



## INTERIM REPORT JANUARY – JUNE 2017

### THE PERIOD AND THE SECOND QUARTER

- Net sales amounted to MSEK 281.8 (163.2), of which MSEK 142.5 (81.9), in the second quarter. This corresponds to an increase for the period of 72.7%, and for the second quarter of 74.0%.
- EBITDA amounted to MSEK 93.5 (12.6), of which the second quarter MSEK 49.7 (3.3), corresponding to a margin of 33.2% (7.7%) for the six months and 34.9% (4.0%) for the second quarter
- Cash flow from operating activities amounted to MSEK 78.5 (-41.7), of which the second quarter MSEK 43.6 (-39.7)
- Earnings per share were SEK 0.46 (0.00), of which the second quarter SEK 0.20 (-0.04)
- Cash and other short-term investments at the end of the period amounted to MSEK 150.2 (157.6)
- A milestone payment of MUSD 2 was received during the period from Pfizer for the RORgamma project

## SIGNIFICANT EVENTS AFTER PERIOD END

- The Board of Karo Pharma AB has decided to bid for all shares in the Norwegian pharmaceutical company Weifa ASA, which is listed on the Oslo stock exchange.

The offer applies to all shares at NOK 35 per share and corresponds to a total value of MNOK 1 280 on a fully diluted basis. The offer is recommended by the Board of Weifa ASA.

The two companies fit well together both product wise and geographically. We see synergies of more than MSEK 500 during the next coming three years. This mainly through new launches.

**See separate press release!**

## SIGNIFICANT EVENTS AFTER PERIOD END

- Karo Pharma acquires the product "Kolestemin" containing a unique patented combination of plant sterols. The product has a clinically documented effect of lowering cholesterol in the blood.
- A long-term agreement for the Nordic region has been signed with the British company Venture Life Group plc for a product against bad breath. The agreement gives Karo Pharma exclusive rights to sell the product in the Nordic region.
- Karo Pharma extends the cooperation with DR Wolff by launching the Plantur product, which is a product that enhances hair growth for women in transition.
- The organization has been strengthened.

### AUDIOCAST TODAY AT 11.00 A.M. CET

A presentation of the report (in Swedish) will take place today at 11 a.m. The presentation can be attended through the corporate website [www.karopharma.se](http://www.karopharma.se) or by telephone +46 8 505 564 74. Questions may be submitted over the internet or by the telephone.

## COMMENT ON OPERATIONS

**We are following our plan and the second quarter gave growth with increased profits.**

Karo Pharma is now a Specialty Pharma company with strong market orientation.

We have strengthened our organization in order to expand the operations both organically and through acquisitions. Through our enhanced pipeline of new products, we will further strengthen our position within the OTC and pharmacy sectors. We invest less in fast-moving consumer goods, where the margins are lower. We focus more on strengthening our Nordic

platform in order to later expand our business further to Europe. We have bid for all shares in the Norwegian pharmaceutical company Weifa ASA, which is listed on the Oslo stock exchange. The bid is supported by the board of Weifa. The company's net sales is around 400 MNOK. (See separate press release). Karo Pharma is an interesting option for shareholders who want to invest in Health Care. We look confidently on our ability to continue to deliver good performance that creates shareholder value in a non-cyclical area.

**Anders Lönner**  
*Executive Chairman*

## KEY FINANCIAL DATA

(MSEK)	April-June		January-June		Full year
	2017	2016	2017	2016	2016
Net sales	142.5	81.9	281.8	163.2	347.3
Gross earnings	85.4	38.1	160.2	75.5	148.7
Operating expenses	-47.9	-39.6	-91.2	-72.3	-119.2
Earnings before depreciation	49.7	3.3	93.5	12.6	51.7
Earnings before depreciation, %	34.9	4.0	33.2	7.7	15.2
Earnings/loss before tax	26.6	-2.9	46.0	-1.0	19.8
Earnings/loss per share (SEK)	0.20	-0.04	0.46	0.00	1.59
Cash flow from operations	43.6	-39.7	78.5	-41.7	-36.1
Cash and cash equivalents	150.2	157.6	150.2	157.6	121.3

### SALES AND EARNINGS

Net sales for the first half of the year rose to MSEK 281.8 (163.2), of which MSEK 142.5 (81.9) were attributable to the second quarter. Sales consist mainly of product sales.

Cost of goods sold amounted to MSEK 121.6 (87.7), of which the second quarter MSEK 57.1 (43.8). It generated a gross profit of MSEK 160.2 (75.5), of which the second quarter MSEK 85.4 (38.1) and a gross margin for the first half of 56.8 (46.3) percent and for the second quarter of 59.9 (46.5).

