needs.

Goodwill

Goodwill is the difference between the cost of a business combination and its fair value of acquired net assets. Goodwill is measured at cost less any accumulated impairment charges. Goodwill is allocated to cash-generating units and is tested at least annually for impairment needs, but more often than that if there is an indication of impairment needs.

Other intangible assets

Other intangible assets can be identified both through business combinations and through capitalisation of costs incurred, when conditions for this have been met. They are recognised at cost minus accumulated depreciation and amortisation. These assets include, for example, capitalized IT costs and software development, as well as Brands and Customer Relations.

Research and development

Expenses for research with the aim of achieving new technical or scientific knowledge are reported as costs in the period in which they may arise. Development expenditure, where concrete research results could be applied to bring about new or improved processes or products, is capitalised as an asset in the statement of financial position, if the product or process is technically and commercially viable and the company has sufficient resources to pursue development and subsequently use or sell the intangible asset. The carrying amount includes all directly attributable expenses; for example, for materials and services, employee compensation, registration of a legal right, and depreciation of patents and licenses. There are no loan expenses. The statement of financial position presents development expenditure at cost less accumulated depreciation and amortisation after its introduction, before the expenditure is carried forward.

Depreciation of intangible assets

Depreciation of intangible assets is recognized on a straight-line basis in the income statement over the estimated useful life. Depreciation starts when the asset is put into use.

The estimated useful life is:

Capitalized development costs	5-10 years
Patents and licenses	5-10 years
Brands	15 years
Customer relationships	10 years
Other intangible assets	5-15 years

Property, plant and equipment

A property, plant and equipment asset is recognised in the balance sheet when the Group has control over the asset, when it is likely that economic benefits will accrue to the Group, and when the amount can be reliably calculated.

Property, plant and equipment are reported in the Group at cost after deduction of accumulated depreciation and any impairment. The carrying amount of an asset is removed from the balance sheet at the time of disposal or disposal or when no future economic benefits are expected from the use or disposal of the asset.

In the event of an improvement cost on someone else's property, an assessment is made of the useful life of the improvement. However, the period may amount to a maximum of the estimated length of the remaining rental period. Depreciation is then carried out on a straight-line basis over the asset's estimated useful life.

Depreciation policies

The estimated useful life is:

Buildings	10-25 years
Machinery and other technical facilities	4-10 years
Inventory, tools and installations	4-10 years

Depreciation takes place on a straight-line basis over the asset's estimated useful life. An assessment of an asset's residual value and useful life is made annually.

Leasing

The Group is the lessee of buildings/premises, cars and certain production equipment. The lease agreements are reported as right-of-use asset and lease liability, on the date on which the asset is taken possession and are considered to constitute an asset. The part of the lease debt that matures within 12 months is reported as current debt and the part that matures beyond 12 months as non-current liability. The right-of-use asset is depreciated on a straight-line basis over the lease period. The leasing expense is discounted by a marginal loan interest rate, based on the type of object and the risk in the asset, except in cases where the implied interest rate can be read in the agreement.

Leases that are shorter than 12 months or are of lesser value have been exempted and are reported in profit or loss when the cost arises, such as copiers, coffee machines and the like. Its value is not considered material. In several cases, mainly regarding buildings/premises, there are extension options, and the lease period is determined to the non-terminable period together with the said extension option as it is likely that the Group will exercise this. Several agreements are indexed annually, according to various clauses stipulated in each agreement. This is done contract by agreement. Karnell has also chosen to apply the simplification rule for fixed non-lease components and instead reports these together with the leasing component in the contract.

Impairment of non-financial assets

Assets that have an indefinite useful life, within Karnell goodwill and intangible non-current assets that have not yet been completed, are not depreciated but are assessed at least annually for any impairment needs. Assets that are depreciated are assessed for impairment whenever events or changes in conditions indicate that the carrying amount is not recoverable. An impairment is made by the amount by which the carrying value of the asset exceeds its recoverable value. The recoverable value is the higher of the asset's fair value less sales costs and its utility value. When assessing impairment needs, assets are grouped at the lowest levels where there are separate identifiable cash flows (cash-generating units). When an impairment need has been identified for a cash-generating unit, the impairment amount is primarily allocated to goodwill. Thereafter, a proportional write-down is made of other assets included in the unit. Previously recognised impairment is reversed if the recoverable value is deemed to exceed the carrying value. However, reversal is not made with an amount that is greater than the carrying amount to what it would have been if the impairment had not been recognized in previous periods. Impairment of goodwill is also never reversed. Internally accumulated intangible assets that have not yet been taken into use and started to be depreciated are also tested at least annually for impairment needs.

Inventories

Inventories are valued at the lower of the acquisition cost and the net sales value. The net sales value is the estimated sales price in the operating activities, after deduction of estimated costs for completion and for obtaining a sale. The cost of raw materials and purchased components is calculated using the first-in, first-out (FIFU) or weighted average cost of acquisition (FIFU) and includes expenses incurred in acquiring the inventory assets and transporting them to their current location and condition. The Group uses the same method for all goods of similar nature and use for the Group. For manufactured goods and work in progress, the cost includes a reasonable proportion of indirect costs based on a normal capacity. The chosen method means that obsolescence in the inventory has been taken into account.

Financial instruments

Financial instruments are any type of contract that gives rise to a financial asset in one company and a financial liability in another company. Karnell's report on the financial position includes certain non-current receivables, trade receivables and cash and cash equivalents on the asset side. On the liabilities side, there are non-current and current interest-bearing liabilities, trade payables, contractual liabilities and other current liabilities, as well as contingent earn-outs and put/call options (see note 18 for more information). How each financial instrument is reported in the Group's financial position depends on how they are classified. The following categories are available in Karnell:

- Financial assets measured at amortised cost
- Financial liabilities measured at amortised cost
- Financial liabilities measured at fair value through profit or loss

A financial asset or financial liability is recognised on the balance sheet when group one becomes a party under the contractual terms of the instrument. A financial asset is removed from the balance sheet when the rights in the agreement are realised, expire or the Group loses control of them. The same applies to part of a financial asset. A financial liability is removed from the balance sheet when the obligation in the agreement is fulfilled or otherwise extinguished. The same applies to part of a financial debt.

A financial asset and a financial liability are set off and recognised with a net amount in the balance sheet only when there is a legal right to set off the amounts and there is an intention to settle the items with a net amount or to realise the asset and settle the liability at the same time. Acquisitions and disposals of financial assets are reported on the business day. The business day is the date on which the company undertakes to acquire or dispose of the asset. In the event of cancellation or modification of value, gains or losses are recognized in the income statement.

Classification and valuation

Financial assets in the Group are initially measured at fair value and thereafter at amortised cost. This is because they are held within the framework of a business model whose objective is to obtain the contractual cash flows while the cash flows from the assets consist only of principal and interest payments.

Financial liabilities are initially measured at fair value and thereafter on an ongoing basis at amortised cost or fair value, depending on the classification of instruments. Financial liabilities are classified as measured at amortised cost, with the exception of earn-outs and put/call options measured at fair value through the income statement. See further information on fair value in Note 18.

Cash and cash equivalents

Cash and cash equivalents consist of cash and cash equivalents and immediately available balances with banks and similar institutions, as well as current liquid investments with a maturity of less than three months after the date of acquisition. Placing cash and cash equivalents with a bank entails some credit risk. For cash and cash equivalents, Karnell applies the principle of low credit risk. At each reporting date, it is evaluated whether Karnell's cash and cash equivalents are considered to have low credit risk based on all available information. Karnell only cooperates with banks with high credibility and good ratings when investing any excess liquidity. No material risk of credit losses is therefore considered to exist and the credit risk is assessed as low.

Impairment of financial assets

Impairment for any credit losses is forward-looking and a loss provision is made when there is an exposure to credit risk, usually at the first time of recognition. The Group's financial assets, which are measured at amortised cost, are subject to impairment for expected credit losses. Trade receivables are subject to impairment of possible future credit losses, for which the simplified method is applied. The method means that expected losses during the entire life of the claim are used as a starting point. Trade receivables are initially recognised at the transaction value, as they generally do not contain a material financing component. The loss reserve is recognised for the remaining term of the receivable. See Note 20 for more information.

Equity

The Group's equity consists of share capital, other contributed capital, translation reserves, retained earnings including profit for the year and non-controlling interests. External transaction costs in connection with the issuance of equity instruments that are directly attributable to the equity transaction are recognised in equity as a deduction item from the issue amount, taking into account any tax effects.

Warrants

Employees within the Group have, on the same terms as other investors, been given the opportunity to subscribe for warrants in the company. For this, all of them have paid a market-based remuneration valued according to the Black-Scholes model. Remuneration received is reported in the Group's equity in the category other contributed capital. Since the employees who have subscribed for options have done so at a market value, the subscription does not constitute an employee benefit. Therefore, no social security contributions or benefit taxation attributable to this arise.

Provisions

A provision differs from other liabilities in that there is uncertainty about the time of payment or the amount of the provision in order to regulate the provision. A provision is recognised in the balance sheet when there is an existing legal or informal obligation as a result of an event that has occurred, and it is likely that an outflow of financial resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are made at the amount that is the best estimate of what is required to settle the existing obligation on the balance sheet date.

Collateral and contingent liabilities

A contingent liability is recognised when there is a potential liability arising from events that have occurred and the existence of which is confirmed only by one or more uncertain future events or when there is a liability that is not recognised as a liability or provision because it is not likely that an outflow of resources will be required.

Cash flow statement

The cash flow statement is prepared according to the indirect method and is divided into three sections; operating activities, investing activities and financing activities. The reported cash flow only includes transactions that result in incoming or outgoing payments. Changes in operating liabilities and assets are adjusted for the effects of changes in exchange rates. This means that deviations may occur compared to changes in individual items in the balance sheet.

Business combinations

A business combination occurs when Karnell acquires shares in a company that entails control, i.e. Karnell is entitled to a return from the investee and is exposed to its losses and can use the controlling influence to affect the direction and performance of the company. Consolidation will take place from the date on which Karnell obtains control of the subsidiary, which normally coincides with the closing date, using the acquisition method. The acquisition method means that the Group acquires its net assets, by acquiring the assets and assuming the liabilities.

The acquisition analysis determines the fair value on the acquisition date of the acquired identifiable assets and assumed liabilities and any non-controlling interests. Non-controlling interests are valued either at their proportionate share of the net assets of the acquired company or at fair value. A decision on the method is made with each acquisition. If agreements entered into in connection with the business combination contain so-called call and put options, this is recognized as described below. When the compensation exceeds the value of acquired net assets, the difference is recognised as goodwill. When acquiring a business, there are two alternative methods for recognizing goodwill, either proportional share or full goodwill. Full goodwill means that non-controlling interests are recognised at fair value. Transaction costs attributable to acquisitions are recognized in the income statement, under the item “Other external costs”, in the period in which they arise.

Put/call option to non-controlling owners

In connection with some of the Group’s business combinations, the Group does not acquire all of the shares at the time of acquisition. However, in this type of transaction, Karnell enters into shareholders’ agreements with non-controlling shareholders that contain call and put options for the remaining shares that can be exercised at a future date. Additional shares that may later be acquired by non-controlling owners, for example through a new share issue, are also covered by the call and put options within the framework of existing shareholders’ agreements.

Based on the terms of the shareholders’ agreements and other factors, the Group has adopted an accounting policy with guidance from IAS 32. This means that business combinations where there is a commitment to buy the remaining shares are recognized as if the company was acquired 100% and thus without recognition of non-controlling interests. The commitment to acquire additional shares from non-controlling interests in the future constitutes a financial liability which is measured at fair value in accordance with IFRS 9 and changes in value are recognised in the Group’s consolidated income statement in Net financial items. When the option is exercised, the debt is settled at the value of the exercise price of the shares. Dividends to non-controlling shareholders are recognised as an expense in the Group’s consolidated income statement, except in cases where the dividend is intended to settle the liability, in which case it is recognised as a reduction of the liability.

There are no associated companies or joint ventures in the Group. Any contingent consideration is recognized at fair value at the time of acquisition and is revalued at each reporting date. In the event of changes to these, the change in profit for the year is reported.

