



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer: 979 962 231  
Organisasjonsform: Aksjeselskap  
Foretaksnavn: HUDHELSE AS  
Forretningsadresse: Løkkeåsveien 3  
1337 SANDVIKA

### Regnskapsår

Årsregnskapets periode: 01.01.2022 - 31.12.2022

### Konsern

Mørselskap i konsern: Ja  
Konsernregnskap lagt ved: Ja

### Regnskapsregler

Regler for små foretak benyttet: Nei  
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler  
Benyttet ved utarbeidelsen av årsregnskapet til konsernet: -

### Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: BHL DA  
Dato for fastsettelse av årsregnskapet: 29.03.2023

### Grunnlag for avgivelse

År 2022: Årsregnskapet er elektronisk innlevert  
År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022

*Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.*

Brønnøysundregistrene, 23.08.2024



## Resultatregnskap

Beløp i: NOK	Note	2022	2021
<b>RESULTATREGNSKAP</b>			
<b>Inntekter</b>			
Salgsinntekt	1, 2	111 200 738	98 929 427
Annen driftsinntekt	2	1 426 483	634 728
<b>Sum inntekter</b>	2	<b>112 627 222</b>	<b>99 564 155</b>
<b>Kostnader</b>			
Varekostnad	9, 13	78 061 404	61 176 551
Lønnskostnad	3	15 103 509	11 536 074
Avskrivning av driftsmidler og immaterielle eiendeler	4	371 389	318 437
Nedskrivning av varige driftsmidler og immaterielle eiendeler			281 702
Annen driftskostnad	3	12 783 738	8 194 804
<b>Sum kostnader</b>		<b>106 320 040</b>	<b>81 507 568</b>
<b>Driftsresultat</b>		<b>6 307 181</b>	<b>18 056 587</b>
<b>Finansinntekter og finanskostnader</b>			
Annen renteinntekt	5	22 548	129
Annen finansinntekt	5	2 937 572	3 862 180
<b>Sum finansinntekter</b>		<b>2 960 120</b>	<b>3 862 309</b>
Annen rentekostnad	5	65 428	
Annen finanskostnad	5	1 438 366	1 944 266
<b>Sum finanskostnader</b>		<b>1 503 794</b>	<b>1 944 266</b>
<b>Netto finans</b>		<b>1 456 326</b>	<b>1 918 044</b>
<b>Ordinært resultat før skattekostnad</b>		<b>7 763 507</b>	<b>19 974 630</b>
Skattekostnad på resultat	6	1 836 547	3 580 747
<b>Ordinært resultat etter skattekostnad</b>		<b>5 926 960</b>	<b>16 393 883</b>
<b>Årsresultat</b>	12	<b>5 926 960</b>	<b>16 393 883</b>
<b>Årsresultat etter minoritetsinteresser</b>		<b>5 926 960</b>	<b>16 393 883</b>
<b>Totalresultat</b>		<b>5 926 960</b>	<b>16 393 883</b>



## Resultatregnskap

Beløp i: NOK	Note	2022	2021
<b>Overføringer og disponeringer</b>			
Avsatt til annen egenkapital	12	5 926 960	16 393 883
<b>Sum overføringer og disponeringer</b>		<b>5 926 960</b>	<b>16 393 883</b>



## Balanse

Beløp i: NOK	Note	2022	2021
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
Utvikling	4	192 871	
Utsatt skattefordel	1, 6	120 121	87 347
<b>Sum immaterielle eiendeler</b>		<b>312 992</b>	<b>87 347</b>
<b>Varige driftsmidler</b>			
Tomter, bygninger o.a. fast eiendom		49 200	59 040
Driftsløsøre, inventar o.a. utstyr	1, 4	199 770	262 647
<b>Sum varige driftsmidler</b>	4	<b>248 970</b>	<b>321 687</b>
<b>Finansielle anleggsmidler</b>			
Investering i datterselskap	7, 13	729 192	729 192
Investering i annet foretak i samme konsern	7, 13		
Lån til foretak i samme konsern	13		
Investeringer i tilknyttet selskap	7, 13		
Lån til tilknyttet selskap og felles kontrollert virksomhet	13		
Investeringer i aksjer og andeler	7		
Andre langsiktige fordringer	8	34 949	41 190
<b>Sum finansielle anleggsmidler</b>		<b>764 142</b>	<b>770 383</b>
<b>Sum anleggsmidler</b>		<b>1 326 104</b>	<b>1 179 416</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
<b>Sum varer</b>	1, 9	<b>13 849 615</b>	<b>7 284 556</b>
<b>Fordringer</b>			
Kundefordringer	1, 8, 13	6 204 171	4 998 839
Andre kortsiktige fordringer		606 275	451 474
Konsernfordringer	1, 8	251 736	246 743
<b>Sum fordringer</b>		<b>7 062 181</b>	<b>5 697 056</b>
<b>Investeringer</b>			



### Balanse

<b>Beløp i: NOK</b>	<b>Note</b>	<b>2022</b>	<b>2021</b>
Aksjer og andeler i foretak i samme konsern	7		
<b>Bankinnskudd, kontanter og lignende</b>			
Bankinnskudd, kontanter o.l.	10	33 869 278	92 470 880
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>33 869 278</b>	<b>92 470 880</b>
<b>Sum omløpsmidler</b>		<b>54 781 074</b>	<b>105 452 493</b>
<b>SUM EIENDELER</b>		<b>56 107 178</b>	<b>106 631 910</b>

### BALANSE - EGENKAPITAL OG GJELD

#### Egenkapital

##### Innskutt egenkapital

Aksjekapital	11	500 000	500 000
Beholdning av egne aksjer	11		
<b>Sum innskutt egenkapital</b>		<b>500 000</b>	<b>500 000</b>

##### Opptjent egenkapital

Annen egenkapital		34 870 760	28 943 801
<b>Sum opptjent egenkapital</b>		<b>34 870 760</b>	<b>28 943 801</b>

<b>Sum egenkapital</b>	12	<b>35 370 760</b>	<b>29 443 801</b>
------------------------	----	-------------------	-------------------

#### Gjeld

##### Langsiktig gjeld

Utsatt skatt	6		
<b>Annen langsiktig gjeld</b>			
Langsiktig konserngjeld	8		

<b>Sum langsiktig gjeld</b>		<b>0</b>	<b>0</b>
-----------------------------	--	----------	----------

##### Kortsiktig gjeld

Leverandørgjeld	8, 13	6 936 504	63 927 320
Betalbar skatt	6	1 869 321	3 660 609
Skyldig offentlige avgifter		4 041 548	4 095 058
Kortsiktig konserngjeld	8	1 816 889	6 060



## Balanse

<b>Beløp i: NOK</b>	<b>Note</b>	<b>2022</b>	<b>2021</b>
Annen kortsiktig gjeld	8	6 072 155	5 499 061
<b>Sum kortsiktig gjeld</b>		<b>20 736 417</b>	<b>77 188 109</b>
<b>Sum gjeld</b>		<b>20 736 417</b>	<b>77 188 109</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>56 107 177</b>	<b>106 631 910</b>



## Brønnøysundregistrene

### ÅRSREGNSKAP FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

Journalnummer: 2023 574564

#### Enheten

Organisasjonsnummer: 979 962 231  
Organisasjonsform: Aksjeselskap  
Foretaksnavn: HUDHELSE AS  
Forretningsadresse: Løkkeåsveien 3  
1337 SANDVIKA

#### Regnskapsår

Årsregnskapets periode: 01.01.2022 - 31.12.2022

#### Konsern

Morselskap i konsern: Ja  
Konsernregnskap lagt ved: Ja

#### Regnskapsregler

Regler for små foretak benyttet: Nei  
Benyttet ved utarbeidelsen av  
årsregnskapet til selskapet: Regnskapslovens alminnelige regler  
Benyttet ved utarbeidelsen av  
årsregnskapet til konsernet: -

#### Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: BHL DA  
Dato for fastsettelse av årsregnskapet: 29.03.2023

#### Grunnlag for avgivelse

År 2022: Årsregnskap er elektronisk innlevert.  
År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022.

*Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.*

Brønnøysundregistrene, 12.07.2023



Organisasjonsnr: 979 962 231  
HUDHELSE AS

## RESULTATREGNSKAP

Beløp i: NOK	Note	2022	2021
<b>RESULTATREGNSKAP</b>			
<b>Inntekter</b>			
Salgsinntekt	1, 2	111 200 738	98 929 427
Annen driftsinntekt	2	1 426 483	634 728
<b>Sum inntekter</b>	<b>2</b>	<b>112 627 222</b>	<b>99 564 155</b>
<b>Kostnader</b>			
Varekostnad	9, 13	78 061 404	61 176 551
Lønnskostnad	3	15 103 509	11 536 074
Avskrivning av driftsmidler og immaterielle eiendeler	4	371 389	318 437
Nedskrivning av varige driftsmidler og immaterielle eiendeler			281 702
Annen driftskostnad	3	12 783 738	8 194 804
<b>Sum kostnader</b>		<b>106 320 040</b>	<b>81 507 568</b>
<b>Driftsresultat</b>		<b>6 307 181</b>	<b>18 056 587</b>
<b>Finansinntekter og finanskostnader</b>			
Annen renteinntekt	5	22 548	129
Annen finansinntekt	5	2 937 572	3 862 180
<b>Sum finansinntekter</b>		<b>2 960 120</b>	<b>3 862 309</b>
Annen rentekostnad	5	65 428	
Annen finanskostnad	5	1 438 366	1 944 266
<b>Sum finanskostnader</b>		<b>1 503 794</b>	<b>1 944 266</b>
<b>Netto finans</b>		<b>1 456 326</b>	<b>1 918 044</b>
<b>Ordinært resultat før skattekostnad</b>			
Skattekostnad på resultat	6	7 763 507	19 974 630
<b>Ordinært resultat etter skattekostnad</b>		<b>5 926 960</b>	<b>16 393 883</b>
<b>Årsresultat</b>	<b>12</b>	<b>5 926 960</b>	<b>16 393 883</b>
<b>Årsresultat etter minoritetsinteresser</b>		<b>5 926 960</b>	<b>16 393 883</b>
<b>Totalresultat</b>		<b>5 926 960</b>	<b>16 393 883</b>
<b>Overføringer og disponeringer</b>			
Avsatt til annen egenkapital	12	5 926 960	16 393 883



Sum overføringer og  
disponeringer

5 926 960

16 393 883



Organisasjonsnr: 979 962 231  
HUDHELSE AS

## BALANSE

Beløp i: NOK	Note	2022	2021
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
Utvikling	4	192 871	
Utsatt skattefordel	1, 6	120 121	87 347
<b>Sum immaterielle eiendeler</b>		<b>312 992</b>	<b>87 347</b>
<b>Varige driftsmidler</b>			
Tomter, bygninger o.a. fast eiendom		49 200	59 040
Driftsløsøre, inventar o. a. utstyr	1, 4	199 770	262 647
<b>Sum varige driftsmidler</b>	<b>4</b>	<b>248 970</b>	<b>321 687</b>
<b>Finansielle anleggsmidler</b>			
Investering i datterselskap	7, 13	729 192	729 192
Investering i annet foretak i samme konsern	7, 13		
Lån til foretak i samme konsern	13		
Investeringer i tilknyttet selskap	7, 13		
Lån til tilknyttet selskap og felles kontrollert virksomhet	13		
Investeringer i aksjer og andeler	7		
Andre langsiktige fordringer	8	34 949	41 190
<b>Sum finansielle anleggsmidler</b>		<b>764 142</b>	<b>770 383</b>
<b>Sum anleggsmidler</b>		<b>1 326 104</b>	<b>1 179 416</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
<b>Sum varer</b>	<b>1, 9</b>	<b>13 849 615</b>	<b>7 284 556</b>
<b>Fordringer</b>			
Kundefordringer	1, 8, 13	6 204 171	4 998 839
Andre kortsiktige fordringer		606 275	451 474
Konsernfordringer	1, 8	251 736	246 743
<b>Sum fordringer</b>		<b>7 062 181</b>	<b>5 697 056</b>
<b>Investeringer</b>			
Aksjer og andeler i foretak i samme konsern	7		



<b>Bankinnskudd, kontanter og lignende</b>			
Bankinnskudd, kontanter o. l.	10	33 869 278	92 470 880
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>33 869 278</b>	<b>92 470 880</b>
<b>Sum omløpsmidler</b>		<b>54 781 074</b>	<b>105 452 493</b>
<b>SUM EIENDELER</b>		<b>56 107 178</b>	<b>106 631 910</b>
<b>BALANSE - EGENKAPITAL OG GJELD</b>			
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Aksjekapital	11	500 000	500 000
Beholdning av egne aksjer	11		
<b>Sum innskutt egenkapital</b>		<b>500 000</b>	<b>500 000</b>
<b>Opptjent egenkapital</b>			
Annen egenkapital		34 870 760	28 943 801
<b>Sum opptjent egenkapital</b>		<b>34 870 760</b>	<b>28 943 801</b>
<b>Sum egenkapital</b>	<b>12</b>	<b>35 370 760</b>	<b>29 443 801</b>
<b>Gjeld</b>			
<b>Langsiktig gjeld</b>			
Utsatt skatt	6		
<b>Annen langsiktig gjeld</b>			
Langsiktig konserngjeld	8		
<b>Sum langsiktig gjeld</b>		<b>0</b>	<b>0</b>
<b>Kortsiktig gjeld</b>			
Leverandørgjeld	8, 13	6 936 504	63 927 320
Betalbar skatt	6	1 869 321	3 660 609
Skyldig offentlige avgifter		4 041 548	4 095 058
Kortsiktig konserngjeld	8	1 816 889	6 060
Annen kortsiktig gjeld	8	6 072 155	5 499 061
<b>Sum kortsiktig gjeld</b>		<b>20 736 417</b>	<b>77 188 109</b>
<b>Sum gjeld</b>		<b>20 736 417</b>	<b>77 188 109</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>56 107 177</b>	<b>106 631 910</b>



Organisasjonsnr: 979 962 231  
HUDHELSE AS

NOTEOPPLYSNINGER - SELSKAP - alle poster oppgitt i hele tall

## Note

Antall årsverk i regnskapsåret  
17.00

<u>Sum</u>	<u>Beløp</u>
<u>Balanseført verdi 31.12.</u>	<u>Varige driftsmidler Immaterielle eiend.</u>

## Konsernregnskap

Morselskapet sitt navn

Forretningskontor for morselskapet

## Begrunnelse for at datterselskap er utelatt fra konsolideringen

<u>Samlet beløp - tilknyttet selskap</u>	<u>Årets</u>	<u>Fjorårets</u>
--	--------------	------------------

<u>Samlet beløp - foretak i samme konsern</u>	<u>Årets</u>	<u>Fjorårets</u>
---	--------------	------------------

<u>Samlet beløp - foretak i samme konsern</u>	<u>Årets</u>	<u>Fjorårets</u>
---	--------------	------------------

<u>Samlet beløp - felles kontrollert virksomhet</u>	<u>Årets</u>	<u>Fjorårets</u>
---	--------------	------------------

<u>Pantstillelse</u>	<u>Beløp</u>
----------------------	--------------

<u>Beholdning av egne aksjer</u>	<u>Antall</u>	<u>Pålydende</u>	<u>Andel av aksjek.</u>
----------------------------------	---------------	------------------	-------------------------



**ZO SH HOLDINGS, INC., AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021**  
(With Independent Auditor's Report Thereon)



**ZO SH HOLDINGS, INC., AND SUBSIDIARIES**

**TABLE OF CONTENTS**  
**December 31, 2022 and 2021**

---

<b>INDEPENDENT AUDITOR'S REPORT</b>	Page 1-3
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
Consolidated Balance Sheets	4-5
Consolidated Statements of Operations and Comprehensive Operations	6
Consolidated Statements of Stockholders' Equity	7
Consolidated Statements of Cash Flows	8-9
Notes to the Consolidated Financial Statements	10-38
<b>Supplementary Information:</b>	
Reconciliation of ZO SH Intermediate, Inc. to ZO SH Holdings, Inc. – Balance Sheets as of December 31, 2022	40-41
Reconciliation of ZO SH Intermediate, Inc. to ZO SH Holdings, Inc. – Statements of Operations and Comprehensive Operations for the year ended December 31, 2022	42
Reconciliation of ZO SH Intermediate, Inc. to ZO SH Holdings, Inc. – Balance Sheets as of December 31, 2021	43-44
Reconciliation of ZO SH Intermediate, Inc. to ZO SH Holdings, Inc. – Statements of Operations and Comprehensive Operations for the year ended December 31, 2021	45



**Deloitte.**

**Deloitte & Touche LLP**  
695 Town Center Drive  
Suite 1000  
Costa Mesa, CA 92626  
USA

Tel: +1 714 436 7100  
Fax: +1 714 436 7200  
www.deloitte.com

## **INDEPENDENT AUDITOR'S REPORT**

To the Stockholders of ZO SH Holdings, Inc.

### **Opinion**

We have audited the consolidated financial statements of ZO SH Holdings, Inc. and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations and comprehensive operations, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Restatement of the 2021 Financial Statements**

As discussed in Note 2 to the financial statements, the accompanying 2021 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

### **Emphasis of Matter**

As discussed in Note 2 to the financial statements, in 2022, the Company adopted Financial Accounting Statement Board ("FASB") Accounting Standards Codification (ASC) No. 2016-02, "Leases" Topic 842. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents on pages 40–45 is presented for the purpose of additional analysis and is not a required part of the financial statements. This supplementary information is the responsibility of the Company's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such



information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, based on our audits and (as to the amounts included for ZO SH Holdings, Inc.) the report of the other auditors, such information is fairly stated in all material respects in relation to the financial statements as a whole.