The milestone payment of MUS\$ 2, which was received during second quarter affected the gross margin of the second quarter positively with 12.6%. Operating expenses including depreciation and other operating income amounted to MSEK 91.2 (72.3), of which the second quarter MSEK 47.9 (39.6). Selling expenses amounted to MSEK 70.6 (55.1), of which the second quarter MSEK 35.9 (30.3).

Research and development costs amounted to MSEK 2.6 (2.8), of which the second quarter was MSEK 1.3 (1.1). Partners continue to develop projects and assume responsibility for costs.

Operating profit amounted to MSEK 68.9 (3.1), of which the second quarter MSEK 37.5 (-1.4).

Earnings per share amounted to SEK 0.46 (0.00), of which the second quarter SEK 0.20 (-0.04).

#### CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities amounted to MSEK 78.5 (-41.7), of which the second quarter MSEK 43.6 (-39.7). The Group's cash and cash equivalents amounted to MSEK 150.2 (157.6) at the end of the period. Intangible assets accounted for MSEK 1,408.5 (472.5) of the balance sheet at the end of the period.

Group long-term liabilities increased to MSEK 486.1 (21.0). Short-term liabilities increased to MSEK 145.7 (69.5).

Group shareholders' equity increased to MSEK 1,061.9 (621.6), taking into account the profit for the period, amounting to SEK 12.92 (9.73) per share. The equity ratio was 60.7 (83.6) percent.

#### THE PARENT COMPANY

The parent company's net sales for the first half of 2017 amounted to MSEK 31.6 (14.0), of which the second quarter amounted to MSEK 25.1 (4.9). Turnover in the second quarter included a received milestone of 2 MUSD. The loss after financial items for the first half amounted to MSEK -4.7 (-11.4), while the second quarter generated a profit after financial items of MSEK 6.9 (-7.3). The Parent Company's cash and cash equivalents and other short-term investments amounted to MSEK 53.0 (141.6) at the end of the period.

#### SIGNIFICANT EVENTS

The strong euro has had a negative impact on the company's gross margin over the period of approximately MSEK 2.3.

#### SIGNIFICANT EVENTS AFTER PERIOD END

Karo Pharma has bid for all shares in the Norwegian pharmaceutical company Weifa ASA, which is listed on the Oslo stock exchange.

Karo Pharma extends the cooperation with DR Wolff by launching the product Plantur, which is a preparation strengthening hair growth for women in transition. The product is set to launch in October.

Karo Pharma acquires Medireduce AB with the product "Kolestemin" that contains a unique patented combination of plant sterols. The product has clinically proven efficacy lowering blood cholesterol.

A long-term agreement for the Nordic region has been signed with the UK company, Venture Life Group plc for a product against bad breath. The agreement gives Karo Pharma exclusive rights to sell the product in the Nordic region.

The organization has been strengthened with increased competence.

Carl Lindgren is employed as Vice President of Business Development. He comes from a role as Vice President at the pharmaceutical company H. Lundbeck A/S. Carl has long experience in the

pharmaceutical industry with 10 years at various position within the Astra Group.

Elisabeth Ringmar will run our new projects until launch. She has broad experience in building and developing brands, with a background at Carlsberg and as brand consultant at Clear.

Camilla Lönn is employed as Business Controller. She has previously been CFO at Boomerang, Business Controller at Svensson i Lammhult and at the Mobile Operator 3.

#### TRANSACTIONS WITH RELATED PARTIES

Through his company CIMON, Board member Per-Anders Johansson has an ownership corresponding to 24.2% of Medireduce AB. Per-Anders did not participate in the decision to implement the acquisition.

#### RISKS

The Group is exposed to a number of risks and uncertainties. Incorrect, delayed or missing deliveries from the Group's suppliers mean that the Group's deliveries

are, in turn, forfeited, become defective or incorrect. The Group is also exposed to exchange rate fluctuations. It cannot be guaranteed that the Group's operations will not be subject to restrictions from authorities or that the Group will receive necessary future regulatory approvals. There is a risk that the Group's ability to develop products will decrease or that products cannot be launched in accordance with established timetables. These risks may result in reduced sales and adversely affect the Group's earnings.

#### ACCOUNTING AND VALUATION PRINCIPLES

This interim report has been prepared in accordance with International Accounting Standards 34 on Interim Reports and Interna-

tional Financial Reporting Standards IFRS as adopted by the EU. The accounting and valuation principles that have been used are unchanged compared to those applied in 2016.

#### AUDIOCAST

This report will be presented (in Swedish) today at 11:00 at an audiocast with slides that can be followed on [www.karopharma.se](http://www.karopharma.se) as well as over telephone +46 8-505 56 474. Questions can be submitted both over the Internet and over the phone.