NOTE 2 – SIGNIFICANT ESTIMATES AND ASSESSMENTS

In order to prepare the financial statements in accordance with IFRS, management and the Board of Directors are required to make judgments, assumptions and estimates that affect asset and liability items, and income and expense items recognized in the financial statements and other disclosures, including with respect to contingent liabilities, through the application of the accounting principles. Changes in estimates affect results and financial position in the period in which they change. The most significant assessments are described below.

Impairment testing of goodwill

A source of uncertainty in estimates that may entail a material risk that the value of the asset may need to be adjusted is impairment testing of goodwill. To estimate any impairment need, the recoverable value of each cash-generating unit is calculated based on expected future cash flows. This requires assumptions about future growth, operating profit and discount rates, which are subject to uncertainty. For further information on assumptions and sensitivity, see note 10.

Acquisition analyses

An important part of Karnell’s business is to carry out good business combinations. Assessing potential acquisitions with regard to future results and profitability is associated with several assessments and estimates, which entails some uncertainty in the accounting of said acquisitions.

Contingent considerations

In connection with several acquisitions, Karnell has commitments in the form of contingent earn-outs. These are continuously reported at fair value and the calculation is based on a number of assessments and assumptions. The assumptions underlying the calculation are described in Note 18 (Financial instruments). This means that future revaluations of reported commitments may affect the Group’s reported earnings by significant amounts, both positively and negatively, in the coming years.

Put/call options for non-controlling interests

In connection with some of the Group’s business combinations, the Group does not acquire all of the shares at the time of acquisition.

On the other hand, in this type of transaction, Karnell enters into shareholders' agreements with non-controlling shareholders which contain call and put options for the remaining shares that can be exercised at a future date. These are continuously reported at fair value and the calculation is based on an assessment of the likely outcome regarding financial and operational targets for each individual agreement. The assumptions underlying the calculation are described in Note 18 (Financial instruments). This means that future revaluations of reported provisions may affect the Group's reported earnings by significant amounts, both positively and negatively, in the coming years.

NOTE 3 – SEGMENTS

Karnell's segments are divided as follows;

The **Product companies** business area focuses on B2B industrial technology companies. These are companies that develop, own the rights and have a unique product offering. The business area consists of nine subsidiaries.

The **Niche production** business area focuses on companies that are market leaders in producing products in their niche area. Often, our companies work closely with the customers' development department and add value in the development of the product. Niche production consists of six subsidiaries.

Records that are not classified into any of the mentioned categories are referred to as Central and Elimination. Net sales are attributable to external income from agreements with customers.

Jan-Dec 2024 (MSEK)	**Product companies**	**Niche production**	**Central and elim**	**Total Group**
Net sales	678.5	723.8	0.0	1 402.3
Other income	5.4	2.5	0.0	7.9
Change in inventory	-7.8	-1.9	-	-9.8
Raw materials and supplies	-345.8	-245.9	-0.0	-591.6
Personnel costs	-139.0	-239.0	-24.9	-402.9
Other external costs	-69.8	-82.3	-18.1	-170.2
Depreciation of property, plant and equipment including leasing	-25.5	-43.6	-0.7	-69.8
EBITA	**95.9**	**113.6**	**-43.7**	**165.8**
Depreciation and amortisation of intangible fixed assets				-15.1
Net financial items				-36.1
Profit before tax				**114.6**

Jan-Dec 2023 (MSEK)	**Product companies**	**Niche production**	**Central and elim**	**Total Group**
Net sales	457.2	646.0	0.1	1 103.3
Other income	6.1	2.4	0.1	8.6
Change in inventory	6.2	0.7	-	6.9
Raw materials and supplies	-245.7	-239.5	-0.0	-485.1
Personnel costs	-109.8	-196.1	-17.3	-323.2
Other external costs	-47.9	-59.9	-14.1	-121.9
Depreciation of property, plant and equipment including leasing	-15.0	-36.2	-0.7	-52.0
EBITA	**51.0**	**117.5**	**-31.9**	**136.7**
Depreciation and amortisation of intangible fixed assets				-4.1
Net financial items				-23.1
Profit before tax				**109.5**

Fixed assets

Non-current assets excluding financial non-current assets in 2024	**Product companies**	**Niche production**	**Central and elim**	**Total Group**
Sweden	386.1	46.2	0.8	433.1
Finland	383.8	404.1	-	787.9
United Kingdom	-	174.9	-	174.9
Total	**769.9**	**625.2**	**0.8**	**1,395.9**

Non-current assets excluding financial non-current assets in 2023	**Product companies**	**Niche production**	**Central and elim**	**Total Group**
Sweden	205.1	38.7	1.6	245.4
Finland	227.5	370.7	-	598.2
United Kingdom	-	78.6	-	78.6
Total	**432.6**	**488.0**	**1.6**	**922.2**

NOTE 4 – NET SALES FROM CONTRACTS WITH CUSTOMERS

(MSEK)	2024	2023
Product companies	**678.5**	**457.2**
Sale of products	591.0	403.5
Project sales	52.6	25.9
Sales of services	34.9	27.8
Niche production	**723.8**	**646.0**
Sale of products	723.8	646.0
Project sales	-	-
Sales of services	-	-
Central and eliminations	**0.0**	**0.1**
Total Group	**1,402.3**	**1,103.3**

Sales of services and project sales are recognised as revenue over time, other income is recognised at one point in time. The Group's sales of products and projects are generally made with payment terms of 30–90 days. Read more about performance commitments in Note 1. Accounting principles.

Contractual liabilities (MSEK)	2024	2023
Opening balance	20.8	6.8
Changes attributable to ordinary business	-14.4	14.0
Closing balance	**6.4**	**20.8**

The Group applies the exception of not disclosing net sales allocated to remaining performance commitments that are part of an agreement that is expected to be completed within one year. For more information on revenue, see Note 1. Accounting principles.

Net sales by geographic area (MSEK)	2024	2023
Sweden	362.0	245.3
Finland	698.3	635.2
Denmark	8.9	12.0
Norway	55.5	56.7
UK	93.5	7.4
Germany	16.1	10.2
Netherlands	19.5	12.4
Rest of Europe	91.7	79.6
Asia	25.3	9.4
United States	5.6	10.1
Other countries	25.9	25.0
Total	**1,402.3**	**1,103.3**

Revenue is based on where the customer has its geographical residence.

NOTE 5 – EMPLOYEES AND PERSONNEL COSTS

	2024		2023	
Average number of employees	**Employees**	**Of which men**	**Employees**	**Of which men**
Sweden	201	83%	135	81%
Finland	382	84%	370	85%
United Kingdom	49	92%	-	-
Norway	3	100%	28	50%
China	31	52%	2	100%
Total number of employees	**665**	**83%**	**535**	**82%**

Jan-Dec 2024 (MSEK)	Board of Directors, CEO, senior executives	Other employees	Total Group
Salaries and other remuneration	41.0	263.8	304.8
Social costs	7.9	43.8	51.7
Pension costs	6.6	29.3	35.9
Other personnel costs	-	10.5	10.5
Total personnel costs	**55.4**	**347.5**	**402.9**

Jan-Dec 2023 (MSEK)	Board of Directors, CEO, senior executives	Other employees	Total Group
Salaries and other remuneration	30.7	215.8	246.4
Social costs	5.4	24.1	29.5
Pension costs	3.9	34.3	38.2
Other personnel costs	-	9.0	9.0
Total personnel costs	**40.0**	**283.2**	**323.2**

Gender distribution among senior executives on the balance sheet date (MSEK)	Group 2024	Group 2023	Parent Company 2024	Parent Company 2023
Proportion of men elected by the AGM on boards	93%	98%	50%	60%
Proportion of men among CEOs and senior executives	97%	93%	100%	100%

2024 (MSEK)	Base salary/ board fees	Variable remuneration	Pension cost	Total
Chairman of the Board Patrik Rignell	1.6	-	0.8	2.5
Board member Hans Karlander	0.3	-	-	0.3
Board member Per Nordgren	0.3	-	-	0.3
Board member Dajana Mirborn	0.3	-	-	0.3
Board member Lena Wäppling	0.3	-	-	0.3
Board member Helena Nordman-Knutson	0.2	-	-	0.2
CEO Petter Moldenius	2.4	2.1	0.6	5.1
Other senior executives (4 people)	4.7	1.5	1.0	7.1
Total	**10.0**	**3.6**	**2.4**	**16.1**

2023 (MSEK)	Base salary/ board fees	Variable remuneration	Pension cost	Total
Chairman of the Board Patrik Rignell	1.4	-	0.0	1.4
Board member Hans Karlander	0.2	-	-	0.2
Board member Julia Reuzner	0.1	-	-	0.1
Board member Dajana Mirborn	0.2	-	-	0.2
Board member Per Nordgren	0.2	-	-	0.2
Board member Lena Wäppling	0.1	-	-	0.1
CEO Petter Moldenius	1.8	0.3	0.6	2.7
Other senior executives (4 people)	4.3	1.1	0.7	6.2
Total	**8.3**	**1.4**	**1.3**	**11.1**

Remuneration and its conditions

Karnell's policy is to offer market-based compensation to enable the recruitment and retention of competent and qualified senior executives. The remuneration must be fair and competitive. Remuneration to the President/CEO consists of fixed and variable salary, defined contribution pension and other benefits. The variable remuneration is linked to predetermined and measurable criteria of both a financial and non-financial nature, and can amount to a maximum of 6 months' salary. The CEO has 12 months' notice from the company's side. No additional severance pay in addition to salary during the period will be paid. There are also no severance payments for board members. Remuneration to other employees includes fixed and variable salary, pension and other benefits. The Group does not have any defined benefit pension plans, only defined contribution plans.

Employees have been given the opportunity to acquire warrants at market value. These are valued at market value according to the Black-Scholes method, which means that the warrants do not constitute any benefit. The holders have paid an acquisition price corresponding to the market value of the warrants, which is why no personnel costs or social security contributions are incurred.

One warrant entitles the holder to subscribe for ten shares (after recalculation for the 2022 split) for the warrant program started before 2024 and 1 share for the option program started in 2024. To simplify the effects of the warrant programs, the numbers below in text and tables refer to the number of shares to which the warrants entitle. The warrants have been issued on equal terms to Karnell's Group Management and current and former employees during the years 2016-2024, through 11 different programs.

During the financial year, in connection with the IPO, 2,523,700 warrants were repurchased (in 2023, 493,740 warrants were redeemed). The other programmes expire during 2025-2027. During the financial year, the Group issued 320,000 (0) warrants to senior executives. As of the balance sheet date, the CEO holds 946,353 (1,149,617) warrants and other senior executives have 315,840 (508,949) warrants.

From 1 January 2023 to 31 December 2024, senior executives consisted of the CEO, CFO and the company's investment managers. One of the company's investment managers left in September 2024 and compensation is with until this date. In addition to Board fees, the Chairman of the Board receives remuneration for his work as Executive Chairman of the Board. The amount of remuneration is prepared by the Remuneration Committee and is decided by the Board of Directors and is shown in the table above. The Chairman of the Board of Directors does not participate in the Board's decisions regarding the remuneration to him/herself. Senior executives themselves have control over the ratio between salary and pension provision.

Changes in the number of outstanding warrants*	2024	2023
At the beginning of the year	6,082,340	6,576,080
Assigned	320,000	-
Redeemed	-2,523,700	-493,740
At the end of the year	**3,878,640**	**6,082,340**

The table below presents the option programs that are outstanding as of 2024-12-31.

Warrant programs	Number of warrants issued*	Price per warrant	Exercise price per share
2020:1	659,380	6.71	22.44
2021:1	2,680,480	13.40	26.90
2021:2	218,780	16.54	29.60
2024:1	320,000	6.98	53.65
Total	**3,878,640**		

*Number of warrants here refers to the number of shares to which the options entitle.