*Deloitte & Touche LLP*

Costa Mesa, California  
May 1, 2023



## ZO SH HOLDINGS, INC., AND SUBSIDIARIES

Consolidated Balance Sheets  
December 31, 2022 and 2021

	2022	2021 (As restated)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 47,194,676	\$ 53,421,199
Accounts receivable, net of allowance for doubtful accounts of \$29,399 and \$13,969, respectively	16,362,352	14,585,015
Accounts receivable - related parties	8,594	29,018
Inventory	37,539,455	40,033,885
Prepaid expenses	5,108,032	4,329,306
Prepaid taxes	114,757	772,097
Other current assets	85,305	148,796
Total current assets	<u>106,413,171</u>	<u>113,319,316</u>
<b>Property and equipment</b>		
Machinery and equipment	2,842,108	1,723,517
Furniture and fixtures	935,382	985,929
Leasehold improvements	1,069,934	1,038,919
Land and buildings	186,377	-
Construction in progress	1,237,786	720,731
	<u>6,271,587</u>	<u>4,469,096</u>
Less accumulated depreciation	<u>(2,189,545)</u>	<u>(1,197,969)</u>
Property and equipment, net	<u>4,082,042</u>	<u>3,271,127</u>
<b>Noncurrent assets</b>		
Deposits	322,591	686,831
Investment	5,275,092	5,275,057
Intangible assets, net	234,573,174	255,813,165
Goodwill, net	112,312,556	120,377,419
Operating lease right-of-use assets	11,198,915	-
Finance lease right-of-use assets	552,440	-
Total noncurrent assets	<u>364,234,768</u>	<u>382,152,472</u>
<b>Total assets</b>	<u><b>\$ 474,729,981</b></u>	<u><b>\$ 498,742,915</b></u>

(Continued)

The accompanying notes are an integral part of these consolidated financial statements.



**ZO SH HOLDINGS, INC., AND SUBSIDIARIES**

Consolidated Balance Sheets

December 31, 2022 and 2021

**LIABILITIES AND STOCKHOLDERS' EQUITY**

	<b>2022</b>	<b>2021</b> <b>(As restated)</b>
<b>Current liabilities</b>		
Accounts payable	\$ 6,281,085	\$ 10,321,714
Accounts payable - related parties	254,269	106,921
Accrued expenses	17,253,742	27,883,441
Sales return liability	68,509	522,314
Current portion of deferred rent	-	42,929
Operating lease liability - current portion	2,247,686	-
Finance lease liability - current portion	303,218	167,815
Current portion of deferred revenue	173,263	189,160
Current portion of note payable	6,000,000	6,000,000
Current portion of contingent and deferred consideration payables	873,785	-
Total current liabilities	<u>33,455,557</u>	<u>45,234,294</u>
<b>Noncurrent liabilities</b>		
Note payable, net of current portion and discount of \$1,002,789 and \$2,324,138, respectively	55,997,211	105,675,862
Deferred rent, net of current portion	-	480,927
Operating lease liabilities, net of current portion	9,285,575	-
Finance lease liabilities, net of current portion	312,754	208,574
Other long - term liabilities	1,802,509	658,011
Deferred tax liabilities	47,778,834	54,062,507
Contingent and deferred consideration payables	56,826,917	54,265,543
Total long-term liabilities	<u>172,003,800</u>	<u>215,351,424</u>
Total liabilities	<u>205,459,357</u>	<u>260,585,718</u>
<b>Commitments and contingencies</b>		
<b>Stockholders' equity</b>		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized, 25,167,997 shares issued and outstanding at December 31, 2022 and 2021	251,680	251,680
Common stock, \$0.01 par value, 50,000,000 shares authorized at December 31, 2022 and 2021, 18,738,716 and 18,718,716 shares issued and outstanding at December 31, 2022 and 2021, respectively	187,387	187,187
Additional paid-in-capital	241,028,524	239,840,659
Retained Earnings	25,961,947	(5,215,543)
Accumulated other comprehensive loss	(1,924,914)	(672,786)
Total Stockholders' equity attributable to ZO SH Holdings, Inc.	265,504,624	234,391,197
Noncontrolling interest	3,766,000	3,766,000
Total stockholders' equity	<u>269,270,624</u>	<u>238,157,197</u>
<b>Total liabilities and stockholders' equity</b>	<u><b>\$ 474,729,981</b></u>	<u><b>\$ 498,742,915</b></u>

The accompanying notes are an integral part of these consolidated financial statements.



**ZO SH HOLDINGS, INC., AND SUBSIDIARIES**  
Consolidated Statements of Operations and Comprehensive Operations  
For the years ended December 31, 2022 and 2021

	For the year ended December 31, 2022	% of Net Sales	For the year ended December 31, 2021 (As restated)	% of Net Sales
Net sales	\$ 311,340,238	100.0%	\$ 258,691,669	100.0%
Cost of goods sold	71,411,713	22.9%	65,497,086	25.3%
Gross profit	239,928,525	77.1%	193,194,583	74.7%
Selling, general and administrative expenses	146,689,170	47.1%	134,414,906	52.0%
Depreciation and amortization	44,746,215	14.4%	42,802,995	16.5%
Total operating expenses	191,435,385	61.5%	177,217,901	68.5%
Income from operations	48,493,140	15.6%	15,976,682	6.2%
Interest expense	6,184,051	2.0%	4,513,645	1.7%
Income before income taxes	42,309,089	13.6%	11,463,037	4.4%
Income tax expense	11,131,599	3.6%	5,377,904	2.1%
Net income	<b>\$ 31,177,490</b>	<b>10.0%</b>	<b>\$ 6,085,133</b>	<b>2.4%</b>
Less: Net loss attributable to non-controlling interests	-	0.0%	(159,802)	-0.1%
Net income attributable to ZO SH Holdings, Inc.	<b>\$ 31,177,490</b>	<b>10.0%</b>	<b>\$ 6,244,935</b>	<b>2.4%</b>
Net income	<b>\$ 31,177,490</b>	<b>10.0%</b>	<b>\$ 6,085,133</b>	<b>2.4%</b>
Other comprehensive loss:				
Foreign currency translation loss	(1,252,128)	-0.4%	(605,899)	-0.2%
Net Comprehensive income	29,925,362	9.6%	5,479,234	2.1%
Comprehensive loss attributable to noncontrolling interest	-	0.0%	(159,802)	-0.1%
Net comprehensive income attributable to ZO SH Holdings, Inc.	<b>\$ 29,925,362</b>	<b>9.6%</b>	<b>\$ 5,639,036</b>	<b>2.2%</b>

The accompanying notes are an integral part of these consolidated financial statements.



**ZO SH HOLDINGS, INC., AND SUBSIDIARIES**  
**Consolidated Statements of Stockholders' Equity**  
**For the years ended December 31, 2022 and 2021**

	Preferred Stock		Common Stock		Additional Paid-in-Capital	Retained Earnings/ Accumulated Deficit	Noncontrolling Interest in Consolidated Affiliate	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balance - December 31, 2020	25,167,997	\$ 251,680	18,718,716	\$ 187,187	\$ 237,519,490	\$ (27,359)	\$ (66,887)	\$ 226,403,683	
Share-based stock compensation	-	-	-	-	3,008,330	-	-	3,008,330	
Exchangeable shares in a consolidated affiliate issued in connection with acquisition	-	-	-	-	-	3,766,000	-	3,766,000	
Acquisitions of noncontrolling interest in ZO Skin Health France SAS	-	-	-	-	(687,161)	187,161	-	(500,000)	
Net income (as restated) (Note 2)	-	-	-	-	-	(159,802)	-	6,085,133	
Other comprehensive loss	-	-	-	-	-	-	(605,899)	(605,899)	
Balance - December 31, 2021	25,167,997	\$ 251,680	18,718,716	\$ 187,187	\$ 239,840,659	\$ 3,766,000	\$ (672,786)	\$ 238,137,197	
Share-based stock compensation	-	-	-	-	998,705	-	-	998,705	
Exercise of stock options	-	-	20,000	200	189,160	-	-	189,360	
Net income	-	-	-	-	-	31,177,490	-	31,177,490	
Other comprehensive loss	-	-	-	-	-	-	(1,232,128)	(1,232,128)	
Balance - December 31, 2022	25,167,997	\$ 251,680	18,738,716	\$ 187,387	\$ 241,028,524	\$ 3,766,000	\$ (1,924,914)	\$ 249,276,624	

The accompanying notes are an integral part of these consolidated financial statements.



## ZO SH HOLDINGS, INC., AND SUBSIDIARIES

Consolidated Statements of Cash Flows  
For the years ended December 31, 2022 and 2021

	For the year ended December 31, 2022	For the year ended December 31, 2021 (As restated)
<b>Cash flows from operating activities</b>		
Net income	\$ 31,177,490	\$ 6,085,133
Adjustments to reconcile net income to net cash provided by operating activities:		
Allowance for doubtful accounts	15,430	46,342
Amortization of inventory purchase accounting adjustment	-	473,000
Change in fair value of contingent consideration earnouts	303,597	26,099,792
Depreciation	1,155,577	912,467
Amortization of intangible assets	29,704,176	28,642,323
Amortization of goodwill	13,886,462	13,109,433
Amortization of debt issuance costs	1,321,349	605,072
Share-based stock compensation	998,705	3,008,330
Deferred income taxes	(8,750,875)	(12,004,154)
Non-cash lease expense	2,605,408	-
Change in assets and liabilities:		
Accounts receivable	(1,661,919)	(3,449,093)
Accounts receivable - related parties	20,424	48,188
Inventory	3,611,989	(11,855,212)
Prepaid expenses	(832,561)	(40,150)
Prepaid taxes	657,340	2,076,510
Other current assets	63,796	(150,030)
Deposits	364,240	(22,966)
Accounts payable	(4,276,133)	(4,070,622)
Accounts payable - related parties	147,348	84,031
Accrued expenses	(10,832,375)	7,466,769
Income taxes payable	-	(334,572)
Sales returns	(453,805)	(290,516)
Deferred revenue	(15,897)	(4,988,459)
Deferred rent	-	46,346
Lease liabilities	(2,654,135)	-
Other liabilities	1,123,114	(324,148)
Net cash flow provided by operating activities	<u>57,678,745</u>	<u>51,173,814</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(1,851,142)	(1,128,711)
Acquisition of SCM Products, Inc., net of cash acquired	(2,883,154)	-
Acquisition of JC Imp and De HuidAcademie, net of cash acquired	(4,370,636)	-
Acquisition of ZO Skin Medical Health Pty Ltd, net of cash acquired	(2,109,982)	-
Acquisition of Hudhelse AS, net of cash acquired	-	(4,683,000)
Acquisition of Mirza Alladina Medical Ltd, net of cash acquired	-	(2,694,000)
Acquisition of ZO Skin Health Limited, net of cash acquired	-	(12,000,000)
Acquisition of ZO Skin Health France SAS, net of cash acquired	-	(500,000)
Net cash flow used in investing activities	<u>(11,214,914)</u>	<u>(21,005,711)</u>

The accompanying notes are an integral part of these consolidated financial statements.



**ZO SH HOLDINGS, INC., AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements  
As of and for the years ended December 31, 2022 and 2021

	<b>For the year ended December 31, 2022</b>	<b>For the year ended December 31, 2021 (As restated)</b>
<b>Cash flows from financing activities</b>		
Principal payments on finance leases	\$ (224,552)	\$ (152,691)
Principal payments on note payable	(51,000,000)	(6,000,000)
Proceeds from stock option exercises	189,360	-
Net cash flow used in financing activities	<u>(51,035,192)</u>	<u>(6,152,691)</u>
Effect of foreign exchange difference	(1,655,162)	1,172,558
<b>Net change in cash</b>	(6,226,523)	25,187,970
<b>Cash, beginning of year</b>	53,421,199	28,233,229
<b>Cash, end of year</b>	<u>\$ 47,194,676</u>	<u>\$ 53,421,199</u>
<b>Supplemental disclosure for cash flow information</b>		
<b>Cash paid during the period for:</b>		
Interest	\$ 4,849,362	\$ 4,513,645
Income taxes	<u>\$ 28,658,513</u>	<u>\$ 4,806,829</u>
<b>Supplemental disclosure for non-cash investing and financing activities</b>		
Deferred consideration issued in SCM Products acquisition	\$ 2,735,922	\$ -
Earmouts issued in JCIMP acquisition	\$ 3,191,959	\$ -
Earmouts issued in ZO Skin Medical Health acquisition	\$ 1,978,008	\$ -
Earmouts issued in Hudhelse AS acquisition	\$ -	\$ 12,940,000
Earmouts issued in Mirza Alladina acquisition	\$ -	\$ 11,560,000
Earmouts issued in ZO Skin Health Limited acquisition	\$ -	\$ 3,888,000
Exchangeable Shares issued in Mirza Alladina acquisition	\$ -	\$ 3,766,000



## ZO SH HOLDINGS, INC., AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
As of and for the years ended December 31, 2022 and 2021

---

### NOTE 1 - BUSINESS ACTIVITY

ZO SH Holdings, Inc. (together with its subsidiaries, the "Company") is a Delaware corporation formed on October 2, 2020.

The Company, through its wholly and majority owned subsidiaries and clinics, develops and delivers innovative skincare solutions that optimize skin health around the globe. Utilizing cutting-edge science and Dr. Zein Obagi's extensive clinical experience creating treatments and regimens for healthy skin, the Company provides comprehensive skincare programs for physicians and their patients. Committed to advancing effective treatments for healthy skin, the Company supports physicians' practices through skin health seminars and clinical training, and patients through a variety of educational programs.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The Financial Accounting Standards Board ("FASB") establishes these principles to ensure financial condition, results of operations, and cash flows are consistently reported. Any reference in these notes to applicable accounting guidance is meant to refer to the authoritative nongovernmental GAAP as found in the FASB Accounting Standards Codification ("ASC").

#### Principles of Consolidation

The accompanying consolidated financial statements include ZO SH Holdings, Inc. and its wholly and majority owned subsidiaries: ZO SH Intermediate, Inc., ZO Skin Health, Inc., OSHI Beverly Hills, Inc., OSHI Laguna, Inc., ZO Skin Centre Newport Beach, LLC, ZO Skin Centre Newport Beach, Inc., ZO Skin Centre Pasadena, Inc., ZO Skin Health Ireland, Ltd., ZO UK Services, Ltd., ZO Skin Health Ltd. (formerly known as Wigmore Aesthetics, Ltd.), ZO Skin Health France SAS, Hudhelse AS, Hudhelse Finland Ab, Hudhelse AS, Hudhelse Stockholm AB, Mirza Alladina Medical Ltd, SCM Products, Inc., JC Imp and De HuidAcademie, and ZO Skin Medical Health Pty Ltd. All intercompany balances and transactions have been eliminated in consolidation.

#### Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Areas which include significant estimates made by management include, but are not limited to, the collectability of accounts receivable, the realizable value of inventory, sales return liability, goodwill, intangible assets, allocation of purchase price in a business combination, deferred tax assets, share-based stock compensation, and the useful lives of property and equipment and intangible assets. Actual results could differ from those estimates.



## ZO SH HOLDINGS, INC., AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
As of and for the years ended December 31, 2022 and 2021

---

### Revenue Recognition

To determine the proper revenue recognition, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligation(s) in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation(s) in the contract; and (v) recognize revenue when (or as) the performance obligation is satisfied. The Company only applies the five-step model to contracts when it is probable that the Company will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer.

The vast majority of the Company's revenues are from product sales to customers, pursuant to purchase orders with short lead times. Revenues from product sales are recognized, net of estimated discounts and return allowances, when the customer obtains control of the product, which generally occurs at a point in time. The Company does not have significant obligations to the customer for future performance at the time of sale.

The Company uses a number of wholesale distributors around the world and recognizes revenue when the distributor obtains control of the product, which occurs at a point in time, typically upon shipment. Sales taxes, value added taxes and other taxes that are collected in connection with revenue transactions are withheld and remitted to the respective taxing authorities. As such, these taxes are excluded from net sales.

Shipping and handling fees that are billed to customers are recognized in net sales and the associated shipping and handling costs are recognized in selling, general and administrative expenses as soon as control of the goods transfers to the customer. The Company recognizes revenue at the point of sale on transactions with consumers at its clinic locations.

The Company entered into a joint development agreement with a third-party partner that utilizes the Company's products in a revenue sharing arrangement. Other revenues recorded representing the Company's share of the third-party partner's sales for the years ended December 31, 2022 and 2021, were \$819,071 and \$507,434, respectively, and are included in net sales.

The Company's domestic wholesale distributors are granted a right of return. The Company exited the domestic wholesale business in 2021; however, returns continue to be processed. The amount of future returns can be reasonably estimated based upon the Company's historical experience with returns. As of December 31, 2022 and 2021, the Company had an estimated sales return liability in the amount of \$68,509 and \$522,314, respectively.

Revenues from gift cards are deferred and recognized when the cards are redeemed for product purchases. The Company's gift cards have no expiration date. The Company recognizes revenue from unredeemed gift cards, otherwise known as breakage, when the likelihood of redemption becomes remote and under circumstances that comply with any applicable state escheatment laws. To determine when redemption is remote, the Company analyzes an aging of unredeemed cards (based on the date the card was last used or the activation date if the card has never been used) and compares that information with historical redemption trends.



## ZO SH HOLDINGS, INC., AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
As of and for the years ended December 31, 2022 and 2021

---

The Company uses this historical redemption rate to recognize breakage on unredeemed gift cards over the redemption period. Total breakage income recorded for the years ended December 31, 2022 and 2021 was \$44,532 and \$7,576, respectively. The current portion of deferred revenues related to gift cards was \$112,914 and \$189,160 as of December 31, 2022 and 2021, respectively.

### Accounts Receivable

The Company extends credit to certain customers. Collateral is not required. Credit losses are provided for in the consolidated financial statements based on management's evaluation of historical and current industry trends. Although the Company expects to fully collect amounts due, actual collections may differ from estimated amounts. As of December 31, 2022 and 2021, accounts receivable was recorded net of allowance for doubtful accounts of \$29,399 and \$13,969, respectively.

### Inventory

Inventory is stated at the lower of cost (first-in, first-out) or net realizable value. Cost includes materials, fill and process fees. Net realizable value is defined as the estimated selling prices in the ordinary course of business less reasonably predictable costs of completion, disposal and transportation. The Company writes down its inventory, including estimated excess and obsolete inventory, to the estimated net realizable value based upon assumptions about future demand and market conditions.