#### AUDITOR'S REVIEW

This interim report has not been reviewed by the auditors.

#### FINANCIAL REPORTS

Interim report Jan-Sept	Nov 2, 2017
Year-end report	Feb 22, 2018

## BOARD OF DIRECTORS' ASSURANCE

The Board of Directors and the Managing Director ensure that the interim report gives a true and fair view of the company's and the Group's operations, position and results, as well as the significant risks and uncertainties faced by the company and the companies included in the Group.

Stockholm on August 24, 2017

**Anders Lönner**  
*Chairman*

**Marianne Hamilton**  
*Board member*

**Thomas Hedner**  
*Board member*

**Per-Anders Johansson**  
*Board member*

**Håkan Åström**  
*Board member*

**Peter Blom**  
*Managing Director*

FOR FURTHER INFORMATION, PLEASE CONTACT

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## ABOUT KARO PHARMA

Karo Pharma is a specialty pharma company that develops and markets products to pharmacies and directly to healthcare providers. The share is listed on Nasdaq Stockholm in the Mid Cap segment.

*The information in this report is such that Karo Pharma is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, on August 24, 2017 at 8.00 a.m. CET.*

## CONSOLIDATED INCOME STATEMENT SUMMARY (KSEK)

	April-June		January-June		Full year
	2017	2016	2017	2016	2016
Net sales	142 463	81 910	281 796	163 243	347 261
Cost of sales	-57 099	-43 771	-121 639	-87 778	-198 536
Gross earnings	85 364	38 139	160 157	75 465	148 725
Operating expenses					
Distribution costs	-35 905	-30 265	-70 558	-55 124	-112 787
Administration	-7 756	-8 131	-15 321	-14 327	-28 689
Research and development	-1 284	-1 099	-2 645	-2 814	-5 259
Other operating income/expenses	-2 936	-78	-2 723	-72	-27 583
	-47 881	-39 573	-91 247	-72 337	-119 152
Operating result	37 483	-1 434	68 910	3 128	29 573
Financial net	-10 861	-1 420	-22 868	-3 227	-9 735
Earnings before Tax	26 622	-2 854	46 042	-99	19 838
Tax	-10 420	-	-8 490	-	75 718
NET EARNINGS	16 202	-2 854	37 552	-99	95 556
Net earnings attributable to:					
Shareholders in the parent company	16 203	-2 842	37 555	-77	95 554
Non-controlling interests	-1	-13	-3	-22	2
Earnings / loss per share (SEK) 1	0.20	-0.04	0.46	0.00	1.59
Number of shares issued (000)	82 166	63 604	82 166	63 604	63 604

<sup>1</sup> Taking into account the bonus element in the rights issue and that warrants issued to not imply any dilution.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (KSEK)

	April-June		January-June		Full year
	2017	2016	2017	2016	2016
NET EARNINGS FOR THE YEAR	16 202	-2 854	37 552	-99	95 556
Other comprehensive income for the year, net of tax					
Exchange rate differences	-451	-635	-412	-414	357
TOTAL COMPREHENSIVE INCOME	15 751	-3 489	37 140	-513	95 913
Total comprehensive income attributable to:					
Shareholders of the parent company	15 752	-3 476	37 143	-491	95 911
Non-controlling interests	-1	-13	-3	-22	2

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (KSEK)

	June 30		Dec 31
	2017	2016	2016
Intangible assets	1 408 476	472 506	1 432 012
Equipment	12 712	5 272	12 297
Other financial assets	136	21	37 801
Other current assets	177 612	108 339	169 390
Cash and cash equivalents	150 190	157 644	121 346
<b>TOTAL ASSETS</b>	<b>1 749 126</b>	<b>743 782</b>	<b>1 772 846</b>
Shareholders' equity and liabilities			
Equity	1 061 859	621 635	717 012
Deferred tax	55 394	31 661	59 371
Long term debt	486 147	21 026	456 580
Current liabilities	145 726	69 460	539 883
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>1 749 126</b>	<b>743 782</b>	<b>1 772 846</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (KSEK)

Attributable to shareholders of the parent company	Share capital	Other contributed capital	Retained earnings/ accumulated losses	Non-controlling interest	Total
Amount at January 1, 2016	19 970	1 473 614	-1 130 127	1 124	364 581
Total comprehensive income	-	-	95 911	2	95 913
Acquisition of non-controlling interest	-	-	-557	-1 004	-1 561
Rights issue, net proceeds	5 593	251 966	-	-	257 559
Warrants	-	520	-	-	520
Amount at December 31, 2016	25 563	1 726 100	-1 034 773	122	717 012
Amount at January 1, 2017	25 563	1 726 100	-1 034 773	122	717 012
Total comprehensive earnings	-	-	37 143	-3	37 140
Dividend	-	-41 083	-	-	-41 083
Rights issue, net proceeds	7 303	341 487	-	-	348 790
Amount at June 30, 2017	32 866	2 026 504	-997 630	120	1 061 859