NOTE 6 - AUDIT FEES

	2024	2023
Elected auditors, Ernst & Young		
The audit assignment	3.4	2.5
Other	2.7	0.4
Total	**6.1**	**2.9**
Other agencies		
Audit	1.1	0.7
Tax advice	0.0	0.0
Total	**1.1**	**0.7**

NOTE 7 - FINANCIAL INCOME

(MSEK)	2024	2023
Assets measured at amortised cost		
Interest income on other financial assets	7.6	7.7
Total interest income according to the effective interest rate method	**7.6**	**7.7**
Other financial income		
Exchange rate Gains	12.5	3.5
Revaluation of put/call options and earn-outs	13.0	7.5
Other financial items	1.8	-
Total financial income	**35.0**	**18.7**

NOTE 8 - FINANCIAL EXPENSES

(MSEK)	2024	2023
Liabilities measured at amortised cost		
Interest expenses on interest-bearing liabilities	30.9	23.2
Interest expenses on lease liabilities	6.1	4.8
Total interest expenses according to effective interest rate method	**37.0**	**28.0**
Other financial expenses		
Exchange rate Losses	13.6	2.9
Revaluation of put/call options and earn-outs	20.5	10.9
Total financial expenses	**71.1**	**41.8**

NOTE 9 - TAXES

Tax on profit for the year (MSEK)	2024	2023
Current tax	-35.7	-34.3
Deferred tax	-1.4	2.1
Total reported tax	**-37.1**	**-32.2**
Reconciliation of effective tax		
Reported profit before tax	114.6	109.5
Tax at the current rate, 20.6%	-23.6	-22.6
Tax effect due to:		
Non-deductible expenses	-3.7	-1.1
Non-taxable income	0.0	0.0
Utilisation of previously uncapitalised loss carry-forwards	0.2	1.2
Tax attributable to previous years	-4.0	-4.9
Flat rate on accrual fund	-0.1	-
Increase in loss carry-forwards without corresponding capitalisation of deferred tax	-5.8	-5.1
Other	-0.1	-0.6
Effect of Foreign Tax Rates	-0.1	0.9
Total tax expense for the year	**-37.1**	**-32.1**
Effective tax rate		
Effektiv skattesats	-32.4%	-29.3%

Total tax losses for the Group amounted to SEK 112.9 million (84.4). No deferred tax on losses has been capitalised in the Group. The unused loss carry-forwards have no maturity period.

Deferred tax asset (MSEK)	2024	2023
Reserve accounts receivable	0.0	0.0
Leasing	1.2	1.1
Deferred tax acquisition costs	-	3.1
Other temporary differences	0.0	0.0
Total deferred tax assets	**1.2**	**4.2**

Deferred tax liability (MSEK)	2024	2023
Fixed assets	57.3	24.7
Untaxed reserves	8.8	8.8
Other deferred tax liability	-	3.8
Total deferred tax liability	**66.1**	**37.4**

Change in deferred tax assets (MSEK)	2024	2023
Opening balance	4.2	3.3
Reserve accounts receivable	0.0	-0.1
Leasing	0.1	0.1
Deferred tax acquisition costs	-3.1	0.8
Other temporary differences	0.0	0.0
Total deferred tax assets	**1.2**	**4.2**

Change in deferred tax liability (MSEK)	2024	2023
Opening balance	37.4	12.9
Temporary difference in revenue recognition	-	-
Acquisition of subsidiaries	30.6	18.3
Other temporary differences	-1.9	6.2
Total deferred tax liability	**66.1**	**37.4**

NOTE 10 – INTANGIBLE ASSETS

2024 (MSEK)	Capitalized development costs	Patents, licences and concessions	Brands	Customer relationships	Goodwill	Other intangible assets	Total
Opening acquisition values	18.5	3.1	16.9	49.9	554.8	2.4	**645.5**
Investments	3.1	1.0				0.1	**4.2**
Acquisition	0.6		47.2	58.6	231.3		**337.7**
Sale/scrapping	-						**-**
Reclassification	-1.0	1.0			0.1	-1.9	**-1.8**
Translation difference	0.4	0.0		4.5	20.3	0.1	**25.3**
Closing accumulated cost	**21.7**	**5.1**	**64.1**	**113.0**	**806.5**	**0.6**	**1 010.9**
Accumulated depreciation	-9.2	-1.9	-0.3	-0.6	-	-1.0	**-12.9**
Sale/scrapping							**-**
Reclassification	0.3	-0.3				0.8	**0.8**
Depreciation for the period	-2.3	-0.5	-2.6	-9.6	-	-0.1	**-15.1**
Translation difference	-0.2	-0.0		-0.2	-	-0.0	**-0.4**
Closing accumulated depreciation	**-11.4**	**-2.7**	**-2.8**	**-10.4**	**-**	**-0.3**	**-27.6**
Carrying amount	**10.3**	**2.4**	**61.2**	**102.6**	**806.5**	**0.3**	**983.3**

2023 (MSEK)	Capitalized development costs	Patents, licences and concessions	Brands	Customer relationships	Goodwill	Other intangible assets	Total
Opening acquisition values	15.3	2.5			481.8	1.6	**501.1**
Investments	3.3	0.2				0.8	**4.3**
Acquisition		0.1	16.9	50.8	74.5		**142.3**
Sale/scrapping	-						**-**
Reclassification		0.3			-0.0	0.0	**0.4**
Translation difference	-0.1	-0.0		-0.9	-1.5	-0.0	**-2.5**
Closing accumulated cost	**18.5**	**3.1**	**16.9**	**49.9**	**554.8**	**2.4**	**645.5**
Accumulated depreciation	-7.2	-1.4			-	-0.4	**-9.0**
Sale/scrapping							**-**
Reclassification							**-**
Depreciation for the period	-2.0	-0.5	-0.3	-0.7	-	-0.6	**-4.1**
Translation difference	0.1	0.0		0.0	-	0.0	**0.1**
Closing accumulated depreciation	**-9.2**	**-1.9**	**-0.3**	**-0.6**	**-**	**-1.0**	**-12.9**
Carrying amount	**9.3**	**1.2**	**16.6**	**49.2**	**554.8**	**1.4**	**632.6**

Acquisitions and divestments

During the year, the Group's goodwill increased by SEK 231 million as a result of the acquisitions SJ, Ojop, NE Engineering and Haco, and SEK 20 million as a result of changes in exchange rates.

Impairment testing

The Group's total goodwill of SEK 806.5 million (554.8) has arisen from the acquisition of each subsidiary. Goodwill is monitored per segment and monitored per cash-generating unit, i.e. each sub-group or subsidiary separately. The impairment test consists of assessing whether the recoverable value of the cash-generating entity is higher than its carrying amount. The recoverable value has been calculated on the basis of the unit's value in use, which is the present value of the unit's expected future cash flows without taking into account possible future business expansion and restructuring. These calculations are based on estimated cash flows based on financial budgets and forecasts covering a five-year period. The average during this period may change between years depending on the result of the current year. No significant changes have been made to the long-term forecasts for 2024. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of two percent per year. Completed calculations together with performed sensitivity analyses do not show any impairment need for 2024. The most important assumptions that management considers annually are discount factor, growth forecasts, profit after tax, change in working capital and investment needs. The following assumptions have been used:

2024	Pre-tax discount rate	Terminal growth	Goodwill
Tekniseri	9.9%	2%	63.0
Autori	11.8%	2%	38.3
SimFAS	11.0%	2%	6.4
Re-board	11.0%	2%	23.9
Vebe	11.0%	2%	18.6
KL Mechanics	11.8%	2%	144.1
Rotomon	11.8%	2%	146.3
Drivex	11.0%	2%	28.5
Timeka	11.8%	2%	34.0
K-Vagnen	11.0%	2%	35.1
Plalite	13.0%	2%	38.4
SJ	11.8%	2%	89.6
Ojop	11.0%	2%	40.7
NE	13.0%	2%	27.2
Haco	11.0%	2%	72.4

2023	Pre-tax discount rate	Terminal growth	Goodwill
Tekniseri	9.9%	2%	60.8
Autori	11.3%	2%	37.0
SimFAS	13.0%	2%	6.4
Re-board	11.4%	2%	23.9
Vebe	12.5%	2%	18.6
KL Mechanics	13.3%	2%	139.2
Rotomon	13.7%	2%	141.2
Drivex	11.6%	2%	25.6
Timeka	11.4%	2%	32.9
K-Vagnen	11.8%	2%	35.1
Plalite	12.0%	2%	34.1

Internally accrued intangible assets that have not yet been taken into use and started to be depreciated are also tested at least annually for impairment needs. Other intangible fixed assets have a determinable useful life, after which they are depreciated on a straight-line basis over the estimated useful life. The remaining average depreciation period for intangible assets with a fixed useful life is approximately 8 years. The Group has no significant expensed expenses for research and development.

Sensitivity analysis

A sensitivity analysis of the assessment of impairment needs for goodwill has been performed by adjusting the following assumptions (one at a time):

- Long-term growth rate reduced by 0.5 percentage points
- The forecasted cash flow from the forecast period has been revised down by 10 percent
- The discount factor has been increased by 0.5 percentage points

For all companies in the Group, there is no need for impairment even if these changed assumptions are made.

NOTE 11 - TANGIBLE FIXED ASSETS

2024 (MSEK)	Buildings	Land and Ground Facilities	Machinery and technical plant	Inventory, tools and installations	Work in progress	Total Group
Opening acquisition values	77.7	10.2	215.2	16.5	4.5	**324.1**
Investments	1.8	0.1	28.8	12.1	5.4	**48.2**
Acquisition	1.5	-	32.2	3.3	-	**37.0**
Sale/scrapping	-	-	-1.6	-0.6	-	**-2.2**
Reclassification	0.0	-0.0	-3.0	13.3	-8.4	**1.8**
Translation difference	0.6	0.2	6.4	0.2	0.0	**7.4**
Closing accumulated cost	**81.6**	**10.5**	**278.0**	**44.8**	**1.4**	**416.4**
Accumulated depreciation	-11.2	-1.1	-81.3	-6.6	-	**-100.1**
Acquisition	-	-	-	-	-	**-**
Sale/scrapping	-	-	-	0.4	-	**0.4**
Reclassification	-0.0	0.0	-	-0.8	-	**-0.8**
Depreciation for the period	-3.6	-0.5	-26.6	-7.3	-	**-37.9**
Translation difference	-0.0	-0.0	-1.4	-0.1	-	**-1.5**
Closing accumulated depreciation	**-14.8**	**-1.5**	**-109.3**	**-14.4**	**-**	**-140.0**
Carrying amount	**66.9**	**8.9**	**168.8**	**30.4**	**1.4**	**276.4**

2023 (MSEK)	Buildings	Land and Ground Facilities	Machinery and technical plant	Inventory, tools and installations	Work in progress	Total Group
Opening acquisition values	56.3	8.4	182.7	7.4	3.4	**258.1**
Investments	0.5	0.7	14.3	2.2	4.5	**22.2**
Acquisition	19.7	1.5	19.7	3.6	1.3	**45.8**
Sale/scrapping	-	-	-0.3	-	-	**-0.3**
Reclassification	1.3	-0.3	0.1	3.3	-4.8	**-0.4**
Translation difference	-0.0	-0.0	-1.4	-0.0	0.1	**-1.4**
Closing accumulated cost	**77.7**	**10.2**	**215.2**	**16.5**	**4.5**	**324.1**
Accumulated depreciation	-5.7	-0.5	-59.1	-0.3	-	**-65.6**
Acquisition	-2.9	-	-2.4	-1.2	-	**-6.5**
Sale/scrapping	-	-	-	-	-	**-**
Reclassification	-	-	-	-	-	**-**
Depreciation for the period	-2.6	-0.6	-20.5	-5.1	-	**-28.7**
Translation difference	0.0	0.0	0.6	0.0	-	**0.7**
Closing accumulated depreciation	**-11.2**	**-1.1**	**-81.3**	**-6.6**	**-**	**-100.1**
Carrying amount	**66.5**	**9.2**	**133.9**	**9.9**	**4.5**	**224.0**

NOTE 12 – LEASING

The Group is a lessee for buildings, cars and certain other equipment. Certain leases of minor value and short-term leases have been excluded and are reported on a straight-line basis in the income statement. This applies mainly to IT equipment such as copiers. A more detailed description can be found in Note 1 Accounting policies. In Finland, it is relatively common to have ongoing agreements without a specific end date, these agreements instead have a mutual notice period, which is reported over the time they are estimated to be extended. There are potential future increases in variable lease payments which are index-linked. These payments are not included in the lease liability until the index adjustment takes effect. On this occasion, the lease liability is revalued and adjusted against the right of use. For leases of properties, extension options or automatic extensions are usually included if no termination occurs. When determining the lease period, extension options are taken into account, where inclusion in the lease period takes place in the extension options that are reasonably expected to be exercised with reasonable certainty. Regular assessments are carried out for all leases to ensure correct determination of the current lease period.