As part of the Company's accounting for business combinations, the Company is required to value inventory acquired in the business combination at its net realizable value. The inventory adjustment is typically expensed within the first four months after completion of an acquisition. For the years ended December 31, 2022 and 2021, the impact on cost of goods sold of the acquired step-up in inventory basis was \$0 and \$473,000, respectively.

### Investment

Investment consists of an option to receive a 25% ownership in UAE Skin Centers located in the United Arab Emirates in exchange for no consideration. This option is considered to be an investment. The Company determines the appropriate classification of its investments at the time of acquisition and reevaluates such classification at each balance sheet date. Investments that do not have readily determinable fair values are stated at cost net of impairment, and are evaluated for changes in fair value if there is an observable price change in an orderly transaction for an identical or similar investment. The Company monitors investments for impairment whenever events or changes in circumstances indicate that the investment's carrying value may not be recoverable. An impairment charge would be recognized when the carrying amount exceeds its fair value.



## ZO SH HOLDINGS, INC., AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
As of and for the years ended December 31, 2022 and 2021

### Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and amortization.

The Company provides for depreciation using the straight-line method over the following estimated useful lives of the various classes of property:

Machinery and equipment	3 to 5 years
Furniture and fixtures	3 to 5 years
Leasehold improvements	Lesser of economic life or remaining term of lease
Capital leases (prior to adoption of Topic 842)	Lesser of economic life or remaining term of lease

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. At the time of retirement or disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in operations.

### Leases

On January 1, 2022, the Company adopted ASU No. 2016-02, "Leases" (Topic 842) and all the related amendments using the modified retrospective method. The effective date was used as the Company's date of initial application with no restatement of prior periods. As such, the prior period continues to be reported under the accounting standards in effect for that period. The Company elected the "package of practical expedients" which permits the Company not to reassess under Topic 842 its prior conclusions about lease identification, lease classification and initial direct costs. As a result of the adoption of Topic 842, on January 1, 2022, the Company recorded on the consolidated balance sheet a right-of-use asset and lease liability related to its operating leases of \$11,720,217 and \$12,103,290, respectively. Additionally, beginning January 1, 2022, capital lease assets and capital lease obligations are now referred to as finance lease right-of-use assets and finance lease liabilities, respectively. The impact of the adoption of Topic 842 on the Company's consolidated statements of operations and comprehensive operations and cash flows was not material. See Note 11 Leases for additional information.

The Company determines if a contract contains a lease at commencement of the arrangement based on whether it has the right to obtain substantially all of the economic benefits from the use of an identified asset and whether it has the right to direct the use of an identified asset in exchange for consideration, which relates to an asset which the Company does not own. Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. The Company recognizes lease liabilities at the present value of the future lease payments and a corresponding ROU asset at the lease commencement date. The interest rate used to determine the present value of the future lease payments is the rate implicit in the lease unless that rate cannot be readily determined. When the interest rate implicit in the lease is not readily determinable, the interest rate used to determine the present value of the future lease payments is the Company's incremental borrowing rate ("IBR"). The IBR is a hypothetical rate



## ZO SH HOLDINGS, INC., AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
As of and for the years ended December 31, 2022 and 2021

based on the Company's understanding of what its credit rating would be to borrow and resulting interest the Company would pay to borrow an amount equal to the lease payments in a similar economic environment over the lease term on a collateralized basis. Periods covered by the Company's option to extend or terminate the lease are included in the lease term when it is reasonably certain that the Company will exercise its option to extend or not exercise its option to terminate, as applicable.

Lease payments may be fixed or variable; however, only fixed payments or in-substance fixed payments are included in the Company's lease liability calculation. Variable lease payments may include costs such as common area maintenance, utilities, real estate taxes or other costs. Variable lease payments are recognized in operating expenses in the period in which the obligations for those payments are incurred. The Company records rent expense for operating leases, some of which have escalating rent payments, on a straight-line basis over the lease term. Finance lease costs are comprised of the straight-line amortization of the lease asset and the accretion of interest expense, which the Company records under the effective interest method.

The Company made a policy election to not separate non-lease components from lease components for all of its leases; therefore, it accounts for lease and non-lease components as a single lease component. The Company also elected the short-term lease recognition exemption for all leases that qualify, such that leases with a term of 12 months or less are not recognized on the balance sheet.

### Impairment of Long-lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets in question may not be recoverable. Impairment would be recorded in circumstances where undiscounted cash flows expected to be generated by an asset or asset group are less than the carrying value of that asset or asset group. The Company determined that no impairment existed as of December 31, 2022 and 2021.

Intangible assets are amortized over their estimated useful lives using the straight-line method. The following provides a summary of the estimated useful lives by category of asset.

Customer relationships	10 years
Patents	10 years
Trademarks	10 years

For the years ended December 31, 2022 and 2021, amortization expense amounted to \$29,704,176 and \$28,642,323, respectively.

### Goodwill

In accordance with FASB ASC Topic No. 350, "*Intangible-Goodwill and Other*," as modified by Accounting Standards Update ("ASU") No. 2014-02, goodwill is amortized using the straight-line method over 10 years. For the years ended December 31, 2022 and 2021, amortization expense related to goodwill totaled \$13,886,462 and \$13,109,433, respectively.



## ZO SH HOLDINGS, INC., AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
As of and for the years ended December 31, 2022 and 2021

Goodwill is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. As no triggering event occurred during the years ended December 31, 2022 and 2021, management has determined that no impairment existed as of December 31, 2022 and 2021.

### Business Combinations

The Company accounts for acquisitions under the acquisition method of accounting in accordance with FASB ASC Topic 805, "Business Combinations". The Company includes the results of operations of the businesses that it acquires from the acquisition date forward. The Company allocates the purchase price of the acquisitions to the assets acquired and liabilities assumed based on their estimated fair values. The allocation of the purchase price is based on management's estimate of the fair values of the acquired assets and assumed liabilities using valuation techniques including income, cost and market approaches, which are level 3 measurements. These valuation techniques incorporate the use of expected future revenues, cash flows and growth rates as well as estimated discount rates commensurate with the risk involved. Trademarks are valued using the relief from royalty method. Customer relationships are valued using the excess earnings method. Earnouts are valued using a Monte Carlo option pricing model and present value of the estimated deferred payout. The goodwill arising from acquisitions consists largely of the synergies expected from combining the operations of the Company and the acquired entity. The excess of the purchase price over the fair values of identifiable assets and liabilities is recorded as goodwill. Acquisition-related expenses are recognized separately from the business combination and are expensed as incurred.

### Contingent Consideration

In connection with certain acquisitions, the Company is obligated to make an additional payment to the sellers, some of whom are also shareholders, for purchase consideration if certain events occur. Payment of additional consideration, if applicable, is contingent on the acquired business achieving certain revenue thresholds. The accrued earnout is measured at estimated fair value based on the thresholds expected to be achieved using a Monte Carlo option pricing model based on the achievement of the specified targets. The Company recorded \$303,597 and \$26,099,792 of expense as result of the remeasurement of the contingent consideration during the years ended December 31, 2022 and 2021, respectively, in selling, general and administrative expenses in the consolidated statements of operations. The Company recorded \$7,905,889 and \$28,388,000 of additional contingent consideration as result of acquisitions during the years ended December 31, 2022 and 2021, respectively. During the years ended December 31, 2022 and 2021, the Company paid \$0 of contingent consideration to the sellers. As of December 31, 2022 and 2021, the total contingent consideration payable was \$57,700,702 and \$54,265,543, respectively, of which \$56,826,917 and \$54,265,543, respectively, was included in contingent and deferred consideration payables, and \$873,785 and \$0, respectively, was included in the current portion of contingent and deferred consideration payables.

### Foreign Currency Translation

Assets and liabilities of the Company's wholly owned and majority owned foreign subsidiaries are maintained in foreign currencies and are translated into U.S. Dollars at the rate of exchange in effect at the close of the year. Income and expenses are translated at an average rate of



## ZO SH HOLDINGS, INC., AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
As of and for the years ended December 31, 2022 and 2021

exchange for the year. The aggregate effect of translating the consolidated financial statements is included in other comprehensive loss for the years ended December 31, 2022 and 2021.

Transactions denominated in foreign currencies are recorded based on exchange rates at month end. Subsequent changes in exchange rates result in foreign currency transaction gains and losses. Realized gains or losses are recognized upon the settlement of the transactions and are reflected in selling, general, and administrative expenses as recognized foreign currency gains or losses. Net realized losses amounted to \$2,453,214 for the year ended December 31, 2022 and were not material for the year ended December 31, 2021.

### Accumulated Other Comprehensive Loss

As of December 31, 2022 and 2021, accumulated other comprehensive loss consists of foreign currency translation losses of \$1,924,914 and \$672,786, respectively.

### Deferred Rent

Prior to the adoption of ASU No. 2016-02, "Leases", on January 1, 2022, the Company recognized escalating rent provisions on a straight-line basis over the term of the leases resulting in deferred rent in the amount of \$523,856 as of December 31, 2021.

### Fair Value of Financial Instruments

The estimated fair values of the Company's short-term financial instruments, including cash, accounts receivable, inventory, investments, accounts payable, accrued expenses, and note payable approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization, or are based on interest rates available to the Company that are comparable to the current market rates. It is not practical to estimate the fair value of accounts receivable-related parties and accounts payable-related parties due to their related party nature.

ASC Topic 820, Fair Value Measurements and Disclosures, applies to all financial assets and financial liabilities that are measured and reported on a fair value basis and requires disclosure that establishes a framework for measuring fair value and expands disclosure about fair value measurements. ASC 820 establishes a valuation hierarchy for disclosures of the inputs to valuations used to measure fair value.

This hierarchy prioritizes the inputs into three broad levels as follows:

- Level 1 – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date.
- Level 2 – Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates and yield curves), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).
- Level 3 – Unobservable inputs that reflect assumptions about what market participants would use in pricing the asset or liability. These inputs would be based on the best information available, including the Company's own data.



## ZO SH HOLDINGS, INC., AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
As of and for the years ended December 31, 2022 and 2021

---

### Research and Development

Research and development expenses are charged to expense as incurred. For the years ended December 31, 2022 and 2021, research and development expense was \$965,762 and \$1,347,215, respectively. This balance is included within selling, general, and administrative expenses of the consolidated statements of operations and comprehensive operations.

### Cost of Goods Sold

Cost of goods sold consists of cost of product, related freight charges and gifts with purchases. Cost of goods sold excludes depreciation and amortization.

### Advertising

Advertising expenses are charged to expense as incurred and are included within selling, general, and administrative expenses of the consolidated statements of operations and comprehensive operations. For the years ended December 31, 2022 and 2021, advertising expense was approximately \$5,517,689 and \$2,486,170, respectively.

### Income Taxes

Deferred taxes are provided using the asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not some of the portion of the deferred tax assets will not be realized. No valuation allowance was deemed necessary as of December 31, 2022 and 2021. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company recognizes any uncertain income tax positions at the largest amount that is more likely than not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. The Company's policy is to recognize interest and/or penalties related to income tax matters in income tax expense. As of December 31, 2022 and 2021, there were no uncertain tax positions, and for the years then ended, the Company did not incur any interest and penalties related to taxes.

The Company's tax years are subject to examination for 2022 and 2021 for U.S. federal income tax purposes and 2018 through 2021 for state income tax purposes. The Company's 2019 U.S. Federal audit was settled with the IRS in 2022 which resulted in a payment of \$470,275, plus interest.

### Share-based Stock Compensation

The Company accounts for stock-based employee compensation arrangements in accordance with the provisions of FASB ASC Topic No. 718, "Stock Compensation" ("ASC 718"). Share-based stock compensation costs are measured at the grant date fair value of the share-based awards, using the Black Scholes option pricing model, and are recognized as expense on a straight-line basis over the requisite vesting period. Forfeitures are recognized as they occur. The Company classifies share-based compensation expense in its consolidated statements of



**ZO SH HOLDINGS, INC., AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements  
As of and for the years ended December 31, 2022 and 2021

operations in the same manner in which the award recipient's salary and related costs are classified.

Recently Adopted Accounting Standards

On January 1, 2022, the Company adopted FASB ASU No. 2019-12, "Income Taxes: Simplifying the Accounting for Income Taxes". The amendments in this update remove exceptions to the general principles in Topic 740 for intraperiod tax allocation, changes in tax law, step-up tax basis of goodwill, accounting basis differences stemming from an ownership change in foreign investments, separate entity financial statements and franchise taxes that are partially based on income. The adoption of the new guidance did not have a material impact on the Company's consolidated financial statements.

Recently Announced Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments—Credit Losses (Topic 326)." The standard introduces a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses and will apply to trade receivables. The new guidance will be effective for the Company's annual and interim periods beginning after December 15, 2022. The Company is currently evaluating the impact of the adoption of the standard on the consolidated financial statements.

Restatement of Previously Issued Financial Statements

Subsequent to the issuance of the Company's consolidated financial statements as of and for the year ended December 31, 2021, the Company identified certain errors in its prior year tax provision resulting from the misclassification of certain non-cash expenses as tax deductions. This resulted in an understatement of \$6,435,556 in the prior income tax expense (benefit). As a result, the Company has restated the accompanying consolidated financial statements as of and for the year ended December 31, 2021 from amounts previously reported. The effects of the restatement are as follows and included in Note 7 and Note 14:

Consolidated Statement of Operations and Comprehensive Operations:

	Year Ended December 31, 2021					
	As Previously Reported		Correction		As Restated	
	Balance	% of Net Sales	Adjustment	% of Net Sales	Balance	% of Net Sales
Income tax expense (Benefit from income taxes)	\$ (1,057,652)	-0.4%	\$ 6,435,556	2.5%	\$ 5,377,904	2.1%
Net income	12,520,689	4.9%	(6,435,556)	-2.5%	6,085,133	2.4%
Net income attributable to ZO SH Holdings, Inc.	12,680,491	4.8%	(6,435,556)	-2.4%	6,244,935	2.4%
Net comprehensive income	11,914,790	4.7%	(6,435,556)	-2.6%	5,479,234	2.1%
Net comprehensive income attributable to ZO SH Holdings, Inc.	12,074,592	4.6%	(6,435,556)	-2.4%	5,639,036	2.2%



**ZO SH HOLDINGS, INC., AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements  
As of and for the years ended December 31, 2022 and 2021

Consolidated Balance Sheet:

	<b>As of December 31, 2021</b>		
	As previously Reported	Correction	As Restated
Accrued expense	\$ 21,447,885	\$ 6,435,556	\$ 27,883,441
Total current liabilities	38,798,738	6,435,556	45,234,294
Total liabilities	254,150,162	6,435,556	260,585,718
Retained earnings/(Accumulated deficit)	1,220,013	(6,435,556)	(5,215,543)
Total stockholders' equity attributable to ZO Holdings, Inc.	240,826,753	(6,435,556)	234,391,197
Total stockholders' equity	244,592,753	(6,435,556)	238,157,197

Consolidated Statement of Cash Flows:

	<b>Year Ended December 31, 2021</b>		
	As previously Reported	Correction	As Restated
Net income	\$ 12,520,689	\$ (6,435,556)	\$ 6,085,133
Change in accrued expenses	1,031,213	6,435,556	7,466,769

**NOTE 3 – BUSINESS COMBINATION**

**2022:**

SCM Products, Inc.

On February 1, 2022, the Company purchased a 100% interest in SCM Products, Inc. ("SCM"), a distributor, for \$3,167,223 and a 3 year deferred consideration payable of \$2,802,716, contingent on compliance by the sellers of terms of a non-compete, non-solicit and employment agreements. Deferred consideration payments were measured using the present value of the deferred payout. The acquisition of the interests in SCM is intended to allow the Company to grow and expand its product offerings to customers internationally.

Total consideration paid included the following:

Cash	\$ 3,167,223
Deferred consideration	\$ 2,735,922
Total Consideration	<u>\$ 5,903,145</u>

The purchase price allocation for the SCM acquisition was finalized as of December 31, 2022. The final allocation of the acquisition-date fair values of assets and liabilities pertaining to this business combination as of December 31, 2022, was as follows:



**ZO SH HOLDINGS, INC., AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements  
As of and for the years ended December 31, 2022 and 2021

<b>Assets acquired</b>	
Cash	\$ 284,069
Accounts receivable	225,830
Inventory	293,472
Prepaid	13,340
Fixed assets	10,603
Customer relationships	4,180,607
Goodwill	2,353,369
Total assets acquired	<u>7,361,290</u>
<b>Liabilities assumed</b>	
Accounts payable	94,610
Due to ZOSH	222,893
Accrued liabilities	3,231
Deferred tax liability	1,124,148
Income tax payable	13,263
<b>Net assets acquired</b>	<u>\$ 5,903,145</u>

The results of operations from the acquired entity are included in the Company's consolidated results from the date of acquisition. The operating revenues and net income related to the SCM acquisition reflected in the consolidated statements of operations for the year ended December 31, 2022, were \$6,975,932 and \$366,011, respectively.

**JC Imp and De HuidAcademie ("JCIMP")**

On April 1, 2022, the Company purchased a 100% interest in JC IMP and De HuidAcademie ("JCIMP"), a distributor, for \$4,843,537 and a 3 year earn-out with a maximum payout of \$4,694,057, contingent on achieving a 5% aggregate compound annual growth rate ("CAGR") of the net revenue over the earnout period and compliance by sellers of terms of a non-compete, non-solicit and employment agreements. Earnouts are paid in three equal installments and accelerate upon a change in control of the Company. Earnouts were measured using a Monte Carlo model, which is a level 3 measurement. The acquisition of the interests in JCIMP is intended to allow the Company to grow and expand its product offerings to customers internationally.

Total consideration paid included the following:

Cash	\$ 4,843,537
Earnout	\$ 3,191,959
Total Consideration	<u>\$ 8,035,496</u>

The purchase price allocation for the JCIMP acquisition was finalized as of December 31, 2022.