## CONSOLIDATED STATEMENT OF CASH FLOWS (KSEK)

	April-June		January-June		Full year
	2017	2016	2017	2016	2016
<b>Operating activities</b>					
Operating income/loss before financial items	37 483	-1 435	68 910	3 128	29 573
Depreciation	12 302	4 741	24 615	9 460	22 110
Other items not affecting liquid assets	-	-705	-	-587	-26 652
	49 185	2 601	93 525	12 001	25 031
<b>Financial items received and paid</b>					
Financial items received and paid	-10 563	-3 072	-13 421	-3 227	-17 077
Income tax paid	-2 582	-	-4 200	-	-
Cash flow from operating activities before changes in working capital	36 640	-471	75 904	8 774	7 954
Changes in working capital	6 957	-39 206	2 564	-50 515	-44 072
Cash flow from operating activities	43 597	-39 677	78 468	-41 741	-36 118
<b>Investing activities</b>					
Net investment in company acquisitions	-	-	-2 025	-1 557	-2 087
Net investment in intangible assets	-190	-2 596	-265	-62 319	-926 183
Net investment in other financial instruments	-115	-	17 671	-	-
Net investment in equipment	-647	-361	-1 366	-787	-67 656
Cash flow from investing activities	-952	-2 957	14 015	-64 663	-995 927
<b>Financing activities</b>					
Net proceeds from share issues	-	279 628	374 014	279 628	279 628
Transaction costs share issue <sup>1)</sup>	-17 183	-22 070	-25 223	-22 070	-22 070
Dividend	-41 083	-	-41 083	-	-
Warrants	-	-	-	-	460
Borrowings	-	-	-	-	900 000
Repayment of borrowings	-	-68 500	-371 000	-70 000	-80 055
Transactions with minorities	-	-	-	-	-1 561
Cash flow from financing activities	-58 266	189 058	-63 292	187 558	1 076 402
<b>Cash flow for the period</b>	<b>-15 621</b>	<b>146 424</b>	<b>29 191</b>	<b>81 154</b>	<b>44 357</b>
Cash at the beginning of the period	166 110	11 220	121 346	76 490	76 490
Currency exchange in cash	-299	-	-347	-	499
Cash at the end of the period	150 190	157 644	150 190	157 644	121 346

<sup>1)</sup> Comprises the portion of transaction related costs that has been paid during the period

## PARENT COMPANY INCOME STATEMENT SUMMARY (KSEK)

	April-June		January-June		Full year
	2017	2016	2017	2016	2016
Net sales	25 140	4 921	31 587	14 003	48 885
Cost of goods sold	-	-4 987	-10	-9 120	-12 567
Gross earnings	25 140	-66	31 577	4 883	36 318
Operating expenses					
Distribution costs	-1 032	-1 025	-2 063	-2 064	-4 079
Administration	-3 853	-4 135	-7 936	-8 667	-20 126
Research and development	-1 284	-1 099	-2 645	-2 814	-5 259
Other operating income/expenses	-1 248	12	-1 256	8	28 956
	-7 417	-6 248	-13 900	-13 537	-508
Operating result	17 723	-6 314	18 077	-8 654	35 810
Financial net	-10 873	-975	-22 778	-2 738	-34 938
Earnings after financial items	6 850	-7 289	-4 701	-11 392	872
Group contributions paid	-	-	-	-	-1 260
Tax	-	-	-	-	75 000
NET EARNINGS	6 850	-7 289	-4 701	-11 392	74 612

## PARENT COMPANY BALANCE SHEET SUMMARY (KSEK)

	June 30		Dec 31
	2017	2016	2016
Intangible assets	74 532	73 402	76 328
Equipment	313	1 019	666
Deferred tax assets	75 000	-	75 000
Other financial assets	21	21	28 357
Shares in group companies	1 308 367	399 345	1 308 367
Other current assets	92 351	37 933	61 283
Cash and cash equivalents	52 967	141 601	85 743
TOTAL ASSETS	1 603 551	653 321	1 635 744
Equity and liabilities			
Total restricted equity	32 866	25 563	25 563
Total non-restricted equity	982 558	600 331	686 855
Non-current liabilities	498 251	15 650	448 450
Current liabilities	89 876	11 777	474 876
TOTAL EQUITY AND LIABILITIES	1 603 551	653 321	1 635 744