Kostnader för leasade tillgångar

(MSEK)	2024	2023
Depreciation, right-of-use assets	31.9	23.2
Interest expense on lease debt	6.1	4.8
Total leasing costs	**38.0**	**28.0**

During the year, rights of use increased by SEK 70.6 million (-12.9).

Future estimated minimum lease payments for leased assets including extensions

(MSEK)	2024	2023
Payable within 1 year	40.8	26.0
Paid within 1 - 5 years	99.8	50.7
Payable later than 5 years	4.1	0.0
	144.7	**76.7**

Total cash outflow for the year from leases was SEK 38.2 million (28.1). Costs for short-term leases and low-value assets amounted to SEK 5.9 million (4.2).

2024 (MSEK)	Buildings	Cars & Other	Total
Additions during the year	98.2	0.0	**98.2**
Depreciation during the year	-31.3	-0.6	**-31.9**
Carrying amount at year-end	136.7	-0.5	**136.2**

2023 (MSEK)	Buildings	Cars & Other	Total
Additions during the year	9.9	0.3	**10.2**
Depreciation during the year	-22.4	-0.9	**-23.2**
Carrying amount at year-end	65.5	0.1	**65.6**

NOTE 13 – INVENTORIES

Inventories	2024	2023
Raw materials and supplies	131.6	129.2
Goods in progress	23.8	20.2
Finished goods and merchandise	137.6	102.1
Total	**293.0**	**251.6**

NOTE 14 – OTHER CURRENT RECEIVABLES

Other current receivables	2024	2023
Tax receivables	2.6	7.5
Other current receivables	5.8	4.2
Total	**8.4**	**11.7**

NOTE 15 – PREPAID EXPENSES AND ACCRUED INCOME

Deferred expenses and accrued income	2024	2023
Prepayments	2.8	2.0
Other prepaid items	4.3	4.9
Accrued income	0.8	1.7
Total	**8.0**	**8.6**

NOTE 16 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents	2024	2023
Cash and cash equivalents	286.3	190.4
Total	**286.3**	**190.4**

There are no restrictions on the Group's use of cash and cash equivalents.

NOTE 17 – EQUITY

Share capital

As of December 31, 2024, the registered share capital of SEK 5,292,099 (4,209,404) consisted of 6,180,520 Class A shares and 46,740,472 Class B shares. The Class A share carries 10 votes per share and the Class B share carries 1 vote per share.

	2024		2023	
Number of shares	**A shares**	**B shares**	**A shares**	**B shares**
Opening number of shares	6,180,520	35,913,519	6,180,520	30,887,704
New share issue	-	10,826,953	-	5,025,815
Shares as of December 31	6,180,520	46,740,472	6,180,520	35,913,519

Other capital contributed consists of issues and other contributions from owners. Translation reserves consist of translation effects of foreign operations that prepare their financial statements in a functional currency other than the currency in which the Group's financial statements are presented. Retained earnings, including profit for the year, consist of retained earnings and profit for the year.

NOTE 18 – FINANCIAL ASSETS AND LIABILITIES

2024 (MSEK)	Financial assets and liabilities measured at fair value through profit or loss	Financial assets and liabilities measured at amortised cost	Total fair value
Financial assets			
Non-current receivables	-	0.6	**0.6**
Accounts receivable	-	239.6	**239.6**
Cash and cash equivalents	-	286.3	**286.3**
Sum	**-**	**526.5**	**526.5**
Financial liabilities			
Liabilities to credit institutions	-	460.2	**460.2**
Trade payables	-	94.8	**94.8**
Contract liabilities	-	6.4	**6.4**
Contingent liabilities	47.2	-	**47.2**
Put/call options attributable to non-controlling interests	136.4	-	**136.4**
Sum	**183.6**	**561.4**	**745.0**

2023 (MSEK)	Financial assets and liabilities measured at fair value through profit or loss	Financial assets and liabilities measured at amortised cost	Total fair value
Financial assets			
Non-current receivables	-	0.6	**0.6**
Accounts receivable	-	211.1	**211.1**
Cash and cash equivalents	-	190.4	**190.4**
Total	**-**	**402.1**	**402.1**
Financial liabilities			
Liabilities to credit institutions	-	376.0	**376.0**
Trade payables	-	79.1	**79.1**
Contract liabilities	-	20.8	**20.8**
Contingent liabilities	37.4	-	**37.4**
Put/call options attributable to non-controlling interests	97.0	-	**97.0**
Total	**134.4**	**476.0**	**610.4**

The carrying amount is considered to be a good approximation of the fair value of liabilities to credit institutions, as the short fixed interest periods and the limited maturity of the liabilities mean that the difference between amortised cost and fair value is immaterial. For 2024, there are two items measured at fair value via the income statement. Fair value of contingent liabilities (earn-outs) has been calculated based on the expected outcome of financial and operational targets for each individual agreement. The estimated expected adjustment will vary over time depending on, among other things, the degree of fulfilment of the conditions for the contingent earn-outs and the development of certain exchange rates against the Swedish krona. Contingent liabilities classified as financial liabilities are measured at fair value. The measurement is therefore in accordance with level 3 in the valuation hierarchy. Significant unobservable input information consists of forecasted EBITA and to some extent a risk-adjusted discount rate. An increase in average expected EBITA of 5% for each company would increase debt by approximately SEK 1.7 million.

The put/call options for non-controlling interests apply to put/call options in completed transactions where the selling shareholder retains a certain ownership in connection with subsequent transactions and there is an agreement that Karnell will buy the remaining holdings if the owner of the put/call option chooses to exercise the right to sell. The valuation and payment are made in a similar manner as for contingent earn-outs (Level 3 Fair Valuation). The fair value of the put/call options has been calculated by assessing the likely outcome of the financial and operational targets for each individual agreement. The estimated probability of payment will vary over time depending on, among other things, the extent to which conditions for the put/call options have been met, as well as how exchange rates develop.

Significant unobservable input information consists primarily of forecasted EBITA and to some extent a risk-adjusted discount rate. An increase in average expected EBITA of 5% in all companies would increase debt by approximately SEK 5.1 million.

The levels available are as follows;

- Level 1: Financial instruments are valued according to prices quoted on an active market
- Level 2: financial instruments are valued on the basis of directly or indirectly observable market data
- and are not included in level 1.
- Level 3: Financial instruments are valued on the basis of inputs that are not observable in the market

Changes in put/call options (MSEK)	
Opening balance, 1 Jan 2024	**97.0**
Additional put/call options	26.0
Settled liabilities during the period	-6.3
Revaluations via the income statement	18.7
Exchange rate differences	1.0
Closing balance, 31 Dec 2024	**136.4**

Changes in earn-outs (MSEK)	
Opening balance, 1 Jan 2024	**37.4**
Additional earn-outs	21.6
Regulated during the period	-2.3
Revaluations via the income statement	-11.9
Exchange rate differences	2.4
Closing balance, 31 Dec 2024	**47.2**

Classification of Put/call Options

The put/call options for non-controlling interests entail a right for the holder to sell shares from a certain date and an obligation for the company to purchase the shares at the same time. In most cases, there is no end date for these rights and obligations, and most of the time the holder does not exercise the right immediately when it arises. Therefore, the liability for the put/call options is usually reported as a non-current liability. When there is an indication that call option holders want to exercise their option, the debt is reported as current. As of 2024-12-31, SEK 38.9 million (0) is reported as current debt. If the liability for all call options where the holder has the right to redeem within 12 months were to be reported as current, the current part of the debt would amount to SEK 68.3 million (8.6).

NOTE 19 – PROVISIONS

Provisions (MSEK)	2024	2023
Provisions for pension	4.5	4.3
Guarantee commitments	0.3	0.3
Total provisions	**4.8**	**4.6**

Change in provisions (MSEK)	2024	2023
Opening balance	4.6	4.1
Provisions during the period	0.1	0.3
Guarantee commitments in acquired companies	0.0	0.3
Change in guarantee commitments	-	0.0
Closing balance	**4.8**	**4.6**

NOTE 20 – FINANCIAL RISKS

Through its operations, the Group is exposed to various types of financial risks: credit risk, market risk (currency risk, interest rate risk and other price risk) and liquidity risk. The overall responsibility for the Group's risk management rests with the central finance function. The objective of the work on financial risks is to provide cost-effective financing and cash management, by identifying, valuing and managing the risks to which the Group is exposed.

Credit risk

Credit risk is the risk that the group's counterparty in a financial instrument is unable to meet its obligation and thereby cause the group a financial loss. The main credit risk is the Group's trade receivables. At each reporting date, the risk of credit losses is assessed forward-looking using the simplified method, i.e. over the remaining maturity, of each subsidiary. Historical statistics and other relevant known information form the basis for the assessment, for both overdue and non-past due accounts receivable. When a claim is due, an individual assessment is made. Trade receivables are spread over a large number of counterparties, and neither the Group nor any subsidiary is dependent on a significant customer. Therefore, there is no concentration of credit risk in accounts receivable. For project sales, the risk of customer losses is mitigated by receiving an advance payment. If there is no expectation of payment for a claim, it is immediately written down in its entirety. The reserve for expected credit losses amounts to a small amount in relation to the Group's sales, only SEK 0.1 million (0.1). The cost of expected credit losses is reported in Other external costs in the consolidated income statement. Other financial assets are considered to pose immaterial risk and thus no further provisions for credit losses have been made.

Age analysis accounts receivable

Age analysis accounts receivable	2024	2023
Accounts receivable not due	223.3	180.1
Overdue:		
31-90 days	14.8	27.4
>91 days	1.7	3.8
Total, accounts receivable	**239.8**	**211.2**
Reserve credit losses	-0.1	-0.1
Total, Group	**239.6**	**211.1**

Reserve expected customer losses

(MSEK)	2024	2023
Opening balance	0.1	0.4
Acquisition of subsidiaries	-	-
Reversal of previous reservations	-0.1	-0.4
This year's reservation	0.1	0.1
Total Group	**0.1**	**0.1**

Cash and cash equivalents

Placing cash and cash equivalents with a bank entails some credit risk. Karnell only cooperates with banks with high credibility and good ratings when investing any excess liquidity. No material risk of credit loss is deemed to exist.

Market risk

Market risk is the risk that the fair value of, or future cash flows from, a financial instrument will fluctuate due to changes in market prices. Market risks are divided into three types; currency risk, interest rate risk and other price risks. The market risks affecting the Group consist primarily of currency risk and interest rate risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument fluctuate, due to changes in foreign exchange rates. The main exposure derives from the translation of assets and liabilities in foreign currencies and from the translation of foreign operations' assets and liabilities into the Parent Company's functional currency, translation exposure. The Group has no derivatives or similar to hedge this exposure, but a natural hedge exists to a certain extent in that the external financing raised in connection with acquisitions made in EUR is also raised in the same currency.

Currency risks are also found in the Group's sales and purchases in foreign currencies, transaction exposure. The Group does not hedge any foreign currency flows, but the effects of exchange rate fluctuations are reduced by the fact that purchases and sales often take place in the same currency. The Group's result includes exchange rate differences of SEK 0.8 million (0.5). In addition to SEK, Karnell is mainly exposed to the currencies EUR and GBP. See below for the effects that fluctuations in these currencies against SEK would entail.