The final allocation of the acquisition-date fair values of assets and liabilities pertaining to this business combination as of December 31, 2022, was as follows:



**ZO SH HOLDINGS, INC., AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements  
As of and for the years ended December 31, 2022 and 2021

<b>Assets acquired</b>	
Cash	\$ 472,901
Accounts receivable	215,027
Inventory	535,359
Prepaid	73,608
Fixed assets	167,241
Customer Relationships	4,774,132
Goodwill	3,858,081
Total assets acquired	<u>10,096,349</u>
<b>Liabilities assumed</b>	
Accounts payable	135,610
Due to ZOSH	152,856
Accrued liabilities	142,240
Deferred tax liability	1,261,999
Income tax payable	368,148
<b>Net assets acquired</b>	<u>\$ 8,035,496</u>

The results of operations from the acquired entity are included in the Company's consolidated results from the date of acquisition. The operating revenues and net loss related to the JCIMP acquisition reflected in the consolidated statements of operations for the year ended December 31, 2022, were \$4,393,871 and \$285,476, respectively.

ZO Skin Medical Health Pty Ltd ("ZO AU")

On September 1, 2022, the Company purchased a 100% interest in ZO Skin Medical Health Pty Ltd ("ZO AU"), a distributor, for \$2,167,377 and a 3 year earn-out, contingent on the achievement of certain escalating targets based on the CAGR of net revenue over the earnout period, with a maximum payout of \$2,106,208.

Earnouts are paid in three equal installments and were measured using the present value of the estimated deferred payout, which is a level 3 measurement. The acquisition of the interests in ZO AU is intended to allow the Company to grow and expand its product offerings to customers internationally.

Total consideration paid included the following:

Cash	\$ 2,167,377
Earnout	\$ 1,978,008
Total Consideration	<u>\$ 4,145,385</u>



## ZO SH HOLDINGS, INC., AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
As of and for the years ended December 31, 2022 and 2021

The purchase price allocation for the ZO AU acquisition was finalized as of December 31, 2022. The final allocation of the acquisition-date fair values of assets and liabilities pertaining to this business combination as of December 31, 2022, was as follows:

<b>Assets acquired</b>	
Cash	\$ 57,395
Accounts receivable	264,276
Inventory	288,728
Fixed assets	13,401
Other current assets	305
Customer relationships	2,126,426
Goodwill	2,329,891
Total assets acquired	5,080,422
<b>Liabilities assumed</b>	
Accounts payable	5,284
Due to ZOSH	198,536
Accrued liabilities	34,066
Deferred tax liability	675,767
Other liabilities	21,384
<b>Net assets acquired</b>	<b>\$ 4,145,385</b>

The results of operations from the acquired entity are included in the Company's consolidated results since the date of acquisition. The operating revenues and net loss related to the ZO AU Acquisition reflected in the consolidated statements of operations for the year ended December 31, 2022, were \$1,827,716 and \$29,168, respectively.

The fair value of the customer relationships was determined using the multi-period excess earnings method, which is based on an income approach and considered to be Level 3 inputs in the fair value hierarchy. Significant assumptions used in the valuation include the projected revenue over the period of the expected cash flows, royalty rate based on market participant royalty rates, and discount rates based on an assessment of the relative risk of the cash flows and the Company's overall cost of capital. The fair value of all other assets and liabilities assumed were determined to approximate their carrying value as of the closing. The goodwill balance is primarily attributed to the anticipated synergies from the acquisitions and expanded market opportunities in the skincare space. The goodwill is not deductible for tax purposes.

### 2021:

#### Hudhelse AS

On January 1, 2021, the Company purchased a 100% interest in Hudhelse AS ("Hudhelse"), a distributor, for \$7,697,000 and a 3 year earn-out with a payout of 450,000 to 800,000 shares of common stock, pending on achievement of performance conditions and compliance with post-closing covenants. In the event a change of control occurs prior to the end of the 3-year period, the earnout will be paid at the date of a change of control with a payout based on performance targets defined in the agreement. Earnouts were measured using a Monte Carlo option pricing



## ZO SH HOLDINGS, INC., AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
As of and for the years ended December 31, 2022 and 2021

model, which is a level 3 measurement. The acquisition of the interests in Hudhelse is intended to allow the Company to grow and expand its product offerings to customers internationally.

Total consideration paid included the following:

Cash	\$ 7,697,000
Earnout	12,940,000
Total Consideration	<u>\$ 20,637,000</u>

The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date, which are level 3 measurements:

<b>Assets acquired</b>	
Cash	\$ 3,014,000
Accounts receivable	307,174
Inventory	1,230,016
Other current assets	537,885
Fixed assets	131,743
Customer relationships	8,110,000
Goodwill	11,775,686
Total assets acquired	<u>25,106,504</u>
<b>Liabilities assumed</b>	
Accounts payable	164,035
Accrued liabilities	1,156,767
Deferred tax liabilities	1,670,660
Other liabilities	1,144,817
Income tax payable	333,225
<b>Net assets acquired</b>	<u>20,637,000</u>

### Mirza Alladina Medical Ltd

On January 1, 2021, the Company purchased a 100% interest in Mirza Alladina Medical Ltd. ("Alladina") for \$3,000,000 and issued 200,000 shares of an intermediary subsidiary of the Company ("Exchangeable Shares") that are exchangeable into shares of the Company's common stock and a 3 year earn-out with a payout of 400,000 to 800,000 additional Exchangeable Shares. Issuance of the Exchangeable Shares subject to the earnout is dependent on achievement of performance conditions and compliance with post-closing covenants. The Exchangeable Shares are exchangeable into shares of the Company's common stock on a one-for-one basis upon the occurrence of certain conditions, including the occurrence of a change of control. The 200,000 Exchangeable Shares were measured at the fair value of the Company's shares on the date of issuance and are presented as noncontrolling interest in the accompanying consolidated balance sheets. Earnouts were measured using a Monte Carlo option pricing model, which is a level 3 measurement. The acquisition of the interests in Alladina will allow the Company to grow and expand its product offerings to customers internationally.



## ZO SH HOLDINGS, INC., AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
As of and for the years ended December 31, 2022 and 2021

Total consideration paid included the following:

Cash	\$ 3,000,000
Exchangable shares in consolidated entity	3,766,000
Earnout	11,560,000
Total consideration	<u>18,326,000</u>

The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date, which are level 3 measurements:

<b>Assets acquired</b>	
Cash	\$ 306,000
Accounts receivable	1,988,440
Inventory	1,987,227
Fixed assets	7,844
Customer relationships	7,320,000
Goodwill	10,432,343
Total assets acquired	<u>22,041,854</u>
<b>Liabilities assumed</b>	
Accounts payable	315,229
Accrued liabilities	163,721
Deferred tax liabilities	1,106,368
Other liabilities	2,130,536
<b>Net assets acquired</b>	<u>\$ 18,326,000</u>

### ZO Skin Health Limited

On July 1, 2021, the Company purchased a 100% interest in ZO Skin Health Limited ("ZO Skin Health Limited") (formerly known as Wigmore Aesthetics, Ltd), a distributor, for \$12,000,000, in cash, and a 3 year earn-out with a payout of 141,509 to 339,623 shares of common stock, depending on achievement of performance conditions and compliance with post-closing covenants. In the event a change of control occurs prior to the end of the 3-year period, the earnout will be paid at change of control with a payout depending on the achievement of performance conditions defined in the agreement.

Earnouts were measured using a Monte Carlo option pricing model, which is a level 3 measurement. The acquisition of the interests in ZO Skin Health Limited is intended to allow the Company to grow and expand its product offerings to customers internationally.



## ZO SH HOLDINGS, INC., AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
As of and for the years ended December 31, 2022 and 2021

Total consideration paid included the following:

Cash	\$ 12,000,000
Earnout	<u>3,888,000</u>
Total consideration	<u>15,888,000</u>

The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date, which are level 3 measurements:

<b>Assets acquired</b>	
Customer relationships	\$ 9,722,000
Goodwill	<u>8,078,066</u>
Total assets acquired	17,800,066
<b>Liabilities assumed</b>	
Deferred tax liabilities	<u>1,912,066</u>
<b>Net assets acquired</b>	<u>15,888,000</u>

The fair value of the customer relationships was determined using the multi-period excess earnings method, which is based on an income approach and considered to be Level 3 inputs in the fair value hierarchy. Significant assumptions used in the valuation include the projected revenue over the period of the expected cash flows, royalty rate based on market participant royalty rates, and discount rates based on an assessment of the relative risk of the cash flows and the Company's overall cost of capital. The fair value of all other assets and liabilities assumed were determined to approximate their carrying value as of the closing. The goodwill balance is primarily attributed to the anticipated synergies from the acquisitions and expanded market opportunities in the skincare space. The goodwill is not deductible for tax purposes.

During the years ended December 31, 2022 and 2021, the Company incurred acquisition-related costs of \$790,477 and \$839,288, respectively, which were expensed as incurred and included in selling, general and administrative expenses.

### NOTE 4 – CONCENTRATIONS OF RISK

#### Cash

The Company maintains its cash balances in financial institutions which, from time to time, exceed amounts insured by the Federal Deposit Insurance Corporation up to \$250,000 for non-interest and interest-bearing accounts. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. As of December 31, 2022 and December 31, 2021, the Company maintained deposits totaling approximately \$46,944,164 and \$53,169,199 in excess of federally insured amounts, respectively.

#### Customers

As of December 31, 2022 and 2021, one customer accounted for approximately 21% and 20% of accounts receivable, respectively.



## ZO SH HOLDINGS, INC., AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
As of and for the years ended December 31, 2022 and 2021

For the years ended December 31, 2022 and 2021, approximately 40% and 43% of net sales and approximately 86% and 85% of accounts receivable, respectively, were related to customers outside the United States.

### Suppliers

For the years ended December 31, 2022 and 2021, one and two suppliers represented approximately 11% and 20% of purchases, respectively. As of December 31, 2022 and 2021, one and three suppliers represented approximately 15% and 32% of accounts payable, respectively.

### NOTE 5 - INVENTORY

Inventory consisted of the following as of December 31:

	2022	2021
Finished goods	\$ 30,595,522	\$ 30,818,698
Raw materials	6,943,933	9,215,187
	<u>\$ 37,539,455</u>	<u>\$ 40,033,885</u>

### NOTE 6 – GOODWILL AND INTANGIBLE ASSETS

The following table presents the changes in the carrying amount of goodwill for the periods indicated:

Beginning net balance balance as of January 1, 2021	\$ 103,325,515
Additions related to business combinations	30,286,095
Foreign currency adjustments	(124,758)
Goodwill amortization	(13,109,433)
Ending net goodwill balance as of December 31, 2021	<u>120,377,419</u>
Additions related to business combinations	8,541,341
Foreign currency adjustments	(2,719,742)
Goodwill amortization	(13,886,462)
Ending net goodwill balance as of December 31, 2022	<u>\$ 112,312,556</u>



**ZO SH HOLDINGS, INC., AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements  
As of and for the years ended December 31, 2022 and 2021

Goodwill and intangible assets consisted of the following as of December 31:

<b>2022</b>	Gross Carrying Amount	Accumulated Amortization	Net Balance
Goodwill and intangible assets subject to amortization:			
Goodwill	\$ 141,855,355	\$ (29,542,799)	\$ 112,312,556
Customer relationships	\$ 219,648,381	\$ (46,803,957)	\$ 172,844,424
Patents	4,600,000	(1,035,000)	3,565,000
Trademarks	75,050,000	(16,886,250)	58,163,750
<b>Total</b>	<b>\$ 299,298,381</b>	<b>\$ (64,725,207)</b>	<b>\$ 234,573,174</b>

<b>2021</b>	Gross Carrying Amount	Accumulated Amortization	Net Balance
Goodwill and intangible assets subject to amortization:			
Goodwill	\$ 136,368,866	\$ (15,991,447)	\$ 120,377,419
Customer relationships	\$ 211,446,004	\$ (25,326,589)	\$ 186,119,415
Patents	4,600,000	(575,000)	4,025,000
Trademarks	75,050,000	(9,381,250)	65,668,750
<b>Total</b>	<b>\$ 291,096,004</b>	<b>\$ (35,282,839)</b>	<b>\$ 255,813,165</b>

As of December 31, 2022, future amortization of the goodwill and intangible assets balances are as follows:

Year Ending December 31:	Goodwill	Intangibles
2023	\$ 14,167,202	\$ 29,924,914
2024	14,167,202	29,924,914
2025	14,167,202	29,924,914
2026	14,167,202	29,924,914
2027	14,167,202	29,924,914
Thereafter	41,476,546	84,948,604
<b>Total</b>	<b>\$ 112,312,556</b>	<b>\$ 234,573,174</b>



## ZO SH HOLDINGS, INC., AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
As of and for the years ended December 31, 2022 and 2021

### NOTE 7 - ACCRUED EXPENSES

As of December 31, 2022 and 2021, accrued expenses consisted of the following:

	2022	2021 (As restated)
Payroll and related benefits	\$ 5,120,497	\$ 5,347,232
Inventory received but not paid for	1,199,134	1,020,823
Other expenses *	7,815,703	8,820,785
Accrued royalties	846,105	1,435,738
Affiliate commissions	475,465	416,805
Taxes payable	1,680,071	10,729,363
Customer deposits	116,767	112,695
<b>Total</b>	<b>\$ 17,253,742</b>	<b>\$ 27,883,441</b>

\* Other expenses include accrued payables, credit card payables, and other taxes payable.

### NOTE 8 - LINE OF CREDIT

On December 29, 2020, the Company entered into a line of credit agreement with a bank that allows the Company to borrow a maximum of \$30,000,000. In connection with the line of credit, the Company may have letters of credit, a maximum up to \$1,000,000, issued at terms and conditions acceptable to the lender and issuer. The line is secured by all of the Company's assets. Advances bear interest at a variable rate and the line of credit is also subject to commitment fees, as defined by the agreement. As of December 31, 2022, the base rate was 7.50%, with 1 month rate at 4.3836%, 3-month rate at 4.7299%, and 6-month rate at 5.1511%. As of December 31, 2022 and 2021, the Company did not have a balance outstanding on the line of credit. The line matures November 2, 2025. The line of credit agreement contains certain financial and nonfinancial covenants. As of December 31, 2022, the Company was in compliance with the financial and nonfinancial covenants.

### NOTE 9 – NOTE PAYABLE

On December 29, 2020, the Company entered into a note payable with a bank in the amount of \$120,000,000. The note payable is secured by all of the Company's assets. The note payable has a variable interest rate as defined by the agreement. As of December 31, 2022, the variable interest rate was 6.8836%. The Company must make quarterly principal payments of \$1,500,000, plus outstanding interest through December 2023, and then quarterly principal payments of \$2,250,000, plus outstanding interest through September 2025. The note payable matures on November 2, 2025 and all remaining outstanding principal and interest is due at that time. As of December 31, 2022, the Company was in compliance with the financial and nonfinancial covenants.



**ZO SH HOLDINGS, INC., AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements  
As of and for the years ended December 31, 2022 and 2021

The Company paid \$2,932,525 of debt issuance costs, which are reflected as a discount on the Company's Note Payable. Debt issuance cost amortization amounted to \$ 1,321,349 and \$605,072 for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, note payable consisted of the following:

	2022	2021
Total outstanding principle	\$ 63,000,000	\$ 114,000,000
Less: Debt issuance costs	(1,002,789)	(2,324,138)
Outstanding note payable, net of debt issuance costs	<u>61,997,211</u>	<u>111,675,862</u>
Less: current portion	(6,000,000)	(6,000,000)
Long-term portion, net of debt issuance costs	<u>\$ 55,997,211</u>	<u>\$ 105,675,862</u>

Future principal payments related to the note payable are as follows:

Year Ending December 31,		
2023	\$	6,000,000
2024		9,000,000
2025		48,000,000
<b>Total</b>	<u>\$</u>	<u>63,000,000</u>

**NOTE 10 - RELATED PARTY TRANSACTIONS**

License Agreement

ZO Skin Health, Inc. entered into a license agreement with a related party as of January 1, 2012 that provides for a royalty of 5% on net sales of trademarked products. On January 1, 2016, the license agreement was amended to reduce the royalty rate to 1% effective January 1, 2016, increasing to 2% effective January 1, 2017 until the sum of the 2% royalty equals \$6,036,540, at which time the royalty rate shall be reduced to 1% of net sales of the trademarked products.

On November 16, 2018, the license agreement was amended to waive the royalty rate from May 1, 2017 through March 31, 2019 and thereafter being discounted to 2% of net sales until the sum of the 2% royalty equals \$12,249,625, at which time the royalty rate shall be reduced to 1% of net sales of the trademarked products.

On September 30, 2020, all trademark rights under the license agreement were contributed to ZO Skin Health, Inc. in exchange for the royalty obligation. All trademark rights are fully owned by ZO Skin Health, Inc. For the years ended December 31, 2022 and 2021, \$4,900,759 and \$4,662,942 was paid out under the contribution agreement, respectively, and the Company had accrued royalties outstanding of \$846,105 and \$1,435,738 as of December 31, 2022 and 2021, respectively, which is included in accrued expenses. Royalty expense for the years ended December 31, 2022 and 2021 was \$4,311,127 and \$5,061,276, respectively.



## ZO SH HOLDINGS, INC., AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
As of and for the years ended December 31, 2022 and 2021

---

### General Related Party Activity

As of December 31, 2022, the Company held \$0 and \$8,594 in employee receivables and other related party receivables, respectively. As of December 31, 2021, the Company held \$0 and \$793 in employee receivables and other related party receivables, respectively. These amounts are included in accounts receivable – related parties on the accompanying consolidated balance sheets.

As of December 31, 2022, the Company owed \$231,987 and \$22,282 to shareholders of the Company and other related parties, respectively. As of December 31, 2021, the Company owed \$4,378 and \$102,543 to shareholders of the Company and other related parties, respectively. These amounts are included in accounts payable - related parties on the accompanying consolidated balance sheets.

During the year ended December 31, 2022, the Company incurred approximately \$1,844,918 and \$155,932 of related party expenses related to rent and consulting, respectively. During the year ended December 31, 2021, the Company incurred \$1,847,000 and \$120,000 of related party expenses related to rent and consulting, respectively.

During the years ended December 31, 2022 and 2021, the Company earned \$238,876 and \$259,000 in revenue from related parties, respectively.