Sensitivity analysis, impact (MSEK)	Currency change	EBT	Equity
2024	+5%	6.3	17.5
	-5%	-6.3	-17.5
2023	+5%	4.9	10.2
	-5%	-4.9	-10.2

Interest rate risk

Interest rate risk is the risk that a fair value or future cash flows from a financial instrument will fluctuate due to changes in market interest rates. A significant factor affecting interest rate risk is the fixed interest period. In addition to equity, the Group's operations are also financed by external borrowing from credit institutions. This borrowing runs at a variable interest rate based on a reference rate with a certain margin mark-up. Increased market interest rates thus lead to increased interest expenses for the Group. If the interest rate were increased by one percentage point, profit would theoretically decrease by SEK 4.0 million (3.5). Karnell continuously monitors interest rate developments and assesses which interest rate terms are best for the Group in the long and short term. The Group also has the option of investing part of any excess liquidity in interest-bearing bank accounts in order to limit the effects of increased interest expenses.

Liquidity risk

Liquidity risk is the risk that the Group will have difficulties in meeting its obligations related to financial liabilities. The Group has a centralised financing structure where the Parent Company provides external financing to the subsidiaries. The Group's cash flow is forecasted and monitored continuously to reduce liquidity risk and ensure its ability to pay. Karnell also follows up on a quarterly basis balance-sheet-based liquidity measures against external parties in order to meet its covenants. The covenants that exist relate to the balance sheet items non-current interest-bearing liabilities and Liabilities to credit institutions and are thresholds for Net debt/EBITDA and Interest coverage ratio. The mandatory requirements have been met for 2024 and 2023 and are expected to be met also at future measurement points. The liquidity risk is mitigated by the Group's liquidity reserves, which are immediately available. As of the balance sheet date, the Group has revolving credit facilities of SEK 210 million (210), of which SEK 140 million was unutilised (185).

Maturity analysis of non-current and current liabilities

Maturity analysis liabilities, 2024	<1 year	1-3 years	>3 years	Sum
Liabilities to credit institutions	93.0	366.3	1.0	**460.2**
Leasing liabilities	40.8	75.4	38.2	**154.4**
Contingent considerations	14.8	32.4	-	**47.2**
Put/call options	38.9	-	105.3	**144.2**
Accounts payables	94.8	-	-	**94.8**
Other current liabilities	104.3	-	-	**104.3**
Sum	**386.6**	**474.1**	**144.5**	**1,005.1**

Maturity analysis of liabilities, 2023	<1 year	1-3 years	>3 years	Sum
Liabilities to credit institutions	92.8	283.3	-	**376.0**
Leasing liabilities	26.0	38.0	12.7	**76.7**
Contingent considerations	-	37.4	-	**37.4**
Put/call options	-	-	97.0	**97.0**
Accounts payables	79.1	-	-	**79.1**
Other current liabilities	67.1	-	-	**67.1**
Sum	**265.0**	**358.6**	**109.7**	**733.3**

NOTE 21 – ACCRUED EXPENSES AND DEFERRED INCOME

Accrued expenses and deferred income	2024	2023
Accrued holiday pay	42.7	35.5
Accrued social contributions	11.3	10.2
Other items	15.4	10.5
Deferred earnings	0.1	2.9
Total	**69.6**	**59.1**

NOTE 22 – ACQUISITIONS

Acquisitions in 2024

Säkhö-Jokinen

On 9 January 2024, Karnell completed the acquisition of Säkhö-Jokinen Oy ("SJ"), which was acquired at 91.9%. The acquisition includes a put/call option that entails a right and an obligation to acquire the remaining 8.1% of the shares from other owners. Of this, the acquisition is reported to be 100% without any non-controlling interest. The expected purchase price for the remaining 8.1% is reported as a liability.

SJ, located in Noormarkku, Finland, is a leading manufacturer of outdoor lighting. The company has a turnover of approximately EUR 8.5 million and is part of the Product Companies business area.

The acquired goodwill is attributable to the company's expected future earning capacity and the competence of its personnel. No part of the goodwill is expected to be tax deductible. Transaction costs for the acquisition amount to approximately SEK 3.5 million, a large part of which is attributable to transfer tax and is included in the item "Other external costs" in the Group's income statement. In addition to the cash consideration, there is also a performance-based contingent purchase price amounting to a maximum of EUR 2.4 million.

Ojop

On May 31, 2024, Karnell completed the acquisition of Ojop Sweden AB, which was acquired to 90.1%. The acquisition includes a put/call option that entails a right and an obligation to acquire the remaining 9.9% of the shares from other owners. Of this, the acquisition is reported to be 100% without any non-controlling interest. The expected purchase price for the remaining 9.9% is reported as a liability.

Ojop offers approximately 300 different eccentric locks under four brands that are aimed at both OEMs and end users in Sweden and internationally. The company has 20 employees and has customers in around 50 countries.

During the last financial year, Ojop had sales of approximately SEK 50 million with good profitability. Ojop is part of the Product Companies business area.

The acquired goodwill is attributable to the company's expected future earning capacity and the competence of its personnel. No part of the goodwill is expected to be tax deductible. Transaction costs for the acquisition amount to approximately SEK 1.2 million and are included in the item ”Other external costs” in the Group's income statement. In addition to the cash consideration, there is also a performance-based contingent purchase price amounting to a maximum of SEK 25.7 million.

NE Engineering

On 12 July 2024, Karnell completed the acquisition of NE Engineering LTD (”NE”), which was acquired at 90.1%. The acquisition includes a put/call option that entails a right and an obligation to acquire the remaining 9.9% of the shares from other owners. Of this, the acquisition is reported to be 100% without any non-controlling interest. The expected purchase price for the remaining 9.9% is reported as a liability.

NE is a precision engineering company specializing in CNC milling and turning of small and complex components for demanding environments. NE was founded in 2009 and is based in Norwich, Norfolk, and has a turnover of approximately GBP 5 million with good profitability. NE belongs to the Niche Production business area.

The acquired goodwill is attributable to the company's expected future earnings capacity and production expertise. No part of the goodwill is expected to be tax deductible. Transaction costs for the acquisition amount to approximately SEK 2.5 million and are included in the item ”Other external costs” in the Group's income statement. In addition to the cash consideration, there is also a performance-based contingent purchase price amounting to a maximum of GBP 600.

Haco

On August 27, 2024, Karnell completed the acquisition of the two sister companies Haco Tellus AB and Haco Rehabservice AB (together ”Haco”) to 100%.

Haco is a niche supplier specializing in industrial wheels as well as wheels and spare parts for wheelchairs and rollators with associated reconditioning services. Haco has sales of approximately SEK 70 million with good profitability and is part of Karnell's product companies business area.

The acquired goodwill is attributable to the companies' expected future earnings capacity and reputation in the market. No part of the goodwill is expected to be tax deductible. Transaction costs for the acquisition amount to approximately SEK 0.8 million, and are included in the item ”Other external costs” in the Group's income statement. In addition to the cash consideration, there is also a performance-based contingent purchase price, which at the time of acquisition was valued at SEK 9.1 million.

Add-on acquisitions 2024

SMF

On January 15, Tekniseri completed a minor add-on acquisition of AB Svenska Maskinskyltfabriken, in Linköping (”SMF”). SMF provides industrial customers with signs, decals and panels, in metal and plastic.

The acquisition of SMEs has given rise to negative goodwill. This has been recognised as a financial income in the Group's income statement. Transaction costs for the acquisition amount to approximately SEK 0.4 million and are included in the item ”Other external costs” in the Group's income statement. In addition to the cash consideration, there is also a performance-based contingent earn-out of a maximum of SEK 1.5 million.

Purchase price allocation 2024

(MSEK)	Sähkö-Jokinen	OJOP	NE	HACO	SUM
Intangible fixed assets	0.6	0.1	-	-	**0.7**
Property, plant and equipment	31.1	7.7	33.4	19.7	**91.9**
Inventories	24.7	13.4	4.1	13.7	**56.0**
Current receivables	8.7	5.0	13.4	8.9	**36.0**
Cash and cash equivalents	6.5	0.7	23.8	2.7	**33.6**
Deferred tax	-	-	-7.0	-	**-7.0**
Non-current liabilities	-23.0	-6.1	-15.5	-13.9	**-58.6**
Current liabilities	-15.0	-5.5	-14.3	-14.5	**-49.2**
Net identifiable assets and liabilities	**33.6**	**15.3**	**37.8**	**16.6**	**103.3**
Cash purchase price	134.7	61.6	70.9	100.3	**367.4**
Contingent liability	-	4.1	7.0	9.1	**20.2**
Put/call option	10.7	7.3	7.7	-	**25.6**
Total purchase price	**145.4**	**73.0**	**85.5**	**109.4**	**413.2**
Net assets acquired	33.6	15.3	37.8	16.6	**103.3**
Intangible fixed assets	30.4	21.5	28.3	25.7	**105.8**
Deferred tax liability	-6.1	-4.4	-7.1	-5.3	**-22.9**
Goodwill	87.4	40.6	26.5	72.4	**226.9**
	145.4	**73.0**	**85.5**	**109.4**	**413.2**
Impact on the Group's cash and cash equivalents					
Cash compensation	-134.7	-61.6	-70.9	-100.3	**-367.4**
Acquired cash and cash equivalents	6.5	0.7	23.8	2.7	**33.6**
Net cash and cash equivalents	**-128.2**	**-60.9**	**-47.1**	**-97.6**	**-333.8**

Impact of acquisitions on the Group’s income statement

(MSEK)	Sähkö-Jokinen	OJOP	NE	HACO	SUM
Impact after acquisition date included in consolidated earnings					
Net sales	87.9	24.1	35.3	22.4	**169.7**
Operating profit	9.8	1.2	5.6	4.7	**21.2**
Impact if the acquisitions were completed on Jan 1					
Net sales	87.9	43.5	73.2	64.6	**269.1**
Operating profit	9.8	6.7	21.6	16.3	**54.5**

Add-on acquisition

(MSEK)	SMF
Intangible fixed assets	-
Property, plant and equipment	1,9
Inventories	3,3
Current receivables	6,6
Cash and cash equivalents	0,0
Current liabilities	-9,1
Net identifiable assets and liabilities	**2,8**
Cash consideration	0,3
Contingent liability	0,7
Total purchase price	**0,9**
Net assets acquired	2,8
Negative goodwill	-1,8
	0,9
Impact on the Group's cash and cash equivalents	
Cash compensation	-0,3
Acquired cash and cash equivalents	0,0
Net cash and cash equivalents	**-0,2**

Acquisitions after the balance sheet date

On 31 January 2025, the acquisition of Männistö Oy Metallituote (”Männistö”) was completed, which was 90.4% acquired. The acquisition includes a put/call option that entails a right and an obligation to acquire the remaining 9.7% of the shares from other owners. Männistö is a Finnish manufacturer specializing in pipe support systems for the maritime industry and products for HVAC and insulation applications. The company has annual sales of approximately EUR 6 million and will be included in the Product Companies business area. Initial cash consideration amounted to EUR 5.2 million. The work of establishing an acquisition analysis is ongoing.

NOTE 23 – EARNINGS PER SHARE

The calculation of earnings per share before dilution is calculated by dividing profit for the year by the weighted average number of ordinary shares outstanding during the period. When calculating earnings per share after dilution, the potential ordinary shares to which the outstanding options correspond to the extent that they give rise to a dilution effect are added. This is the case if the issue of the shares under the terms of the program would lead to an issue at a lower price than the average price of outstanding ordinary shares during the period.

(MSEK)	2024	2023
Profit for the year	77.5	77.4
Adjustments	-	-
Profit for the year for calculation before and after dilution	**77.5**	**77.4**
Weighted number of ordinary shares before dilution ('000)	50,430	41,133
Dilution options ('000)	1,559	1,550
Weighted number of ordinary shares after dilution ('000)	**51,989**	**42,684**
Earnings per share, before dilution (SEK)	1.54	1.88
Earnings per share, diluted (SEK)	1.49	1.81

NOTE 24 – ITEMS NOT INCLUDED IN CASH FLOW

Adjustments for non-cash items in the cash flow	2024	2023
Depreciation and amortization	85.0	56.0
Other	-0.3	5.4
Exchange rate differences	1.2	3.0
Total	**85.9**	**64.4**

Reconciliation of liabilities arising from financing activities

			Non-cash changes			
Changes in liabilities related to financing activities	**1 Jan 2024**	**Cash flows**	**Business Acquisitions**	**New leasing contracts**	**Exchange rate differences**	**31 Dec 2024**
Liabilities to credit institutions	376.0	56.0	14.8	-	13.5	460.2
Lease debt	68.1	-32.1	58.1	33.8	2.3	130.2
Skulder härrörande från finansieringsverksamheten	**444.1**	**23.8**	**72.9**	**33.8**	**15.8**	**590.4**

			Non-cash changes			
Changes in liabilities related to financing activities	**1 Jan 2023**	**Cash flows**	**Business Acquisitions**	**New leasing contracts**	**Exchange rate differences**	**31 Dec 2023**
Liabilities to credit institutions	311.4	55.1	7.0	-	2.6	376.0
Other interest-bearing liabilities	28.1	-28.1	-	-	-	-
Lease debt	81.2	-23.4	9.9	0.3	0.1	68.1
Liabilities arising from financing operations	**420.7**	**3.6**	**16.8**	**0.3**	**2.6**	**444.6**

NOTE 25 - PLEDGED ASSETS AND CONTINGENT LIABILITIES

Collateral provided	2024	2023
Collateral provided for own liabilities		
Pledged accounts receivables	18.1	19.2
Pledged internal loans to subsidiaries	-	229.1
Other	5.8	6.1
Total	**24.0**	**254.4**

NOTE 26 - TRANSACTIONS WITH RELATED PARTIES

All transactions between Karnell Group AB (publ) and its subsidiaries have been eliminated in the consolidated financial statements. Fees to the Board of Directors and senior executives are set out in Note 5. In connection with the IPO in March 2024, the company repurchased 252,370 warrants from board members and senior executives. In 2023, two of the Group's warrant programs expired where 41,891 warrants were exercised by board members and senior executives. No other transactions with related parties took place during the years 2024 and 2023.

NOTE 27 - GROUP COMPANIES

Subsidiary	Corporate	Ownership 31 Dec 2024	Ownership 31 Dec 2023
Tekniseri Nordic AB	559096-6163	**100.0%**	**98.7%**
Tekniseri Group Oy		100%	100%
Tekniseri Oy		100%	100%
Sealmaker Finland Oy		100%	100%
Tekniseri Suzhou		100%	100%
AB Svenska Maskinskyltfabriken		100%	0%
Autori group AB	559124-1087	**83.1%**	**83.1%**
Autori Oy		100%	100%
Simfas Sweden AB	556523-0652	**70.0%**	**60.2%**
Re-board Group AB	559230-0577	**90.0%**	**90.0%**
Re-board Technology AB		100%	100%
Vebe Teknik AB	556258-0844	**90.7%**	**86.3%**
KL Mechanics Group Oy	3232462-4	**97.7%**	**97.7%**
KL Mechanics Oy		100%	100%
Rotomon Holding Oy	3250534-5	**87.5%**	**87.5%**
Rotomon Oy		100%	100%
Drivex AB	556491-4587	**72.5%**	**72.5%**
Drivex AS		100%	100%
Timeka Finland Oy	3304723-5	**93.0%**	**93.0%**
Timeka Oy		100%	100%
Suomen Tekniikkapalvelu Oy		100%	100%
Karnell Finland Oy	32959718	**100.0%**	**100.0%**
Säkhö-Jokinen Oy	0511709-9	91.9%	0.0%
Vagnsteknik i Karlshamn AB	556682-1343	**90.1%**	**90.1%**
Plalite Ltd	00936082	**92.5%**	**92.5%**
Karnell Sverige AB	559483-5976	**100.0%**	**0.0%**
Ojop Sweden AB	556214-0755	**90.1%**	**0.0%**
NE Engineering Ltd	13404454	**90.1%**	**0.0%**
Haco Tellus AB	556204-5194	**100.0%**	**0.0%**
Haco Rehabservice AB	556150-0983	100%	0%

NOTE 28 - EVENTS AFTER THE BALANCE SHEET DATE

On January 31, 2025, Männistö Oy Metallituote (”Männistö”), a Finnish manufacturer specializing in pipe support systems for the maritime industry and products for HVAC and insulation applications, was acquired. The company has annual sales of approximately EUR 6 million and will be included in the Product companies business area.

On April 1, 2025, Warwick SASCo Ltd, a UK-based designer and supplier of reusable specialist plastic products for hospital and healthcare environments was acquired. The company has annual sales of approximately GBP 3.5 million and will be included in the Product companies business area.

Income statement
Parent Company

MSEK	Note	1 Jan-31 Dec 2024	1 Jan-31 Dec 2023
Net sales	30	3.3	2.4
Other operating income		0.0	0.1
Total income		**3.3**	**2.6**
Operating costs			
Other external expenses	31,32	-21.9	-14.9
Employee benefits expense	33	-18.7	-14.5
Depreciation and amortisation of tangible and intangible fixed assets	38,39	-0.1	-0.2
Other operating expenses		-0.1	0.0
Operating income		**-37.6**	**-27.1**
Profit/loss from financial items			
Profit from participations in Group companies	34	6.2	5.5
Other interest income and similar profit and loss items	35	47.4	27.5
Interest expenses and similar profit and loss items	36	-39.4	-19.7
Profit/loss before tax		**-23.4**	**-13.7**
Group contributions		16.6	-
Tax on profit for the year	37	-	-
Profit/loss after tax		**-6.7**	**-13.7**

The result for the year is in line with the total result for the year.

Financial Position Report
Parent Company

MSEK	Note	31 Dec 2024	31 Dec 2023
ASSETS			
Fixed assets			
Intangible fixed assets	38	0,2	0,2
Property, plant and equipment	39	0,2	0,2
Shares in subsidiaries	44	947,9	644,2
Non-current receivables from subsidiaries	40	375,7	330,9
Total fixed assets		**1 324,0**	**975,5**
Current assets			
Accounts receivable		-	-
Current receivables from Group companies	40	16,8	0,6
Current tax assets		0,5	0,3
Other current receivables		0,2	0,6
Prepaid expenses and accrued income	41	0,4	0,4
Cash and bank	40	107,4	85,3
Total current assets		**125,3**	**87,2**
TOTAL ASSETS		**1 449,2**	**1 062,7**

MSEK	Note	31 Dec 2024	31 Dec 2023
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	46	5.3	4.2
		5.3	**4.2**
Free equity			
Premium reserve		986.3	676.4
Retained Profit or Loss		-124.4	-86.2
Profit for the year		-6.7	-13.7
TOTAL EQUITY		**860.4**	**580.7**
Non-current liabilities			
Liabilities to credit institutions	40,47	351.7	276.4
Non-current liabilities to Group companies	40,47	-	6.1
Other non-current liabilities	40,47	116.2	115.9
Current liabilities			
Current liabilities to credit institutions	40,47	71.4	76.7
Accounts payable	40,47	0.8	2.7
Other current liabilities		45.0	0.9
Accrued expenses and deferred income	42	3.6	3.2
Total liabilities		**588.8**	**482.0**
TOTAL EQUITY AND LIABILITIES		**1 449.2**	**1 062.7**

Parent Company's report on changes in equity
Parent Company

2024	Share capital	Premium fund	Retained earnings	Profit for the year	Total
Opening equity	4.2	676.4	-86.2	-13.7	**580.7**
New share issue	1.1	324.9			**326.0**
Issue costs		-17.3			**-17.3**
Option premiums		2.2			**2.2**
Warrants repurchased			-24.4		**-24.4**
Appropriation according to the resolution of the Annual General Meeting			-13.7	13.7	**0.0**
Profit/loss for the year				-6.7	**-6.7**
Closing equity	**5.3**	**986.2**	**-124.4**	**-6.7**	**860.4**

2023	Share capital	Premium fund	Retained earnings	Profit for the year	Total
Opening equity	3.7	566.6	-80.7	-5.5	**484.1**
New share issue	0.5	114.2			**114.7**
Issue costs		-4.4			**-4.4**
Appropriation according to the resolution of the Annual General Meeting			-5.5	5.5	**0.0**
Profit/loss for the year				-13.7	**-13.7**
Closing equity	**4.2**	**676.4**	**-86.2**	**-13.7**	**580.7**

Cash flow statement
Parent Company

MSEK	Note	1 Jan-31 Dec 2024	1 Jan-31 Dec 2023
Ongoing operations			
Operating profit EBIT		-37.6	-27.1
Adjustment for items that are not included in the cash flow	43	0.1	0.2
Interest received		33.3	25.7
Interest paid		-29.0	-16.8
Income tax paid		0.0	-0.1
		-33.1	**-18.0**
Changes in working capital			
Changes in trade receivables		0.4	1.0
Change in operating receivables		0.3	0.7
Change in operating liabilities		-1.0	0.1
Cash flow from changes in working capital		**-0.3**	**18.4**
Cash flow from operating activities		**-33.5**	**-16.2**
Investment			
Acquisition of subsidiaries	44	-237.3	-151.9
Shareholder contribution	44	-16.2	-
Dividends received		-	5.0
Loans to subsidiaries		-118.3	-374.6
Repayment of loans from subsidiaries		86.6	80.6
Cash flow from investing activities		**-285.2**	**-441.0**
Financing activities			
New share issue, after deduction of transaction costs		287.0	110.3
Borrowings		153.0	391.2
Amortization of loans		-39.1	-36.7
Change in short-term credit facility		-54.5	-
Warrants		-0.5	-
Cash-settled put/call options		-6.3	-9.7
Cash flow from financing operations		**339.7**	**455.1**
Cash flow for the year		**21.0**	**-2.1**
Cash and cash equivalents at the beginning of the period		**85.3**	**87.6**
Effects of translation differences in cash and cash equivalents		1.2	-0.2
Cash and cash equivalents at the end of the period		**107.5**	**85.3**

Notes – Parent Company

NOTE 29 – PARENT COMPANY'S ACCOUNTING POLICIES

The Parent Company applies the Annual Accounts Act and the Financial Reporting Council's recommendation RFR 2 Accounting for legal entities. The recommendation means that the parent company applies the same accounting principles as the Group, except in cases where the Annual Accounts Act or applicable tax rules limit the possibility of applying IFRS.

The differences between the Group's and the parent company's accounting policies are set out below. The accounting principles set forth below for the Parent Company have been consistently applied to all periods presented in the Parent Company's financial statements, unless otherwise stated. The Parent Company's income relates to management services and interest from subsidiaries as well as subletting of office space.

Preparation of financial statements

The accounts of the parent company are prepared in accordance with the Annual Accounts Act for the balance sheet and income statement, as well as IAS 1 and IAS 7 regarding the statement of comprehensive income, the report of changes in equity and the statement of cash flow.

Subsidiary

Shares in subsidiaries and associated companies are reported in the parent company according to the acquisition cost method. This means that transaction expenses are included in the carrying amount of holdings in subsidiaries. In connection with the Group's impairment test of goodwill, subsidiary shares are also tested for possible impairment needs, at least annually, but more often when there is an indication of need.

Take

The Parent Company's income consists of management fees and interest on loans to subsidiaries. These are recognised as revenue on an ongoing basis in the period in which they arise. Dividends are recognised as income in the period in which they are decided (anticipated) if the parent company has sole decision-making power. Group contributions are reported as appropriation of the financial statements. In the case of the sale of subsidiaries, the profit or loss from the transaction is recognized in the period in which the transfer takes place.

Shareholder contributions are reported directly against equity.

Leasing

In the parent company, all leases are reported as operating leases regardless of financial significance, which means that they are expensed in the income statement on a straight-line basis over the lease period.

Financial instruments

Due to the relationship between accounting and taxation, the rules on financial instruments under IFRS 9 are not applied in the Parent Company as a legal entity, but the Parent Company applies the cost method in accordance with the Annual Accounts Act. In the Parent Company, financial fixed assets are thus measured at cost and financial current assets according to the lowest value principle, applying impairment for expected credit losses in accordance with IFRS 9 in respect of assets that are debt instruments. Parent applies the exemption not to value financial guarantee agreements for the benefit of subsidiaries and associates and joint ventures in accordance with the rules of IFRS 9 and instead applies the principles of valuation under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. With regard to receivables from subsidiaries, an assessment is made item by item at each financial statement, whether there is a need for write-downs.