### **NOTE 11 – LEASES**

The Company has various operating and finance leases for facilities, vehicles, equipment and furniture. Facilities leases provide office and warehouse space the Company uses to conduct its operations. Facilities leases have terms of up to 84 months. Some of the Company's facilities leases include renewal options to extend the original lease term and/or termination options to terminate the leases. Facilities leases are considered operating leases. Some of these leases are with related parties.

Vehicles, equipment and furniture leases provide for vehicles and office equipment and furniture the Company uses to conduct its operations. Vehicles, equipment and furniture leases have terms of up to 60 months. Some of the Company's vehicles, equipment and furniture leases include renewal options to extend the original lease term and/or termination options to terminate the leases, or purchase options. Equipment and furniture leases are considered as either operating or financing leases.

The components of lease expense related to the Company's leases for the year ended December 31, 2022 were as follows:



## ZO SH HOLDINGS, INC., AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
As of and for the years ended December 31, 2022 and 2021

Operating lease costs:		
Fixed operating lease costs	\$	3,011,925
Variable lease costs		553,849
Financing lease costs:		
Amortization of right-of-use asset		238,826
Interest on finance lease liability		41,625
<b>Total lease cost</b>	<b>\$</b>	<b>3,846,225</b>

Short term lease expense was not material for the year ended December 31, 2022.

Supplemental cash flow information related to leases was as follows for the year ended December 31, 2022:

Cash outflows included in the measurement of lease liabilities:

Operating cash outflows from operating leases	\$	2,843,326
Operating cash outflows from finance leases		41,625
Finance cash outflows from finance leases		224,552

Non-cash lease activity:

Right-of-use assets obtained in exchange for new operating lease liabilities	\$	1,106,616
Increase in right-of-use assets and lease liabilities resulting from modification of operating leases		1,043,246
Right-of-use assets obtained in exchange for new finance lease liabilities		391,876

The weighted average remaining lease term and discount rate for the Company's operating and finance leases as of December 31, 2022 were as follows:

Weighted-average remaining lease term (in years)		
Operating leases		4.85
Finance leases		2.85
Weighted-average discount rate		
Operating leases		4.63%
Finance leases		6.03%



**ZO SH HOLDINGS, INC., AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements  
As of and for the years ended December 31, 2022 and 2021

As of December 31, 2022, maturities of operating and finance lease liabilities for each of the following five years and thereafter were as follows:

	<b>Operating Leases</b>		<b>Finance Leases</b>
	<b>Third-parties</b>	<b>Related parties</b>	<b>Third-parties</b>
2023	\$ 1,075,511	\$ 1,870,742	\$ 332,916
2024	1,062,094	1,914,035	141,202
2025	830,209	1,788,154	94,081
2026	353,536	1,317,552	68,492
2027	193,718	1,344,240	34,867
Thereafter	-	1,371,732	-
Total undiscounted minimum lease payments	3,515,068	9,606,455	671,558
Less imputed interest	(354,836)	(1,233,426)	(55,586)
Total lease liability	<b>\$ 3,160,232</b>	<b>\$ 8,373,029</b>	<b>\$ 615,972</b>

**Disclosures related to periods prior to the adoption of Topic 842**

**Operating Leases**

As of December 31, 2021, future minimum rental payments required under operating leases were as follows:

	<b>Operating Leases</b>	
	<b>Third-parties</b>	<b>Related parties</b>
2022	\$ 484,000	\$ 1,830,000
2023	438,000	1,870,000
2024	413,000	1,910,000
2025	255,000	1,790,000
2026	152,000	1,320,000
Thereafter	-	2,720,000
Total	<b>\$ 1,742,000</b>	<b>\$ 11,440,000</b>

For the year ended December 31, 2021, the Company had rent expense related to operating leases of \$3,179,828.



**ZO SH HOLDINGS, INC., AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2022 and 2021

Capital Leases

As of December 31, 2021, future minimum capital lease payments were as follows:

2022	\$	167,815
2023		178,041
2024		30,533
Total minimum lease payments		376,389
Less current portion of obligations under capital leases		(167,815)
Capital lease obligations excluding current portion	\$	<u>208,574</u>

As of December 31, 2021, the gross amount of furniture and fixtures and related accumulated amortization recorded under capital leases was as follows:

Furnitures and fixtures	\$	497,354
Less: accumulated depreciation		(181,959)
Total	\$	<u>315,395</u>

For the year ended December 31, 2021, amortization of assets held under capital leases is included within depreciation and amortization on the consolidated statements of operations.

**NOTE 12 - EQUITY**

Preferred Stock

The Company is authorized to issue 50,000,000 shares of preferred stock with a par value of \$0.01 per share. As of December 31, 2022 and 2021, 25,167,997 shares of preferred stock were issued and outstanding. The preferred shares have an annual return of 8% which is accumulated in arrears. If the fair value of the equity exceeds the liquidation preference of 8%, then preferred stockholders and common stockholders will share in the fair value on a pro-rata basis without regard to the 8% preference.

Common Stock

The Company is authorized to issue 50,000,000 shares of common stock with a par value of \$0.01 per share. As of December 31, 2022 and 2021, 18,738,716 and 18,718,716 shares of common stock were issued and outstanding, respectively. The common stock carries voting privileges. In addition, as of December 31, 2022, the Company was authorized to issue 200,000 exchangeable shares and up to 1,939,623 earn-out shares.

Non-controlling Interests

Prior to July 1, 2021, the Company had a 70% ownership interest in ZO Skin Health France SAS. On July 1, 2021, the Company acquired the remaining shares comprising the remaining 30% ownership for \$500,000. As a result, the Company owns 100% ownership interest in ZO



## ZO SH HOLDINGS, INC., AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
As of and for the years ended December 31, 2022 and 2021

---

Skin Health France SAS. During the year ended December 31, 2021, the Company recorded a net loss attributable to the non-controlling interest of \$159,802.

On January 1, 2021, the Company acquired Mirza Alladina Medical Ltd and issued of 200,000 shares of an intermediary subsidiary of the Company ("Exchangeable Shares") that are exchangeable into shares of the Company's common stock on a one for one basis (Note 3). The Exchangeable Shares are presented as noncontrolling interest in the accompanying consolidated balance sheets.

### Change in Control

The Company entered into an employment agreement with three executive officers that provides for compensation, incentives, benefits, stock options, purchase of intellectual property and business expense reimbursements. The agreement shall continue without interruption for a period of time, unless terminated earlier in accordance with the employment agreement. In the event of termination of the executive officer due to death, disability or without cause as defined in the agreement, the executive officer is entitled to receive a base salary and bonus incentive compensation through the date of termination, payable within the 30 days following such termination date, as defined in the agreement.

Pursuant to the terms of these employment agreements, these executive officers are eligible to receive a payment equal to the fair market value of 1,090,000 shares of the Company's common stock (the "CIC Bonus"), payable on the effective date of the first Change of Control, as defined in the employment agreements, and subject to employees' employment with the Company on such date. There was no expense recorded for the years ended December 31, 2022 and 2021 related to the CIC Bonus as vesting was not considered to be probable.

As part of the acquisition of ZO Skin Health Limited, the Company created an incentive plan for employees who are instrumental to the success of an ongoing strategic project to grow the Company's European Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"). The plan pays out to participants on the earlier of (i) a change of control in the Company; or (ii) December 31, 2023. The payout is contingent on the employee participant being employed at the time of payout. The payout is calculated as the amount of the Company's EBITDA in certain European markets during the four calendar quarters preceding the change of control event less the amount of the Company's EBITDA in those markets during the period of July 1, 2020 to June 30, 2021. Four employees have been awarded a share of the payout and 10% of the payout remains unallocated. As of December 31, 2022 and 2021, the accrual for the incentive plan was \$1,802,499 and \$658,011 and included in other long-term liabilities in the accompanying consolidated balance sheets.

### Earnout Shares

During the year ended December 31, 2021, the Company issued earnout shares to various affiliates in connection to the 2021 acquisitions (Note 3). These earnout shares are common stock that may be issued upon satisfaction of certain earnout thresholds pursuant to the Share Purchase Agreement by and among ZO Skin Health, Inc. As of December 31, 2022 and 2021, the Company could issue up to 1,939,623 shares, related to these earnouts. The fair value of the contingent consideration is measured at the estimated fair value using a Monte Carlo



## ZO SH HOLDINGS, INC., AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
As of and for the years ended December 31, 2022 and 2021

simulation analysis, which is a level 3 measurement. During the years ended December 31, 2022 and 2021, the Company recorded an increase of \$303,597 and \$26,099,792, respectively, to contingent consideration, which was recorded within selling, general and administrative expenses in the accompanying consolidated statements of operations and comprehensive operations. As of December 31, 2022 and 2021, contingent consideration totals \$57,700,702 and \$54,265,543, respectively, of which \$56,826,917 and \$54,265,543, respectively, was included in contingent and deferred consideration payables and \$873,785 and \$0, respectively, was included in current contingent and deferred consideration payables in the consolidated balance sheets.

### NOTE 13 – SHARE-BASED STOCK COMPENSATION

On December 28, 2020, the Company adopted the ZO Skin Health, Inc. 2020 Omnibus Equity Incentive Plan (the "Incentive Plan"). The Incentive Plan provides for incentive and non-qualified stock options for employee directors, nonemployee directors and consultants, and the Company's subsidiaries and affiliates, based on a proprietary interest on the long-term success of the Company or compensation based on fulfilling certain performance goals.

The Board of Directors reserved a total of 4,448,246 shares of Common Stock to be available for grant under the Incentive Plan. As of December 31, 2022, the Company had issued an aggregate of 4,221,711 options. Options may be granted under the Incentive Plan for terms of up to 10 years, except for incentive stock options granted to 10% Stockholders, which are limited to five-year terms, from the date of grant, as determined by the Board of Directors.

The Company issues both Time Based Options and Exit Based Options. Time Based Options vest in five equal annual tranches, subject to an employee's continued service through each vesting date, and expense is recorded on a straight-line basis over the vesting period. All unvested Time-Based Options will vest on a change in control. Exit-Based Options vest upon a change of control of the Company or an IPO where a multiple of invested capital ("MOIC") is realized. Of the Exit-Based Options that vest upon the achievement of the MOIC condition, fifty percent of the Exit-Based Options will vest upon realizing an MOIC of 1.5x and the remaining fifty percent of the Exit-Based Options will vest on the basis of linear interpolation if the MOIC is between 1.5 to 2.5x. Exit-Based Options are subject to the employees' continued service on the relevant transaction date. There was no expense recorded for the years ended December 31, 2022 and 2021 related to the Exit-Based Options as vesting was not considered to be probable.

The fair values of options granted during the years ended December 31, 2022 and 2021 were estimated using the Black-Scholes option-pricing model at their respective grant date using the following assumptions:



**ZO SH HOLDINGS, INC., AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements  
As of and for the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Risk-free interest rate	3.10%	0.22%
Expected term (in years)	5.19	2.85
Expected volatility	53.3%	55.0%
Expected dividend yield	0.00%	0.00%

To estimate the value of the Company's shares at the date of the option grants, the Company uses both an income approach and a market approach. The weighted-average grant date fair value of options granted during the years ended December 31, 2022 and December 31, 2021 was \$15.92 and \$17.21, respectively. The total fair value of Time-Based Options granted during the years ended December 31, 2022 and 2021 was \$955,200 and \$1,756,322, respectively. The total fair value of Exit Based Options granted during the years ended December 31, 2022 and December 31, 2021 was \$1,432,800 and \$2,342,154, respectively.

Stock option activity during the periods indicated is as follows:

	<u>Number of Shares</u>	<u>Weighted-Average Exercise Price</u>
Outstanding at December 31, 2020	2,639,964	\$ 11.41
Granted	300,000	17.21
Vested	<u>(228,701)</u>	
Outstanding at December 31, 2021	2,711,263	\$ 11.51
Granted	150,000	15.92
Vested	(71,633)	
Cancelled	<u>(46,000)</u>	13.01
Outstanding at December 31, 2022	<u>2,743,630</u>	\$ 11.54
Vested at December 31, 2022	<u>1,432,081</u>	\$ 13.08
Exercisable at December 31, 2022	<u>1,412,081</u>	\$ 13.08

Total share-based compensation expense recognized was \$998,705 and \$3,008,330 for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022, the Company had \$3,398,762 of total unamortized compensation expense related to non-vested Time-Based Options which is expected to be recognized over a weighted-average period of 2.90 years. As of December 31, 2022, the Company had \$28,651,545 of total unamortized compensation expense related to non-vested Exit Based Options which will be recognized when vesting becomes probable.



**ZO SH HOLDINGS, INC., AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements  
As of and for the years ended December 31, 2022 and 2021

**NOTE 14 - INCOME TAXES**

The net provision (benefit) from income taxes consisted of the following:

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>
Current:		
Federal	\$ 14,956,071	\$ 13,585,049
State	3,709,821	2,536,070
Foreign	1,216,582	1,260,939
Total	<u>19,882,474</u>	<u>17,382,058</u>
Deferred:		
Federal	(8,083,888)	(5,656,976)
State and local	(936,307)	(5,975,335)
Foreign	269,320	(371,843)
Total	<u>(8,750,875)</u>	<u>(12,004,154)</u>
Provision from income taxes	<u>\$ 11,131,599</u>	<u>\$ 5,377,904</u>

The tax effect of temporary differences that gives rise to significant portions of the deferred tax assets (liabilities) are as follows as of December 31:

	<u>2022</u>	<u>2021</u>
<b>Deferred tax assets</b>		
Accrued expenses	\$ 127,371	\$ -
Reserve for inventory	939,265	452,584
Stock options	4,672,661	4,390,694
UNICAP	338,750	523,589
Sec. 174 R&D Expense	1,422,328	-
Lease Liability	2,924,597	-
Other deferred tax assets	769,153	623,264
<b>Total deferred tax assets</b>	<u>\$ 11,194,125</u>	<u>\$ 5,990,131</u>
<b>Deferred tax liabilities</b>		
Accrued expenses	\$ -	\$ (420,347)
Intangibles	(55,825,403)	(58,674,972)
Property and equipment	(317,489)	(957,319)
Right of Use Asset	(2,830,067)	-
<b>Total deferred tax liabilities</b>	<u>\$ (58,972,959)</u>	<u>\$ (60,052,638)</u>
Deferred tax liabilities (net)	<u>\$ (47,778,834)</u>	<u>\$ (54,062,507)</u>



## ZO SH HOLDINGS, INC., AND SUBSIDIARIES

Notes to the Consolidated Financial Statements  
As of and for the years ended December 31, 2022 and 2021

---

### NOTE 15 - DEFINED CONTRIBUTION PLANS

The Company has a number of defined contribution plans including a qualified 401(k) Profit Sharing Plan (the "Plan") covering substantially all full-time employees in the U.S. Contributions to the Plan are at the discretion of management. Additionally, the Company sponsors a number of defined contribution plans pursuant to the requirements of certain countries in which it has operations. Contributions to defined contribution plans are charged as an expense as the contributions are paid or become payable. For the years ended December 31, 2022 and 2021, employer contributions to the plans were \$1,424,151 and \$943,734, respectively.

### NOTE 16 - COMMITMENTS AND CONTINGENCIES

#### Employment Contracts

The Company has made contractual commitments to certain officers and other employees providing for severance payments, including salary continuation, upon the termination of employment by the Company without substantial cause or by the officer for good reason or non-renewal. In addition, in order to incentivize the officers to continue to provide independent leadership consistent with the Company's best interest, the contracts also generally provide for certain protections in the event of a change in control of the Company. These protections include the payment of certain severance benefits, such as salary continuation, and bonuses upon the termination of employment following a change in control (Note 12).

#### Litigation

From time to time, the Company is involved in litigation matters relating to claims arising out of the ordinary course of business. The Company's management believes no claims or actions are pending or threatened against the Company that, individually or in the aggregate, would have a material adverse effect on the Company's operations, financial position, or cash flows.

### NOTE 17 - SUBSEQUENT EVENTS

The Company has evaluated subsequent events after the balance sheet date of December 31, 2022 through May 1, 2023, the date the consolidated financial statements were available to be issued. Based upon its evaluation, management has determined that no material subsequent events have occurred that would require recognition in the accompanying consolidated financial statements or disclosure in the notes thereto except as follows:

On April 27, 2023, the Company entered into a Share Purchase Agreement ("Purchase Agreement") with Maha Sayah Mohamed Mousa Alqubaisi, an individual and Emirati national ("Seller"). Pursuant to the Purchase Agreement, the Company agreed to purchase from Seller the issued and outstanding share capital of New Dermal Cosmetic Trading LLC, a limited liability company incorporated in the Emirate of Dubai for a total commitment of approximately \$3,300,000 in cash, plus the transfer of the share capital in the UAE Skin Centers acquired by the Company through the exercise of an option to acquire such share capital for no consideration. The Purchase Agreement contains customary representations, warranties, covenants and closing conditions and the transaction is expected to close in the second quarter of 2023. The Company expects to fund the acquisition with cash on hand.



**ZO SH HOLDINGS, INC., AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements  
As of and for the years ended December 31, 2022 and 2021

---

**Supplementary Information**



## ZO SH HOLDINGS, INC. Reconciliation of ZO SH Intermediate, Inc. to ZO SH Holdings, Inc. Balance Sheets as of December 31, 2022

	ASSETS			ZO SH Holdings, Inc.
	ZO SH Intermediate, Inc.	Adjustments	Notes	
<b>Current assets</b>				
Cash	\$ 47,194,676	\$ -		\$ 47,194,676
Accounts receivable, net of allowance for doubtful accounts of \$29,399	16,362,352	-		16,362,352
Accounts receivable - related parties	8,594	-		8,594
Inventory, net	37,539,455	-		37,539,455
Prepaid expenses	5,108,032	-		5,108,032
Prepaid taxes	114,757	-		114,757
Other current assets	85,305	-		85,305
Total current assets	<u>106,413,171</u>	<u>-</u>		<u>106,413,171</u>
<b>Property and equipment</b>				
Machinery and equipment	2,842,108	-		2,842,108
Furniture and fixtures	935,382	-		935,382
Leasehold improvements	1,069,934	-		1,069,934
Land and Buildings	186,377	-		186,377
Construction in progress	1,237,786	-		1,237,786
	6,271,587	-		6,271,587
Less accumulated depreciation	<u>(2,189,545)</u>	<u>-</u>		<u>(2,189,545)</u>
Property and equipment, net	<u>4,082,042</u>	<u>-</u>		<u>4,082,042</u>
<b>Intangibles and Other assets</b>				
Deposits	322,591	-		322,591
Investment	5,275,092	-		5,275,092
Intangible assets, net	234,573,174	-		234,573,174
Goodwill, net	112,312,556	-		112,312,556
Operating lease right-of-use assets	11,198,915	-		11,198,915
Finance lease right-of-use assets	552,440	-		552,440
Total other assets	<u>364,234,768</u>	<u>-</u>		<u>364,234,768</u>
<b>Total assets</b>	<u>\$ 474,729,981</u>	<u>\$ -</u>		<u>\$ 474,729,981</u>

See independent auditor's report.