NOTE 30 – NET SALES

(MSEK)	2024	2023
Management fee	3.3	2.3
Other	0.0	0.1
Total	**3.3**	**2.4**

Net sales consist mostly of revenue from management services.

NOTE 31 – OPERATING LEASING

Leasing costs for the year relating to leases amounted to SEK 0.5 million (0.7). Lease income from subletting amounted to SEK 0.0 million (0.1). The parent company's leasing agreement relates to the lease of office space.

Future lease payments are due as follows:

(MSEK)	2024	2023
Within a year	0.5	0.7
1-5 years	-	0.5
> 5 years	-	-
Total	**0.5**	**1.3**

NOTE 32 – AUDITORS' FEES

Remuneration to Ernst & Young	2024	2023
The audit assignment	2.4	1.3
Other	2.8	0.4
Total	**5.2**	**1.6**

NOTE 33 – EMPLOYEES AND PERSONNEL COSTS

	2024		2023	
Average number of employees	**Women**	**Men**	**Women**	**Men**
Sweden	1	6	2	6

Jan-Dec 2024 (MSEK)	Board of Directors, CEO, Senior Executives	Other employees	Total
Salaries and other remuneration	8.5	4.9	13.4
Social costs	2.7	1.9	4.5
Pension costs	1.7	1.2	2.8
Other personnel costs	-	1.2	1.2
Total personnel costs	**12.8**	**9.1**	**21.9**

Jan-Dec 2023 (MSEK)	Board of Directors, CEO, Senior Executives	Other employees	Total
Salaries and other remuneration	7.0	2.6	9.6
Social costs	2.2	0.8	3.1
Pension costs	1.3	0.1	1.4
Other personnel costs	-	0.8	0.8
Total personnel costs	**10.6**	**4.3**	**14.9**

Gender distribution among senior executives on the balance sheet date	2024	2023
Proportion of women elected by the AGM on the Board	50%	40%
Proportion of men elected by the AGM on the Board	50%	60%
Proportion of women among CEOs and senior executives	0%	0%
Proportion of men among CEOs and senior executives	100%	100%

See also note 5 for more information.

NOTE 34 – PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

(MSEK)	2024	2023
Dividend	6.2	5.0
Profit on the sale of shares	-	0.6
Total	**6.2**	**5.5**

NOTE 35 – OTHER INTEREST INCOME AND SIMILAR PROFIT AND LOSS ITEMS

(MSEK)	2024	2023
Assets measured at amortised cost		
Interest income from Group companies	29.8	21.2
Total interest income according to the effective interest rate method	**29.8**	**21.2**
Other financial income	5.1	4.5
Exchange rate Gains	12.5	1.7
Total financial income	**47.4**	**27.5**

NOTE 36 – INTEREST EXPENSES AND SIMILAR PROFIT AND LOSS ITEMS

(MSEK)	2024	2023
Liabilities measured at amortised cost		
Interest expenses on interest-bearing liabilities	-27.0	-16.7
Total interest expenses according to effective interest rate method	**-27.0**	**-16.7**
Other financial expenses		
Exchange rate Losses	-10.5	-2.9
Other	-1.9	0.0
Total financial expenses	**-39.4**	**-19.7**

NOTE 37 – TAX

Tax on profit for the year (MSEK)	2024	2023
Current tax	-	-
Deferred tax	-	-
Total reported tax	**-**	**-**

Reconciliation of effective tax	2024	2023
Reported profit before tax	-6.7	-13.7
Tax at the current rate	1.4	2.8
	20.6%	*20.6%*
Tax effect due to:		
Non-deductible expenses	-0.1	0.0
Non-taxable income	1.3	0.9
Increase in loss carry-forwards without corresponding capitalisation of deferred tax	-2.6	-3.8
Total tax expense for the year	**-**	**-**
Percent	0.0%	0.0%

There is a loss carry-forward for the parent company of SEK 93.8 million (70.7) that has not been capitalized.

NOTE 38 – INTANGIBLE FIXED ASSETS

(MSEK)	2024	2023
Opening acquisition values	0.4	0.4
Investments	0.0	0.0
Closing cost	**0.4**	**0.4**
Accumulated depreciation	-0.2	-0.1
Depreciation	-0.1	-0.1
Closing accumulated depreciation	**-0.2**	**-0.2**
Closing carrying amount	**0.2**	**0.2**

Intangible fixed assets consist of a consolidation system with a depreciation period of five years. The parent company has no research and development costs.

NOTE 39 – PROPERTY, PLANT AND EQUIPMENT

(MSEK)	2024	2023
Opening acquisition values	0.6	0.6
Closing cost	**0.6**	**0.6**
Accumulated depreciation	-0.4	-0.3
Depreciation	-0.1	-0.1
Closing accumulated depreciation	**-0.5**	**-0.4**
Closing carrying amount	**0.2**	**0.2**

NOTE 40 – FINANCIAL INSTRUMENTS

Financial assets (MSEK)	2024	2023
Non-current receivables from Group companies	375.7	331
Current receivables from Group companies	16.8	0.6
Cash and bank	107.4	85.3
Total	**499.9**	**416.7**

Financial liabilities (MSEK)	2024	2023
Accounts payable	0.8	2.7
Liabilities to credit institutions	351.7	276.4
Non-current liabilities to Group companies	-	6.1
Current liabilities to credit institutions	71.4	76.7
Contingent earn-outs	34.9	18.9
Put/call options attributable to non-controlling interests	124.9	97.0
Total	**583.8**	**477.9**

NOTE 41 - DEFERRED EXPENSES AND ACCRUED INCOME

(MSEK)	2024	2023
Prepaid rents	0.2	0.2
Prepaid insurance	0.0	0.0
Other prepaid items	0.1	0.1
Total	**0.4**	**0.3**

NOTE 42 - ACCRUED EXPENSES AND DEFERRED INCOME

(MSEK)	2024	2023
Accrued wages	2.1	1.4
Accrued social security contributions	0.7	0.4
Other accrued items	0.8	1.4
Total	**3.6**	**3.2**

NOTE 43 - ADJUSTMENTS FOR ITEMS THAT ARE NOT INCLUDED IN THE CASH FLOW

(MSEK)	2024	2023
Depreciation	0.1	0.2
Total	**0.1**	**0.2**

NOTE 44 - SHARES IN GROUP COMPANIES

Subsidiary	Organization number	Ownership in 2024	Ownership share 2023	Hence-carrying value 2024	Hence-carrying amount 2023
Tekniseri Nordic AB	559096-6163	**100%**	**98.7%**	16.7	16.7
Tekniseri Group Oy		100%	100%		
Tekniseri Oy		100%	100%		
Sealmaker Finland Oy		100%	100%		
Tekniseri Suzhou		100%	100%		
AB Svenska Maskinskyltfabriken		100%	0%		
Autori group AB	559124-1087	**83.1%**	**83.1%**	28.2	26.5
Autori Oy		100%	100%		
Simfas Sweden AB	556523-0652	**70.0%**	**60.2%**	19.8	16.6
Re-board Group AB	559230-0577	**90.0%**	**90.0%**	13.9	13.4
Re-board Technology AB		100%	100%		
Vebe Teknik AB	556258-0844	**90.7%**	**86.3%**	25.2	24.5
KL Mechanics Group Oy	3232462-4	**97.7%**	**97.7%**	104.9	104.7
KL Mechanics Oy		100%	100%		
Rotomon Holding Oy	3250534-5	**87.5%**	**87.5%**	119.7	116.4
Rotomon Oy		100%	100%		
Drivex AB	556491-4587	**72.5%**	**72.5%**	109.6	99.6
Drivex AS		100%	100%		
Timeka Finland Oy	3304723-5	**93.0%**	**93.0%**	38.9	39.3
Timeka Oy	1569836-8	100%	100%		
Suomen Tekniikkapalvelu Oy		100%	100%		
Karnell Finland Oy	32959718	**100.0%**	**100.0%**	16.2	
Säkhö-Jokinen Oy	0511709-9	91.9%	0.0%		
Vagnsteknik i Karlshamn AB	556682-1343	**90.1%**	**90.1%**	112.2	113.1
Plalite Ltd	00936082	**92.5%**	**92.5%**	75.5	73.3
Karnell Sverige AB	559483-5976	**100.0%**	**0.0%**	0.0	0
Ojop Sweden AB	556214-0755	**90.1%**	**0.0%**	70.3	0
NE Engineering Ltd	13404454	**90.1%**	**0.0%**	89.6	0
Haco Tellus AB	556204-5194	**100.0%**	**0.0%**	107.2	0
Haco Rehabservice AB	556150-0983	100%	0%		
Sum				**947.9**	**644.2**

(MSEK)	2024	2023
Opening acquisition values	644.2	329.7
Acquisitions of subsidiaries	267.1	186.5
Revaluation of the earn-out	1.6	-
Converted shareholder loans	-	116.1
Revaluation of put/call options	18.8	11.9
Shareholder contribution	16.2	-
Sum	**947.9**	**644.2**

Subsidiary	Description
Tekniseri	Tekniseri Group offers so-called technical printing on plastics and metals as well as precision cutting of special plastics. Its customers are primarily found in the Finnish engineering industry.
AUTORI	Autori Group is a software company that offers a SaaS solution for administration and reporting of maintenance work in infrastructure. Sales take place in Finland and Sweden.
SIMFAS	SimFAS offers finished products and production solutions for fillers, adhesives and joints. Customers are primarily in the Nordic region.
Re-board TECHNOLOGY	The Re-board Group develops, manufactures and sells a paper-based board material on the global market.
VEBE	Vebe Group develops, manufactures and sells sack filling equipment to customers in several industries, primarily food, on a global basis.
KL Mechanics	KL Mechanics is a precision manufacturer of components with a focus on machining. The company offers versatile, comprehensive services with high capacity. The solutions range from precision mechanics to demanding assemblies and automation equipment.
ROTOMON	Rotomon is a manufacturer of rainwater, road, drainage and cable protection pipes with its own products and brand.
DRIVEX	Drivex manufactures tools for snow removal and road maintenance, as well as tools for material handling, ground and construction work. The company's products are sold under its own brand and include, among other things, snow ploughs, fork racks, sweepers and buckets. The tools are mainly used on wheel loaders and tractors with end customers in the construction industry active in road maintenance and construction work.
TIMEKA	Timeka is a "one-stop-shop" niche producer, specializing in the production of small series. The primary manufacturing processes include laser cutting, welding, bending, machining, surface treatment and assembly. Timeka's core customers are global machine manufacturers who require several steps in the production process of Timeka.
K-VAGNEN VAGNSTEKNIK AB	K-Vagnen is a leading manufacturer of trolleys and tools for landscaping. The company's products are sold under its own brand and include, among other things, leaf suction wagons, irrigation wagons, weed control equipment with hot water, earthmoving wagons and more.
Plalite	Plalite is a precision manufacturer specializing in the machining of complex components. The company has customers in the aircraft industry, high-performance sports cars and motorsport with high demands on quality and delivery reliability. Most of the company's sales are in the UK.
SähköJokinen	Sähkö-Jokinen is one of Finland's leading manufacturers of outdoor lighting products. The solutions are mainly used for road and street lighting, but also for industry, railways and other public environments. The company's end customers are infrastructure owners primarily in Finland and Sweden.
OJOP SWEDEN	OJOP manufactures and sells eccentric locks, trailer locks and quick couplings for batteries under a handful of brands. The company was founded in 1922 and has a long history of innovation and quality in the lock industry. OJOP's products are used in a variety of sectors, including transportation, construction, industry, ventilation, and security.
NE Engineering	NE Engineering is a specialized precision manufacturer founded in 2009. They manufacture complex components for demanding environments for customers in a variety of sectors, including subsea telecom, oil and gas, renewable energy and exhaust gas cleaning, as well as aerospace and automotive.
Haco Tellus AB Hjultillverkaren	Haco Tellus develops, manufactures and markets high-quality special wheels, special solutions for roller conveyors and spare parts for aids developed according to the customer's wishes. Their customers are mainly companies active in industry, assistive technology centers, hospitals and others. Most of the sales take place in Sweden.

NOTE 45 - APPROPRIATION OF PROFITS

The Board of Directors proposes that available earnings (MSEK):	
Accumulated loss	-124.4
Premium reserve	986.3
Loss of the year	-6.7
SUM	**855.1**
Are carried forward	855.1

NOTE 46 - EQUITY

See note 17.

NOTE 47 - FINANCIAL LIABILITIES

Maturity analysis liabilities, 2024	<1 year	1-3 years	>3 years	Sum
Liabilities to credit institutions	71.4	351.7	-	423.2
Contingent earn-outs	3.9	31.0	-	34.9
Put/call options	38.9	-	92.5	131.4
Accounts payable	0.8	-	-	0.8
Sum	**115.0**	**382.7**	**92.5**	**590.3**

Maturity analysis liabilities, 2023	<1 year	1-3 years	>3 years	Sum
Liabilities to credit institutions	76.7	276.4	-	353.2
Contingent earn-outs	-	18.9	-	18.9
Put/call options	-	-	97.0	97.0
Accounts payable	2.7	-	-	2.7
Sum	**79.4**	**295.3**	**97.0**	**471.7**

NOTE 48 - PLEDGED ASSETS

Pledged assets	2024	2023
Pledged internal loans to subsidiaries	-	229.1
Total	**-**	**229.1**

Definitions

Net sales growth:
Change in the Group's net sales compared to the comparison period. The purpose is to show the total growth in net sales for all Group companies that are part of the Group in relation to the comparison period.

Organic net sales growth:
Change in net sales adjusted for currency effects and net sales acquired and divested, compared to the same period last year. Acquired companies are included in organic growth from the time they have comparative figures for the period in question. The purpose is to analyse the underlying net sales growth in current operations.

EBITA growth:
Change in EBITA compared to the same period last year. The purpose is to analyse earnings growth.

Organic EBITA growth:
Change in EBITA adjusted for exchange rate effects and acquired and divested EBITA, compared to the same period last year. Acquired companies are included in organic growth from the time they have comparative figures for the period in question. The purpose is to analyse the underlying earnings growth in current operations.

EBITDA:
Operating profit before depreciation. EBITDA is a complement to operating profit. The purpose is to measure the result from operating activities, regardless of depreciation.

EBITDA excl. leases:
Operating profit before depreciation adjusted for the reversal of leasing expenses in accordance with IFRS 16. EBITDA excl. leases is a complement to operating profit. The purpose is to measure the result of operating activities, regardless of depreciation and adjustments for leasing in accordance with IFRS 16.

EBITA:
Operating profit before amortization of intangible non-current assets. EBITA is a complement to operating profit. The purpose is to measure the underlying result from operating activities, excluding depreciation and amortization of intangible assets.

Return on equity:
Net profit for the year as a percentage of average equity (opening balance plus closing balance for the period, divided by two). The purpose is to show the return on the operations during the period on the shareholders' invested capital.

Return on capital employed:
Profit after financial items plus financial expenses as a percentage of average capital employed (opening balance plus closing balance for the period, divided by two). The purpose is to demonstrate the profitability of the business in relation to its capital employed.

EBIT margin:
Operating profit (EBIT) as a percentage of net sales. The purpose is to give an indication of profitability in relation to sales.

EBITA margin:
EBITA as a percentage of net sales. The purpose is to demonstrate the operational profitability of the business regardless of depreciation and amortization of intangible fixed assets.

Net debt:
Non-current interest-bearing liabilities, non-current lease liabilities, current interest-bearing liabilities and current lease liabilities reduced by cash and cash equivalents. The purpose is to clarify how large the debt is minus current cash and cash equivalents (which in theory could be used to amortize loans).

Net debt excl. leasing:
Non-current interest-bearing liabilities, current interest-bearing liabilities reduced by cash and cash equivalents. The purpose is to assess the Group's debt, without including lease liabilities, as these have a different maturity structure.

Capital employed:
Balance sheet total reduced by non-interest-bearing provisions and liabilities. The purpose is to show the capital financed by owners and lenders.

Equity ratio:
Equity as a percentage of total assets. The purpose is to assess financial risk and shows what proportion of the assets are financed with equity.

Net debt/EBITDA:
Net debt divided by EBITDA for the last twelve-month period. The key figure is relevant for assessing the company's ability to make investments and live up to its financial commitments.

Net debt excl. lease/EBITDA excl. lease:
Net debt excl. lease liabilities divided by EBITDA excl. leases for the most recent twelve-month period. The ratio provides an indication of the Group's ability to service its debts, excluding items related to IFRS 16, leasing.

Reconciliation and calculation of alternative performance measures (APMs)

Karnell uses financial measures that are not defined in IFRS but are so-called alternative performance measures (APMs). These KPIs provide the reader with complementary data and facilitate further analysis of the group's performance over time. Below are reconciliations and an account of subcomponents included in the alternative performance measures used in this report. Reconciliation is made against the most directly reconcilable item, subtotal, or total stated in the financial statements for the corresponding period.

EBITDA, EBITA and Operating Profit (EBIT)

(MSEK)	2024	2023
EBITDA	**235,7**	**188,6**
Depreciation and impairment	-69,8	-52,0
EBITA	**165,8**	**136,7**
Depreciation and amortisation of intangible assets	-15,1	-4,1
Operating profit (EBIT)	**150,7**	**132,6**

EBITA margin and operating margin

(MSEK)	2024	2023
Net sales	1 402,3	1 103,3
EBITA	165,8	136,7
EBITA margin, %	**11,8%**	**12,4%**
Operating profit (EBIT)	150,7	132,6
Operating margin, %	**10,7%**	**12,0%**

Organic net sales growth, %

(MSEK)	2024		2023	
Growth net sales	299,0	27,1%	223,2	25,4%
Net sales	1 402,3	-	1 103,3	-
Acquired net sales growth	262,1	23,8%	168,1	19,1%
Net exchange rate effects	-2,7	-0,2%	43,9	5,0%
Organic net sales growth	**39,7**	3,6%	**11,1**	1,3%

Organic EBITA growth, %

(MSEK)	2024		2023	
Growth EBITA	29,2	21,4%	38,5	39,2%
EBITA	165,8	-	136,7	-
Acquired EBITA growth	44,8	32,7%	40,4	41,2%
Net exchange rate effects	-0,4	-0,3%	7,4	7,5%
Organic EBITA growth	**-15,3**	-11,1%	**-9,3**	-9,5%

Net debt

(MSEK)	2024	2023
Interest-bearing liabilities	460,2	376,0
Cash and cash equivalents	286,3	190,4
Net debt excl. leases	**174,0**	**185,6**
Lease liabilities	138,5	68,1
Net debt	**312,5**	**253,7**

Net debt/EBITDA

(MSEK)	2024	2023
Net debt	312,5	253,7
EBITDA	235,7	188,6
Net debt/EBITDA	**1,3**	**1,3**

Net debt excl. leasing/EBITDA excl. leasing

(MSEK)	2024	2023
Net debt	174,0	185,6
EBITDA	235,7	188,6
Leasing impact EBITDA	-37,6	-27,6
EBITDA excl. leasing	**198,0**	**161,0**
Net debt excl. leasing/ EBITDA excl. leasing	**0,9**	**1,2**

Return on equity

(MSEK)	2024	2023
Profit for the period	77,5	77,4
Equity, average	969,7	682,2
Return on equity	**8,0%**	**11,3%**

Return on capital employed

(MSEK)	2024	2023
Profit after financial items	114,6	109,5
Financial costs (+)	-71,1	-41,8
Profit after financial items plus financial expenses	**185,7**	**151,3**
Balance sheet total, average	1 916,7	1 441,1
Non-interest-bearing liabilities (-), average	369,1	308,1
Non-interest-bearing provisions (-), average	56,5	29,5
Capital employed	**1 491,1**	**1 103,5**
Return on capital employed, %	**12,5%**	**13,7%**

Certification by the Board of Directors and the CEO

The Board of Directors and the CEO hereby declare that the consolidated financial statements and the annual accounts have been prepared in accordance with the international accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards and generally accepted accounting principles and present a true and fair view of the position and results of operations of the Group and the parent company. The Board of Directors' Report for the Group and the Parent Company provides a fair overview of the development of the Group's and the Parent Company's operations, position and results and describes the significant risks and uncertainties faced by the Parent Company and the companies that are part of the Group.

Stockholm, April 3, 2025

Patrik Rignell
Chairperson

Per Nordgren
Board member

Lena Wäppling
Board member

Dajana Mirborn
Board member

Hans Karlander
Board member

Helena Norman-Knutson
Board member

Petter Moldenius
CEO

Our auditor's report has been submitted according to the date of electronic signature

Ernst & Young AB

Michaela Nilsson
Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders of Karnell Group AB (publ), corporate identity number 559043-3214

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Karnell Group AB (publ) except for the corporate governance statement on pages 34-42 for the year 2024. The annual accounts and consolidated accounts of the company are included on pages 34-89 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2024 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 2024 and their financial performance and cash flow for the year then ended in accordance with IFRS Accounting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 34-42. 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.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

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. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment testing of goodwill

Description	*How our audit addressed this key audit matter*
The carrying amount of goodwill as of December 31, 2024, was 806.5 million SEK, representing 36% of the group's total assets. As described in Note 10 of the Annual Report, goodwill is tested for impairment at least annually in accordance with IAS 36. The assessment is based on an evaluation of the recoverable amount for all cash-generating units identified by management, incorporating individual assumptions regarding future growth, operating profit, and discount rates. Management's estimate of future cash flows is based on market conditions, growth, and margins, considering the existing structure of the asset without the impact of future acquisitions. The test is based on complex valuation models, significant assumptions, and judgments that carry inherent uncertainty. Changes in assumptions may have a substantial impact on the recoverable amount. Furthermore, the value of goodwill is significant. Considering the above, we consider the valuation of goodwill to be a particularly significant area in our audit. The accounting principles are described in Note 1, Significant Estimates and Judgments in Note 2, and the carrying amounts and impairment testing in Note 10	We have reviewed the company's impairment testing and examined it with the assistance of valuation specialists. Our audit procedures to evaluate management's impairment assessment have included: • Evaluation of the model and assumptions. This evaluation involved assessing whether the model is prepared in accordance with accepted valuation techniques, as well as reviewing discount rates and assumptions in comparison to peer companies. • Testing management's sensitivity analysis and conducting independent sensitivity test of key assumptions to determine whether a reasonable future change in these would result in an impairment requirement. • Assessment of the reasonableness of future cash flows against the approved budget, and forecasts, as well as other information obtained through discussions with management and review of minutes from board meetings and other management meetings. • Evaluation of management's accuracy in estimating future cash flows by comparing historical forecasts against actual outcomes. • We have reviewed the disclosures provided in the financial statements regarding the impairment testing.

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 1-33. The other information also includes the remuneration report and were obtained before the date of this auditor's report. 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 Accounting Standards 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 intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibility

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

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

- Plan and perform the group audit to obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated accounts. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the audit of the administration and the proposed appropriations of the company's profit or loss

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 Karnell Group AB (publ) for the year 2024 and the proposed appropriations of the company's profit or loss.

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

Basis for opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

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

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional 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 whether the proposal is in accordance with the Companies Act.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Karnell Group AB for the financial year 2024.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Karnell Group AB (publ) 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

VOur responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or other Assurance or Related Services Engagements which requires the firm to design, implement and operate a system of quality management, including policies and procedures regarding compliance with professional ethical requirements, professional standards and applicable legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 34-42 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s standard RevR 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Ernst & Young AB, with the lead auditor Michaela Nilsson, Box 7850, 103 99 Stockholm, was appointed auditor of Karnell Group AB (publ) by the general meeting of the shareholders on the 14 May 2024 and has been the company's auditor since the 15 November 2016.

Gothenburg according to the date of electronic signature

Ernst & Young AB

Michaela Nilsson
Authorized Public Accountant

Karnell Group AB (publ)

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