## ZO SH HOLDINGS, INC. Reconciliation of ZO SH Intermediate, Inc. to ZO SH Holdings, Inc. Balance Sheets as of December 31, 2022

### LIABILITIES AND STOCKHOLDERS' EQUITY

	ZO SH			ZO SH
	Intermediate, Inc.	Adjustments	Notes	Holdings, Inc.
<b>Current liabilities</b>				
Accounts payable	\$ 6,281,085	\$ -		\$ 6,281,085
Accounts payable - related parties	254,269	-		254,269
Accrued expenses	17,253,742	-		17,253,742
Sales return liability	68,509	-		68,509
Operating Lease Liability - Current Portion	2,247,686	-		2,247,686
Finance Lease Liability - Current Portion	303,218	-		303,218
Current portion of deferred revenue	173,263	-		173,263
Current portion of note payable	6,000,000	-		6,000,000
Current portion of contingent and deferred consideration payables	873,785	-		873,785
Total current liabilities	<u>33,455,557</u>	<u>-</u>		<u>33,455,557</u>
<b>Noncurrent liabilities</b>				
Note payable, net of current portion and discount of \$1,002,789	55,997,211	-		55,997,211
Operating lease liabilities, net of current portion	9,285,575	-		9,285,575
Finance lease liabilities, net of current portion	312,754	-		312,754
Other long - term liabilities	1,802,509	-		1,802,509
Deferred tax liabilities	47,778,834	-		47,778,834
Contingent and deferred consideration payables	56,826,917	-		56,826,917
Total long-term liabilities	<u>172,003,800</u>	<u>-</u>		<u>172,003,800</u>
Total liabilities	<u>205,459,357</u>	<u>-</u>		<u>205,459,357</u>
<b>Commitments and contingencies</b>				
<b>Stockholders' equity</b>				
Preferred stock, \$0.01 par value, 50,000,000 shares authorized, 25,167,997 shares issued and outstanding	-	251,680 {a}		251,680
Common stock, \$0.01 par value, 50,000,000 shares authorized, 18,738,716 shares issued and outstanding	-	187,387 {b}		187,387
Additional paid-in-capital	241,467,591	(439,067) {a}{b}		241,028,524
Retained earnings	25,961,947	-		25,961,947
Accumulated other comprehensive loss	(1,924,914)	-		(1,924,914)
Total Stockholders' equity attributable to ZO SH Holdings, Inc.	<u>265,504,624</u>	<u>-</u>		<u>265,504,624</u>
Noncontrolling interest	3,766,000	-		3,766,000
Total stockholders' equity	<u>269,270,624</u>	<u>-</u>		<u>269,270,624</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 474,729,981</u>	<u>\$ -</u>		<u>\$ 474,729,981</u>

#### Notes:

{a} Preferred stock adjustment relates to formation of ZO SH Holdings, Inc.

{b} Common stock adjustment relates to formation of ZO SH Holdings, Inc. and ZO SH Holdings, Inc. common shares issuances.

See independent auditor's report.



**ZO SH HOLDINGS, INC.**  
Reconciliation of ZO SH Intermediate, Inc. to ZO SH Holdings, Inc.  
Statements of Operations for the year ended December 31, 2022

	<u>ZO SH</u> <u>Intermediate, Inc.</u>	<u>Adjustments</u>	<u>Notes</u>	<u>ZO SH</u> <u>Holdings, Inc.</u>
Net sales	\$ 311,340,238	\$ -		\$ 311,340,238
Cost of goods sold	71,411,713	-		71,411,713
Gross profit	239,928,525	-		239,928,525
Selling, general and administrative expenses	146,689,170	-		146,689,170
Depreciation and amortization	44,746,215	-		44,746,215
Total operating expenses	191,435,385	-		191,435,385
Income from operations	48,493,140	-		48,493,140
Interest expense	6,184,051	-		6,184,051
Income before income taxes	42,309,089	-		42,309,089
Income tax expense	11,131,599	-		11,131,599
Net income	<u>\$ 31,177,490</u>	<u>\$ -</u>		<u>\$ 31,177,490</u>
Less: Net loss attributable to non-controlling interests	-	-		-
Net income attributable to ZO SH Holdings, Inc.	<u>\$ 31,177,490</u>	<u>\$ -</u>		<u>\$ 31,177,490</u>
Net income	\$ 31,177,490	\$ -		\$ 31,177,490
Other comprehensive loss:				
Foreign currency translation loss	(1,252,128)	-		(1,252,128)
Net Comprehensive income	29,925,362	-		29,925,362
Comprehensive loss attributable to noncontrolling interest	-	-		-
Net comprehensive income attributable to ZO SH Holdings, Inc.	<u>\$ 29,925,362</u>	<u>\$ -</u>		<u>\$ 29,925,362</u>

See independent auditor's report.



## ZO SH HOLDINGS, INC. Reconciliation of ZO SH Intermediate, Inc. to ZO SH Holdings, Inc. Balance Sheets as of December 31, 2021

	ASSETS			
	ZO SH Intermediate, Inc. (As restated)	Adjustments	Notes	ZO SH Holdings, Inc. (As restated)
<b>Current assets</b>				
Cash	\$ 53,421,199	\$ -		\$ 53,421,199
Accounts receivable, net of allowance for doubtful accounts of \$13,969	14,585,015	-		14,585,015
Accounts receivable - related parties	29,018	-		29,018
Inventory, net	40,033,885	-		40,033,885
Prepaid expenses	4,329,306	-		4,329,306
Prepaid taxes	772,097	-		772,097
Other current assets	148,796	-		148,796
Total current assets	<u>113,319,316</u>	<u>-</u>		<u>113,319,316</u>
<b>Property and equipment</b>				
Machinery and equipment	1,723,517	-		1,723,517
Furniture and fixtures	985,929	-		985,929
Leasehold improvements	1,038,919	-		1,038,919
Construction in progress	720,731	-		720,731
	<u>4,469,096</u>	<u>-</u>		<u>4,469,096</u>
Less accumulated depreciation	(1,197,969)	-		(1,197,969)
Property and equipment, net	<u>3,271,127</u>	<u>-</u>		<u>3,271,127</u>
<b>Intangibles and Other assets</b>				
Deposits	686,831	-		686,831
Investment	5,275,057	-		5,275,057
Intangible assets, net	255,813,165	-		255,813,165
Goodwill, net	120,377,419	-		120,377,419
Total other assets	<u>382,152,472</u>	<u>-</u>		<u>382,152,472</u>
<b>Total assets</b>	<u>\$ 498,742,915</u>	<u>\$ -</u>		<u>\$ 498,742,915</u>

See independent auditor's report.



**ZO SH HOLDINGS, INC.**  
Reconciliation of ZO SH Intermediate, Inc. to ZO SH Holdings, Inc.  
Balance Sheets as of December 31, 2021

**LIABILITIES AND STOCKHOLDERS' EQUITY**

	<b>ZO SH Intermediate, Inc. (As restated)</b>	<b>Adjustments</b>	<b>Notes</b>	<b>ZO SH Holdings, Inc. (As restated)</b>
<b>Current liabilities</b>				
Accounts payable	\$ 10,321,714	\$ -		\$ 10,321,714
Accounts payable - related parties	106,921	-		106,921
Accrued expenses	27,883,441	-		27,883,441
Sales return liability	522,314	-		522,314
Current portion of deferred rent	42,929	-		42,929
Current portion of capital lease obligations	167,815	-		167,815
Current portion of deferred revenue	189,160	-		189,160
Current portion of note payable	6,000,000	-		6,000,000
Total current liabilities	<u>45,234,294</u>	<u>-</u>		<u>45,234,294</u>
<b>Noncurrent liabilities</b>				
Note payable, net of current portion and discount of \$2,324,138	105,675,862	-		105,675,862
Deferred revenue	-	-		-
Deferred rent, net of current portion	480,927	-		480,927
Capital lease obligations, net of current portion	208,574	-		208,574
Other long - term liabilities	658,011	-		658,011
Deferred tax liabilities	54,062,507	-		54,062,507
Contingent and deferred consideration payables	54,265,543	-		54,265,543
Total long-term liabilities	<u>215,351,424</u>	<u>-</u>		<u>215,351,424</u>
Total liabilities	<u>260,585,718</u>	<u>-</u>		<u>260,585,718</u>
<b>Commitments and contingencies</b>				
<b>Stockholders' equity</b>				
Preferred stock, \$0.01 par value, 50,000,000 shares authorized, 25,167,997 shares issued and outstanding	-	251,680 {a}		251,680
Common stock, \$0.01 par value, 50,000,000 shares authorized, 18,718,716 shares issued and outstanding	-	187,187 {b}		187,187
Additional paid-in-capital	240,279,526	(438,867) {a}{b}		239,840,659
Retained earnings	(5,215,543)	-		(5,215,543)
Accumulated other comprehensive loss	(672,786)	-		(672,786)
Total Stockholders' equity attributable to ZO SH Holdings, Inc.	<u>234,391,197</u>	<u>-</u>		<u>234,391,197</u>
Noncontrolling interest	3,766,000	-		3,766,000
Total stockholders' equity	<u>238,157,197</u>	<u>-</u>		<u>238,157,197</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 498,742,915</u>	<u>\$ -</u>		<u>\$ 498,742,915</u>

**Notes:**

{a} Preferred stock adjustment when ZO SH Holdings, Inc. was formed.

{b} Common stock adjustment when ZO SH Holdings, Inc. was formed.

See independent auditor's report.



**ZO SH HOLDINGS, INC.**  
Reconciliation of ZO SH Intermediate, Inc. to ZO SH Holdings, Inc.  
Statements of Operations for the year ended December 31, 2021

	ZO SH Intermediate, Inc. (As restated)	Adjustments	Notes	ZO SH Holdings, Inc. (As restated)
Net sales	\$ 258,691,669	\$ -		\$ 258,691,669
Cost of goods sold	65,497,086	-		65,497,086
Gross profit	193,194,583	-		193,194,583
Selling, general and administrative expenses	134,414,906	-		134,414,906
Depreciation and amortization	42,802,995	-		42,802,995
Total operating expenses	177,217,901	-		177,217,901
Income from operations	15,976,682	-		15,976,682
Interest expense	4,513,645	-		4,513,645
Income before income taxes	11,463,037	-		11,463,037
Income tax expense	5,377,904	-		5,377,904
Net income	<u>\$ 6,085,133</u>	<u>\$ -</u>		<u>\$ 6,085,133</u>
Less: Net loss attributable to non-controlling interests	(159,802)	-		(159,802)
Net income attributable to ZO SH Holdings, Inc.	<u>\$ 6,244,935</u>	<u>\$ -</u>		<u>\$ 6,244,935</u>
Net income	\$ 6,085,133	\$ -		\$ 6,085,133
Other comprehensive loss:				
Foreign currency translation loss	(605,899)	-		(605,899)
Net Comprehensive income	5,479,234	-		5,479,234
Comprehensive loss attributable to noncontrolling interest	(159,802)	-		(159,802)
Net comprehensive income attributable to ZO SH Holdings, Inc.	<u>\$ 5,639,036</u>	<u>\$ -</u>		<u>\$ 5,639,036</u>

See independent auditor's report.



## Årsregnskap 2022 Hudhelse AS

**Styrets årsberetning**  
**Resultat**  
**Balanse**  
**Kontantstrøm**  
**Noter til årsregnskapet**  
**Revisjonsberetning**

**Org.nr.: 979 962 231**



## Årsberetning 2022 Hudhelse AS

### Virksomhetens art og tilholdssted

Hudhelse AS selger hudpleieprodukter under merkenavnene ZO, Endymed og ColorScience.

Hudhelse AS har følgende datterselskap:

Hudhelse ApS, Danmark

Hudhelse AB, Sverige

Hudhelse AB, Finland

Selskapets virksomhet foregår i Sandvika i Norge, med salg til datterselskapene i Danmark, Sverige og Finland. Hovedkontoret ligger i Sandvika.

I løpet av året har totalmarkedet for hudpleieprodukter i Norge blitt redusert med ca. 2 % sammenlignet med fjoråret. I Sverige har konsernet opprettholdt sin markedsandel i et stagnerende totalmarked.

I Norge er Hudhelse AS blant de ledende forhandlerne, mens man i Danmark, Sverige og Finland befinner seg i etableringsfasen.

Hudhelse AS er 100% eid av ZO Skin Health Ireland Limited (ZO Ireland).

### Redegjørelse for årsregnskapet

Omsetningen økte fra NOK 99 564 155 i fjor til NOK 112 627 222 i 2022. Dette innebærer en økning på 11,60%. Årsresultatet ble i 2022 NOK 5 926 960 mot fjoråret NOK 16 393 883.

Samlet kontantstrøm fra driften var på NOK -60 115 006, mens driftsresultatet utgjorde NOK 5 926 960.

Selskapets likviditetsbeholdning var NOK 33 869 278 per 31.12.2022. Selskapets evne til egenfinansiering av investeringer er god.

Selskapets kortsiktige gjeld utgjorde pr. 31.12.2021 100 % av samlet gjeld i selskapet, likt med fjoråret.

Selskapets finansielle stilling er god, og pr. 31.12.2022 kan selskapet nedbetale kortsiktig gjeld ved hjelp av de mest likvide midlene.

Totalkapitalen var ved utgangen av året NOK 56 107 178, sammenlignet med NOK 106 631 910 året før. Egenkapitalandelen pr. 31.12.2022 var 63,04 %, sammenlignet med 27,61 % pr. 31.12.2021.

### Fremtidig utvikling

Selskapet opplever fortsatt en økende etterspørsel etter selskapets produkter. Selskapets virksomhet preges også i stadig høyere grad av økt konkurranse. Internasjonale aktører har inntatt markedet. Det utvikles stadig nye allianser og partnerskap i bransjen som er med på å forsterke konkurransen. Svekkelsen av den norske kronen internasjonalt medfører økte priser fra våre leverandører utenfor Norge. Våre prognoser for fremtidige resultater vil kunne preges av den usikkerheten som normalt preger vurderinger av fremtidige forhold. På kort sikt vil selskapet fokusere på å opprettholde lønnsomheten neste år. Selskapet vil satse bevisst på eksportmarkedsføring med henblikk på å øke andelen av selskapets salg utenfor Norge.



## Finansiell risiko

Overordnet om målsetting og strategi

Hudhelse AS er eksponert for finansiell risiko på ulike områder, spesielt valutarisiko. Målsettingen er å avdempe den finansielle risikoen i størst mulig grad.

### Markedsrisiko

Hudhelse AS er eksponert for endringer i valutakurser, spesielt amerikanske dollar. Endringer i USD utgjør også en risiko, siden ca. 99 % av selskapets kjøp kommer fra leverandører som fakturerer i USD. Selskapet har ikke inngått terminkontrakter eller andre avtaler for å redusere selskapets valutarisiko og derigjennom den driftstilknyttede markedsrisikoen. Videre kan endringer i rentenivået påvirke investeringsmulighetene i fremtidige perioder.

### Kredittrisiko

Risikoen for tap på fordringer er vurdert som lav, men en økning kan ventes på grunn av endring i markedsforholdene. Selskapet har hittil ikke hatt vesentlige tap på fordringer.

### Likviditetsrisiko

Selskapet vurderer likviditeten i selskapet som tilfredsstillende. Forfallstidspunkter for kundefordringer opprettholdes. Selskapet er påpasselig med forhandlinger om betalingsbetingelser fra leverandører.

## Fortsatt drift

I samsvar med regnskapsloven § 3-3a bekreftes det at forutsetningene om fortsatt drift er til stede. Til grunn for antagelsen ligger resultatprognoser for 2023 og selskapets langsiktige strategiske prognoser for årene fremover. Selskapet er i en sunn økonomisk og finansiell stilling.

## Resultatdisponering

Styret har gjort grundige vurderinger av selskapets likviditetssituasjon og vurderer den som tilfredsstillende. Styret foreslår følgende disponering av årsresultatet i Hudhelse AS:

Annen egenkapital    NOK 5 926 960

**Totalt disponert**    NOK 5 926 960

Forslaget er begrunnet i eiernes ønske om å styrke kapitalstrukturen i selskapet.

## Hendelser etter balansedagen

Det er ikke inntruffet forhold etter regnskapsårets slutt som etter styrets syn har betydning ved bedømmelse av årsregnskapet.

## Arbeidsmiljø

Sykefraværet i selskapet var på totalt 2 196,5 timer i 2022 (7,5 % av totale arbeidstimer i selskapet), sammenlignet med 1 076,50 timer i 2021 (4 %).

Det har i løpet av året av året ikke forekommet eller blitt rapportert alvorlige arbeidsuhell eller ulykker, som har resultert i store materielle skader eller personskader.

## Ytre miljø

Selskapet har ingen produksjon som forurenser det ytre miljøet. Selskapet bruker Sjøpeltaxi som rydder og kjører bort all emballasje fra vareleveringer.




#### Åpenhetsloven

Hudhelse i 2022 har iverksatt arbeid med kartlegging av leverandører og utført aktsomhetsvurderinger etter Åpenhetslovens §4 for å tilfredsstille kravene satt i Åpenhetsloven. Selskapets redegjørelse i henhold til Åpenhetsloven vil tilgjengeliggjøres på selskapets nettside [www.hudhelse.com](http://www.hudhelse.com) innen 30.06.2023.

Sandvika, 29. mars 2023



Therese Victoria Mofjell Bunæs  
Daglig leder



Mark Alan Williams  
Styreleder



## RESULTATREGNSKAP

### HUDHELSE AS

DRIFTSINNEKTER OG DRIFTSKOSTNADER	Note	2022	2021
Salgsinntekt	1, 2	111 200 738	98 929 427
Annen driftsinntekt	2	1 426 483	634 728
<b>Sum driftsinntekter</b>	<b>2</b>	<b>112 627 222</b>	<b>99 564 155</b>
Varekostnad	9, 13	78 061 404	61 176 551
Lønnskostnad	3	15 103 509	11 536 074
Avskrivning av driftsmidler og immaterielle eiendeler	4	371 389	318 437
Nedskrivning av driftsmidler og immaterielle eiendeler		0	281 702
Annen driftskostnad	3	12 783 738	8 194 804
<b>Sum driftskostnader</b>		<b>106 320 040</b>	<b>81 507 568</b>
<b>Driftsresultat</b>		<b>6 307 181</b>	<b>18 056 587</b>
<b>FINANSINNEKTER OG FINANSKOSTNADER</b>			
Annen renteinntekt	5	22 548	129
Annen finansinntekt	5	2 937 572	3 862 180
Annen rentekostnad	5	65 428	0
Annen finanskostnad	5	1 438 366	1 944 266
<b>Resultat av finansposter</b>		<b>1 456 326</b>	<b>1 918 044</b>
Resultat før skattekostnad		7 763 507	19 974 630
Skattekostnad på resultat	6	1 836 547	3 580 747
<b>Resultat</b>		<b>5 926 960</b>	<b>16 393 883</b>
<b>EKSTRAORDINÆRE INNEKTER OG KOSTNADER</b>			
<b>Årsresultat</b>	<b>12</b>	<b>5 926 960</b>	<b>16 393 883</b>
<b>OVERFØRINGER</b>			
Avsatt til annen egenkapital	12	5 926 960	16 393 883
<b>Sum overføringer</b>		<b>5 926 960</b>	<b>16 393 883</b>

HUDHELSE AS

SIDE 2



## BALANSE

### HUDHELSE AS

EIENDELER	Note	2022	2021
<b>ANLEGGSMIDLER</b>			
<b>IMMATERIELLE EIENDELER</b>			
Utvikling	4	192 871	0
Utsatt skattefordel	1, 6	120 121	87 347
<b>Sum immaterielle eiendeler</b>		<b>312 992</b>	<b>87 347</b>
<b>VARIGE DRIFTSMIDLER</b>			
Tomter, bygninger o.a. fast eiendom		49 200	59 040
Driftsløsøre, inventar o.a. utstyr	1, 4	199 770	262 647
<b>Sum varige driftsmidler</b>	<b>4</b>	<b>248 970</b>	<b>321 687</b>
<b>FINANSIELLE ANLEGGSMIDLER</b>			
Investeringer i datterselskap	7, 13	729 192	729 192
Andre langsiktige fordringer	8	34 949	41 190
<b>Sum finansielle anleggsmidler</b>		<b>764 142</b>	<b>770 383</b>
<b>Sum anleggsmidler</b>		<b>1 326 104</b>	<b>1 179 416</b>
<b>OMLØPSMIDLER</b>			
Lager av varer og annen beholdning	1, 9	13 849 615	7 284 556
<b>FORDRINGER</b>			
Kundefordringer	1, 8, 13	6 204 171	4 998 839
Andre fordringer konsern	1, 8	251 736	246 743
Andre kortsiktige fordringer		606 275	451 474
<b>Sum fordringer</b>		<b>7 062 181</b>	<b>5 697 056</b>
<b>INVESTERINGER</b>			
Bankinnskudd, kontanter o.l.	10	33 869 278	92 470 880
<b>Sum omløpsmidler</b>		<b>54 781 074</b>	<b>105 452 493</b>
<b>Sum eiendeler</b>		<b>56 107 178</b>	<b>106 631 910</b>

HUDHELSE AS

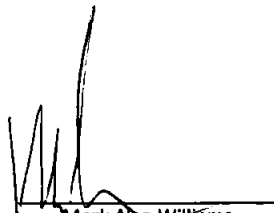
SIDE 3



**BALANSE**

HUDHELSE AS

EGENKAPITAL OG GJELD	Note	2022	2021
<b>EGENKAPITAL</b>			
<b>INNSKUTT EGENKAPITAL</b>			
Aksjekapital	11	500 000	500 000
<b>Sum innskutt egenkapital</b>		<b>500 000</b>	<b>500 000</b>
<b>OPPTJENT EGENKAPITAL</b>			
Annen egenkapital		34 870 760	28 943 801
<b>Sum opptjent egenkapital</b>		<b>34 870 760</b>	<b>28 943 801</b>
<b>Sum egenkapital</b>	12	<b>35 370 760</b>	<b>29 443 801</b>
<b>GJELD</b>			
<b>AVSETNING FOR FORPLIKTELSE</b>			
<b>ANNEN LANGSIKTIG GJELD</b>			
<b>KORTSIKTIG GJELD</b>			
Leverandørgjeld	8, 13	6 936 504	63 927 320
Betalbar skatt	6	1 869 321	3 660 609
Skyldig offentlige avgifter		4 041 548	4 095 058
Annen gjeld konsern	8	1 816 889	6 060
Annen kortsiktig gjeld	8	6 072 155	5 499 061
<b>Sum kortsiktig gjeld</b>		<b>20 736 417</b>	<b>77 188 109</b>
<b>Sum gjeld</b>		<b>20 736 417</b>	<b>77 188 109</b>
<b>Sum egenkapital og gjeld</b>		<b>56 107 177</b>	<b>106 631 910</b>

  
Mark Alan Williams  
styreleder

Sandvika, 29.03.2023  
Styret i Hudhelse AS

  
Therese Victoria Mofjell Bunæs  
styremedlem/daglig leder

HUDHELSE AS

SIDE 4



## INDIREKTE KONTANTSTRØM

HUDHELSE AS

	Note	2022	2021
<b>KONTANTSTRØMMER FRA OPERASJONELLE AKTIVITETER</b>			
Resultat før skattekostnad		7 763 507	19 974 630
Periodens betalte skatt		3 660 609	2 139 613
Ordinære avskrivninger		371 389	318 437
Nedskrivning anleggsmidler		0	281 702
Endring i varelager		-6 565 059	-2 222 320
Endring i kundefordringer		-1 205 332	-4 998 839
Endring i leverandørgjeld		-56 990 816	-1 732 672
Endring i andre tidsavgrensningsposter		171 913	2 606 126
<b>Netto kontantstrøm fra operasjonelle aktiviteter</b>		<b>-60 115 006</b>	<b>12 087 451</b>
<b>KONTANTSTRØMMER FRA INVESTERINGSAKTIVITETER</b>			
Utbetalinger ved kjøp av varige driftsmidler		491 543	230 183
Utbetalinger ved kjøp av aksjer og andeler i andre foret		0	-3 773 420
<b>Netto kontantstrøm fra investeringsaktiviteter</b>		<b>-491 543</b>	<b>3 543 237</b>
<b>KONTANTSTRØMMER FRA FINANSIERINGSAKTIVITETER</b>			
Innbetalinger ved opptak av ny langsiktig gjeld		2 004 947	66 827 214
Utbetalinger av utbytte		0	7 486 183
<b>Netto kontantstrøm fra finansieringsaktiviteter</b>		<b>2 004 947</b>	<b>59 341 031</b>
Netto endring i kontanter og kontantekvivalenter		-58 601 602	74 971 719
Beh. av kont. og kontantekvivalenter ved per. begynnel		92 470 880	17 499 162
<b>Beh. av kont. og kontantekvivalenter ved per. slutt</b>		<b>33 869 278</b>	<b>92 470 881</b>

HUDHELSE AS

SIDE 5



## Regnskapsprinsipper

Årsregnskapet er satt opp i samsvar med regnskapslovens bestemmelser og god regnskapsskikk.

## BRUK AV ESTIMATER

Ledelsen har brukt estimater og forutsetninger som har påvirket resultatregnskapet og verdsettelsen av eiendeler og gjeld, samt usikre eiendeler og forpliktelser på balansedagen under utarbeidelsen av årsregnskapet i henhold til god regnskapsskikk.

## VALUTA

Transaksjoner i utenlandsk valuta omregnes til kursen på transaksjonstidspunktet. Pengeposter i utenlandsk valuta omregnes til norske kroner ved å benytte balansedagens kurs. Ikke-pengeposter som måles til historisk kurs uttrykt i utenlandsk valuta, omregnes til norske kroner ved å benytte valutakursen på transaksjonstidspunktet. Valutakursendringer resultatføres løpende i regnskapsperioden under andre finansposter.

## SALGSINNTEKTER

Inntekter fra salg av varer resultatføres når levering har funnet sted og det vesentligste av risiko og avkastning er overført.

## SKATT

Skattekostnad består av betalbar skatt og endring i utsatt skatt. Utsatt skatt/skattefordel er beregnet på alle forskjeller mellom regnskapsmessig og skattemessig verdi på eiendeler og gjeld. Utsatt skatt er beregnet med 22% på grunnlag av de midlertidige forskjeller som eksisterer mellom regnskapsmessige og skattemessige verdier, samt skattemessig underskudd til fremføring ved utgangen av regnskapsåret. Netto utsatt skattefordel balanseføres i den grad det er sannsynlig at denne kan bli utnyttet.

Betalbar skatt og utsatt skatt er regnskapsført direkte mot egenkapitalen i den grad skattepostene relaterer seg til poster ført direkte mot egenkapitalen.

## KLASSIFISERING OG VURDERING AV BALANSEPOSTER

Omløpsmidler og kortsiktig gjeld omfatter poster som forfaller til betaling innen ett år etter anskaffelsestidspunktet, samt poster som knytter seg til varekretsløpet. Øvrige poster er klassifisert som anleggsmidler/langsiktig gjeld.

Omløpsmidler vurderes til laveste av anskaffelseskost og virkelig verdi. Kortsiktig gjeld balanseføres til nominelt beløp på opptakstidspunktet.

Anleggsmidler vurderes til anskaffelseskost, fratrukket av- og nedskrivninger. Langsiktig gjeld balanseføres til nominelt beløp på etableringstidspunktet.

## VARIGE DRIFTSMIDLER

Varige driftsmidler balanseføres og avskrives lineært over driftsmidlets forventede levetid. Vesentlige driftsmidler som består av betydelige komponenter med ulik levetid er dekomponert med ulik avskrivningstid for de ulike komponentene. Direkte vedlikehold av driftsmidler kostnadsføres løpende under driftskostnader, mens påkostninger eller forbedringer tillegges driftsmidlets kostpris og avskrives i takt med driftsmidlet. Dersom gjenvinnbart beløp av driftsmidlet er lavere enn balanseført verdi foretas nedskrivning til gjenvinnbart beløp. Gjenvinnbart beløp er det høyeste av netto salgsverdi og verdi i bruk. Verdi i bruk er nåverdien av de fremtidige kontantstrømmene som eiendelen forventes å generere.

## DATTERSELSKAP/TILKNYTTET SELSKAP

Datterselskap vurderes etter kostmetoden i selskapsregnskapet. Investeringen er vurdert til anskaffelseskost for aksjene med mindre nedskrivning har vært nødvendig. Det er foretatt nedskrivning til virkelig verdi når verdifall skyldes årsaker som ikke kan antas å være forbigående og det må anses nødvendig etter god regnskapsskikk. Nedskrivninger er reversert når grunnlaget for nedskrivning ikke lenger er til stede.

Utbytte, konsernbidrag og andre utdelinger fra datterselskap er inntektsført samme år som det er avsatt i givers regnskap. Overstiger utbyttet andel av opptjent resultat etter anskaffelsestidspunktet, representerer den overskytende del tilbakebetaling av investert kapital, og utdelingene er fratrukket investeringens verdi i balansen til morselskapet.

## VAREBEHOLDNINGER

Varelager regnskapsføres til det laveste av anskaffelseskost og netto salgspris. Netto salgspris er estimert salgspris ved ordinær drift etter fradrag for beregnede nødvendige utgifter for gjennomføring av salget. Anskaffelseskost tilordnes ved bruk av FIFO metoden og inkluderer utgifter påløpt ved anskaffelse av varene og kostnader for å bringe varene til nåværende tilstand og plassering.

## FORDRINGER

Kundefordringer og andre fordringer er oppført i balansen til pålydende etter fradrag for avsetning til forventet tap.



Avsetning til tap gjøres på grunnlag av individuelle vurderinger av de enkelte fordringene. I tillegg gjøres det for øvrige kundefordringer en uspesifisert avsetning for å dekke antatt tap på krav.

#### KONTANTSTRØMOPPSTILLING

Kontantstrømoppstillingen er utarbeidet etter den indirekte metode. Kontanter og kontantekvivalenter omfatter kontanter, bankinnskudd og andre kortsiktige, likvide plasseringer.

#### Note 2 Salgsinntekter

	2022	2021
<b>Pr. Virksomhetsområde</b>		
Salg av hudpleieprodukter	111 200 738	98 929 427
Andre driftsinntekter	1 426 483	634 728
<b>Sum</b>	<b>112 627 222</b>	<b>99 564 155</b>
<b>Geografisk fordeling</b>		
Norge	85 893 856	78 805 902
Sverige	12 862 263	12 625 278
Danmark	11 189 675	6 693 266
Finland	2 681 428	1 439 709
<b>Sum</b>	<b>112 627 222</b>	<b>99 564 155</b>

#### Note 3 Lønnskostnader, antall ansatte, godtgjørelser, lån til ansatte og godtgjørelse til revisor revisor

##### LØNSKOSTNADER

	2022	2021
Lønninger	12 595 212	8 949 063
Arbeidsgiveravgift	1 781 827	1 543 779
Pensjonskostnader	726 470	588 276
Andre ytelser	0	454 956
<b>Sum</b>	<b>15 103 509</b>	<b>11 536 074</b>

Gjennomsnittlig antall årsverk 15,1 14,1

##### YTELSER TIL LEDENDE PERSONER

	2022		2021		
	Lønn	Bonus	Annen godtgjørelse	Sum	
Daglig leder	2 444 106		845 762	151 802	3 441 670
	2021		2021		
	Lønn	Bonus	Annen godtgjørelse	Sum	
Daglig leder	2 082 725		993 181	122 975	3 198 881

Daglig leder har avtale om lønn i et år etter fratreden fra sin stilling. Daglig leder har en bonusavtale på opptil 42,5% av årlig lønn.

##### BONUS OG AKSIEBASERT AVLØNNING

Ledende ansatte har ikke avtale om bonus.

##### LÅN OG SIKKERHETSSTILLELSE TIL LEDENDE PERSONER, AKSJEIEERE M.V.

Det er ikke gitt lån eller stilt sikkerhet for medlemmer av ledergruppen, styrets ansatte eller andre valgte.

##### TJENESTEPENSJON

Selskapet er pliktig til å ha tjenstepensjonsordning etter lov om obligatorisk tjenstepensjon. Selskapets pensjonsordninger tilfredsstiller kravene i denne lov.



## REVISOR

Godtgjørelse til revisor er fordelt på følgende:

	2022	2021
Lovpålagt revisjon	88 768	62 100
Andre tjenester	29 095	2 468
Andre tjenester utenfor revisjon	58 862	70 103
<b>Sum</b>	<b>176 725</b>	<b>134 671</b>

Beløpene er eksklusiv merverdiavgift.

## Note 4 Anleggsmidler

	Utvikling	Bygninger og tomter	Driftsløsøre, inventar ol.	Sum
Anskaffelseskost pr. 01.01.22	—	245 007	1 407 950	1 652 956
+ Tilgang kjøpte driftsmidler	207 389	—	284 154	491 543
= Anskaffelseskost 31.12.22	207 389	245 007	1 692 103	2 144 499
Akkumulerte avskrivninger 31.12.22	14 518	195 807	1 492 332	1 702 657
= Bokført verdi 31.12.22	192 871	49 200	199 771	441 842
Årets ordinære avskrivninger	14 518	9 840	347 030	371 389
Økonomisk levetid	5 år	10 år	0-10 år	
Type avskrivning	lineær	lineær	lineær	

Aktiverte utviklingskostnader gjelder kostnader i forbindelse med utvikling av webshop zoskinhealth.no.

## Note 5 Finansposter

Finansinntekter	2022	2021
Gevinst ved salg av aksjer i datterselskap		3 712 763
Valutagevinst	2 937 572	149 417
Annen renteinntekt	22 548	129
<b>Sum</b>	<b>2 960 120</b>	<b>3 862 309</b>
Finanskostnader	2022	2021
Annen rentekostnad	65 428	0
Valutatap	1 438 366	1 944 266
<b>Sum</b>	<b>1 503 794</b>	<b>1 944 266</b>



## Note 6 Skatt

	2022	2021
<b>Årets skattekostnad</b>		
Resultatført skatt på ordinært resultat:		
Betalbar skatt	1 869 321	3 660 609
Endring i utsatt skattefordel	-32 774	-79 862
<b>Skattekostnad ordinært resultat</b>	<b>1 836 547</b>	<b>3 580 747</b>
<b>Skattepliktig inntekt:</b>		
Resultat før skatt	7 763 507	19 974 630
Permanente forskjeller	584 436	-3 698 509
Endring i midlertidige forskjeller	148 970	363 013
<b>Skattepliktig inntekt</b>	<b>8 496 913</b>	<b>16 639 134</b>
<b>Betalbar skatt i balansen:</b>		
Betalbar skatt på årets resultat	1 869 321	3 660 609
<b>Sum betalbar skatt i balansen</b>	<b>1 869 321</b>	<b>3 660 609</b>

Skatteeffekten av midlertidige forskjeller som har gitt opphav til utsatt skatt og utsatte skattefordeler, spesifisert på typer av midlertidige forskjeller

	2022	2021	Endring
Varige driftsmidler	-479 979	-388 103	91 875
Fordringer	-66 027	-8 933	57 094
<b>Sum</b>	<b>-546 006</b>	<b>-397 036</b>	<b>148 969</b>
<b>Grunnlag for utsatt skattefordel</b>	<b>-546 006</b>	<b>-397 036</b>	<b>148 969</b>
<b>Utsatt skattefordel (22 %)</b>	<b>-120 121</b>	<b>-87 348</b>	<b>32 773</b>

## Note 7 Datterselskap, tilknyttet selskap m.v.

SELSKAPETS NAVN	Ervervet	Kontor	Eierandel	Stemmeandel	Andel egenkapital	Andel resultat
Hudhelse Stockholm AB	2014	Sverige	100%	100%	4 119 385	0
Hudhelse Finland AB	2019	Finland	100%	100%	27 557	7
Hudhelse Aps	2018	Danmark	100%	100%	1 470 928	4 107 346

Investering i datterselskap vurderes etter kostmetoden i selskapsregnskapet. Selskapets eneaksjonær er ZO Skin Health Ireland Limited (ZO Ireland), 10 Earlsfort Terrace, Dublin 2, D02 T380, Ireland. Konsernregnskapet kan fås ved henvendelse til denne adressen.



## Note 8 Mellomværende med selskap i samme konsern m.v.

### Fordringer

	Kundefordringer		Andre fordringer	
	2022	2021	2022	2021
Hudhelse Stockholm AB	1 454 916	1 247 698	0	141 583
Hudhelse Aps	2 090 209	678 695	0	786
Hudhelse Finland AB	429 911	701 009	251 753	98 314
<b>Sum fordringer</b>	<b>3 975 036</b>	<b>2 627 402</b>	<b>251 753</b>	<b>240 683</b>

### Gjeld

	Leverandørgjeld		Annen kortsiktig gjeld	
	2022	2021	2022	2021
Hudhelse Finland AB	443 384	0	1 310 655	448 137
ZO Skinn Health Inc, USA	5 416 036	62 662 406	0	0
Hudhelse Stockholm AB			506 233	448 137
<b>Sum gjeld</b>	<b>5 859 420</b>	<b>62 662 406</b>	<b>1 816 888</b>	<b>896 274</b>

Det eksisterer ingen pantstillelse, garantier eller annen sikkerhetsstillelse til fordel for foretak i samme konsern.

## Note 9 Varer

Varelager	2022	2021
Lager av innkjøpte handelsvarer	8 467 510	7 101 685
Varer underveis	5 382 105	182 871
<b>Sum varelager</b>	<b>13 849 615</b>	<b>7 284 556</b>

Varekostnad	2022	2021
Innkjøp av ferdigvarer	79 983 296	60 415 180
Beholdningsendring varelager	-1 921 892	761 371
<b>Sum varekostnad</b>	<b>78 061 404</b>	<b>61 176 551</b>

Av samlet varelagerverdi for Hudhelse AS pr. 31.12.2022 er kr. 13 849 615 vurdert til anskaffelseskost. Det er ingen nedskrivning for ukurans.

## Note 10 Bankinnskudd

	2022	2021
Bundne skattetreksmidler	627 478	589 307



## Note 11 Aksjonærer

### AKSJEKAPITALEN I HUDHELSE AS PR. 31.12 BESTÅR AV:

	Antall	Pålydende	Bokført
Ordinære aksjer	500	1 000,0	500 000
Sum	500		500 000

### EIERSTRUKTUR

De største aksjonærene i % pr. 31.12 var:

	Ordinære	Eierandel	Stemmeandel
ZO Skin Health Ireland Limited	500	100,0	100,0

## Note 12 Egenkapital

	Aksjekapital	Annen egenkapital	Sum egenkapital
Pr. 31.12.2021	500 000	28 943 801	29 443 801
Årets resultat		5 926 960	5 926 960
Pr 31.12.2022	500 000	34 870 661	35 370 761

## Note 13 Transaksjoner med nærstående parter

### Oversikt nærstående parter og tilknytninger

Nærstående part	Tilknytning	Eierandel
Hudhelse Stockholm AB	Datterselskap	100%
Hudhelse Finland AB	Datterselskap	100%
Hudhelse Aps	Datterselskap	100%
ZO Skin Health Inc, USA	Morselskap (Jan 2021-Jan 2022)	
ZO Skin Health Ireland Limited	Morselskap (Fra feb 2022)	

### Transaksjoner med nærstående parter

Gruppen har foretatt flere forskjellige transaksjoner med nærstående parter. Alle transaksjoner er foretatt som del av den ordinære virksomheten og til armlengdes priser. De vesentligste transaksjonene som er foretatt i 2022, er som følger:

Salg av varer og tjenester til datterselskapene for henholdsvis MNOK 28,3 og MNOK 21,4 i 2022 og 2021.

Kjøp av varer fra morselskapet for henholdsvis MNOK 52,8 og MNOK 51,8 i 2022 og 2021.

### Balansen inkluderer følgende beløp som følge av transaksjoner med tilknyttede selskap:

	2022	2021
Kundefordringer	3 975 036	2 627 996
Leverandørgjeld	5 859 420	62 662 405



Til generalforsamlingen i  
Hudhelse AS



Bypass Signing  
Trond Jakob Dolvik  
2023-04-17

BHL DA  
Elias Smiths vei 24  
1337 Sandvika

Org. nr.: 992 768 061

Telefon: 66 85 59 00  
E-post: td@bhl.no  
Internett: [www.bhl.no](http://www.bhl.no)

Medlemmer av  
Den norske Revisorforening

Ansvarlig revisor:  
Trond Dolvik

## UAVHENGIG REVISORS BERETNING

### Konklusjon

Vi har revidert Hudhelse AS' årsregnskap som viser et overskudd på kr. 5.926.960. Årsregnskapet består av balanse per 31. desember 2022, resultatregnskap og kontantstrømpstilling for regnskapsåret avsluttet per denne datoen og noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening

- oppfyller årsregnskapet gjeldende lovkrav, og
- gir årsregnskapet et rettvise bilde av selskapets finansielle stilling per 31. desember 2022 og av dets resultat og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

### Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet nedenfor under Revisors oppgaver og plikter ved revisjonen av årsregnskapet. Vi er uavhengige av selskapet i samsvar med kravene i relevante lover og forskrifter i Norge og International Code of Ethics for Professional Accountants (inkludert internasjonale uavhengighetsstandarder) utstedt av the International Ethics Standards Board for Accountants (IESBA-reglene), og vi har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Innhentet revisjonsbevis er etter vår vurdering tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

### Øvrig informasjon

Styret og daglig leder (ledelsen) er ansvarlige for informasjonen i årsberetningen. Vår konklusjon om årsregnskapet ovenfor dekker ikke informasjonen i årsberetningen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese årsberetningen. Formålet er å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom årsberetningen og årsregnskapet og den kunnskap vi har opparbeidet oss under revisjonen av årsregnskapet, eller hvorvidt informasjon i årsberetningen ellers fremstår som vesentlig feil. Vi har plikt til å rapportere dersom årsberetningen fremstår som vesentlig feil. Vi har ingenting å rapportere i så henseende.

Basert på kunnskapen vi har opparbeidet oss i revisjonen, mener vi at årsberetningen



BHL DA is a member firm of the "Nexia International" network. Nexia International Limited does not deliver services in its own name or otherwise. Nexia International Limited and the member firms of the Nexia International network (including those members which trade under a name which includes the word NEXIA) are not part of a worldwide partnership. Nexia International Limited does not accept any responsibility for the commission of any act, or omission to act by, or the facilities of, any of its members. Each member firm within the Nexia International network is a separate legal entity. Nexia International Limited does not accept liability for any loss arising from any action taken, or omission, on the basis of the content in this publication or any documentation and external links provided. The trademarks NEXIA INTERNATIONAL, NEXIA and the NEXIA logo are owned by Nexia International Limited and used under licence. References to Nexia or Nexia International are to Nexia International Limited or to the "Nexia International" network of firms, as the context may dictate. For more information, visit [www.nexia.com](http://www.nexia.com).



- 2 -



- er konsistent med årsregnskapet og
- inneholder de opplysninger som skal gis i henhold til gjeldende lovkrav.

### Ledelsens ansvar for årsregnskapet

Ledelsen er ansvarlig for å utarbeide årsregnskapet og for at det gir et rettviseende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik intern kontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avviklet.

### Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon er å anse som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar på grunnlag av årsregnskapet.

For videre beskrivelse av revisors oppgaver og plikter vises det til <https://www.revisorforeningen.no/revisjonsberetninger>

Sandvika, 29.03.2022

**BHL DA**

*Denne beretningen er elektronisk signert.*

Trond Dolvik  
Statsautorisert revisor



Til generalforsamlingen i  
Hudhelse AS



Bypass Signing  
Trond Jakob Dolvik  
2023-04-17

BHL DA  
Elias Smiths vei 24  
1337 Sandvika

Org. nr.: 992 768 061

Telefon: 66 85 59 00  
E-post: td@bhl.no  
Internett: [www.bhl.no](http://www.bhl.no)

Medlemmer av  
Den norske Revisorforening

Ansvarlig revisor:  
Trond Dolvik

## UAVHENGIG REVISORS BERETNING

### Konklusjon

Vi har revidert Hudhelse AS' årsregnskap som viser et overskudd på kr. 5.926.960. Årsregnskapet består av balanse per 31. desember 2022, resultatregnskap og kontantstrømpstilling for regnskapsåret avsluttet per denne datoen og noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening

- oppfyller årsregnskapet gjeldende lovkrav, og
- gir årsregnskapet et rettviseende bilde av selskapets finansielle stilling per 31. desember 2022 og av dets resultat og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

### Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet nedenfor under Revisors oppgaver og plikter ved revisjonen av årsregnskapet. Vi er uavhengige av selskapet i samsvar med kravene i relevante lover og forskrifter i Norge og International Code of Ethics for Professional Accountants (inkludert internasjonale uavhengighetsstandarder) utstedt av the International Ethics Standards Board for Accountants (IESBA-reglene), og vi har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Innhentet revisjonsbevis er etter vår vurdering tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

### Øvrig informasjon

Styret og daglig leder (ledelsen) er ansvarlige for informasjonen i årsberetningen. Vår konklusjon om årsregnskapet ovenfor dekker ikke informasjonen i årsberetningen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese årsberetningen. Formålet er å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom årsberetningen og årsregnskapet og den kunnskap vi har opparbeidet oss under revisjonen av årsregnskapet, eller hvorvidt informasjon i årsberetningen ellers fremstår som vesentlig feil. Vi har plikt til å rapportere dersom årsberetningen fremstår som vesentlig feil. Vi har ingenting å rapportere i så henseende.

Basert på kunnskapen vi har opparbeidet oss i revisjonen, mener vi at årsberetningen



BHL DA is a member firm of the "Nexia International" network. Nexia International Limited does not deliver services in its own name or otherwise. Nexia International Limited and the member firms of the Nexia International network (including those members which trade under a name which includes the word NEXIA) are not part of a worldwide partnership. Nexia International Limited does not accept any responsibility for the commission of any act, or omission to act by, or the facilities of, any of its members. Each member firm within the Nexia International network is a separate legal entity. Nexia International Limited does not accept liability for any loss arising from any action taken, or omission, on the basis of the content in this publication or any documentation and external links provided. The trademarks NEXIA INTERNATIONAL, NEXIA and the NEXIA logo are owned by Nexia International Limited and used under licence. References to Nexia or Nexia International are to Nexia International Limited or to the "Nexia International" network of firms, as the context may dictate. For more information, visit [www.nexia.com](http://www.nexia.com).



- 2 -



- er konsistent med årsregnskapet og
- inneholder de opplysninger som skal gis i henhold til gjeldende lovkrav.

### Ledelsens ansvar for årsregnskapet

Ledelsen er ansvarlig for å utarbeide årsregnskapet og for at det gir et rettviseende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik intern kontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avviklet.

### Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon er å anse som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar på grunnlag av årsregnskapet.

For videre beskrivelse av revisors oppgaver og plikter vises det til <https://www.revisorforeningen.no/revisjonsberetninger>

Sandvika, 29.03.2022

**BHL DA**

*Denne beretningen er elektronisk signert.*

Trond Dolvik  
Statsautorisert revisor



## Årsberetning 2022 Hudhelse AS

### Virksomhetens art og tilholdssted

Hudhelse AS selger hudpleieprodukter under merkenavnene ZO, Endymed og ColorScience.

Hudhelse AS har følgende datterselskap:

Hudhelse ApS, Danmark

Hudhelse AB, Sverige

Hudhelse AB, Finland

Selskapets virksomhet foregår i Sandvika i Norge, med salg til datterselskapene i Danmark, Sverige og Finland. Hovedkontoret ligger i Sandvika.

I løpet av året har totalmarkedet for hudpleieprodukter i Norge blitt redusert med ca. 2 % sammenlignet med fjoråret. I Sverige har konsernet opprettholdt sin markedsandel i et stagnerende totalmarked.

I Norge er Hudhelse AS blant de ledende forhandlerne, mens man i Danmark, Sverige og Finland befinner seg i etableringsfasen.

Hudhelse AS er 100% eid av ZO Skin Health Ireland Limited (ZO Ireland).

### Redegjørelse for årsregnskapet

Omsetningen økte fra NOK 99 564 155 i fjor til NOK 112 627 222 i 2022. Dette innebærer en økning på 11,60%. Årsresultatet ble i 2022 NOK 5 926 960 mot fjoråret NOK 16 393 883.

Samlet kontantstrøm fra driften var på NOK -60 115 006, mens driftsresultatet utgjorde NOK 5 926 960.

Selskapets likviditetsbeholdning var NOK 33 869 278 per 31.12.2022. Selskapets evne til egenfinansiering av investeringer er god.

Selskapets kortsiktige gjeld utgjorde pr. 31.12.2021 100 % av samlet gjeld i selskapet, likt med fjoråret.

Selskapets finansielle stilling er god, og pr. 31.12.2022 kan selskapet nedbetale kortsiktig gjeld ved hjelp av de mest likvide midlene.

Totalkapitalen var ved utgangen av året NOK 56 107 178, sammenlignet med NOK 106 631 910 året før. Egenkapitalandelen pr. 31.12.2022 var 63,04 %, sammenlignet med 27,61 % pr. 31.12.2021.

### Fremtidig utvikling

Selskapet opplever fortsatt en økende etterspørsel etter selskapets produkter. Selskapets virksomhet preges også i stadig høyere grad av økt konkurranse. Internasjonale aktører har inntatt markedet. Det utvikles stadig nye allianser og partnerskap i bransjen som er med på å forsterke konkurransen. Svekkelsen av den norske kronen internasjonalt medfører økte priser fra våre leverandører utenfor Norge. Våre prognoser for fremtidige resultater vil kunne preges av den usikkerheten som normalt preger vurderinger av fremtidige forhold. På kort sikt vil selskapet fokusere på å opprettholde lønnsomheten neste år. Selskapet vil satse bevisst på eksportmarkedsføring med henblikk på å øke andelen av selskapets salg utenfor Norge.



## Finansiell risiko

Overordnet om målsetting og strategi

Hudhelse AS er eksponert for finansiell risiko på ulike områder, spesielt valutarisiko. Målsettingen er å avdempe den finansielle risikoen i størst mulig grad.

### Markedsrisiko

Hudhelse AS er eksponert for endringer i valutakurser, spesielt amerikanske dollar. Endringer i USD utgjør også en risiko, siden ca. 99 % av selskapets kjøp kommer fra leverandører som fakturerer i USD. Selskapet har ikke inngått terminkontrakter eller andre avtaler for å redusere selskapets valutarisiko og derigjennom den driftstilknyttede markedsrisikoen. Videre kan endringer i rentenivået påvirke investeringsmulighetene i fremtidige perioder.

### Kredittrisiko

Risikoen for tap på fordringer er vurdert som lav, men en økning kan ventes på grunn av endring i markedsforholdene. Selskapet har hittil ikke hatt vesentlige tap på fordringer.

### Likviditetsrisiko

Selskapet vurderer likviditeten i selskapet som tilfredsstillende. Forfallstidspunkter for kundefordringer opprettholdes. Selskapet er påpasselig med forhandlinger om betalingsbetingelser fra leverandører.

## Fortsatt drift

I samsvar med regnskapsloven § 3-3a bekreftes det at forutsetningene om fortsatt drift er til stede. Til grunn for antagelsen ligger resultatprognoser for 2023 og selskapets langsiktige strategiske prognoser for årene fremover. Selskapet er i en sunn økonomisk og finansiell stilling.

## Resultatdisponering

Styret har gjort grundige vurderinger av selskapets likviditetssituasjon og vurderer den som tilfredsstillende. Styret foreslår følgende disponering av årsresultatet i Hudhelse AS:

Annen egenkapital    NOK 5 926 960

**Totalt disponert**    NOK 5 926 960

Forslaget er begrunnet i eiernes ønske om å styrke kapitalstrukturen i selskapet.

## Hendelser etter balansedagen

Det er ikke inntruffet forhold etter regnskapsårets slutt som etter styrets syn har betydning ved bedømmelse av årsregnskapet.

## Arbeidsmiljø

Sykefraværet i selskapet var på totalt 2 196,5 timer i 2022 (7,5 % av totale arbeidstimer i selskapet), sammenlignet med 1 076,50 timer i 2021 (4 %).

Det har i løpet av året av året ikke forekommet eller blitt rapportert alvorlige arbeidsuhell eller ulykker, som har resultert i store materielle skader eller personskader.

## Ytre miljø

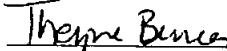
Selskapet har ingen produksjon som forurenser det ytre miljøet. Selskapet bruker Sjøpeltaxi som rydder og kjører bort all emballasje fra vareleveringer.



### Åpenhetsloven

Hudhelse i 2022 har iverksatt arbeid med kartlegging av leverandører og utført aktsomhetsvurderinger etter Åpenhetslovens §4 for å tilfredsstille kravene satt i Åpenhetsloven. Selskapets redegjørelse i henhold til Åpenhetsloven vil tilgjengeligjøres på selskapets nettside [www.hudhelse.com](http://www.hudhelse.com) innen 30.06.2023.

Sandvika, 29. mars 2023



Therese Victoria Mofjell Bunæs  
Daglig leder



Mark Alan Williams  
Styreleder

