

## STATEMENT BY THE BOARD OF DIRECTORS OF KARO PHARMA AKTIEBOLAG IN RELATION TO THE PUBLIC OFFER FROM EQT VIII, THROUGH KARO INTRESSETER AB

*The Board of Directors of Karo Pharma Aktiebolag has concluded to unanimously recommend that the shareholders of Karo Pharma Aktiebolag accept the public offer made by EQT VIII, through Karo Intressenter AB.*

### Background

This statement is made by the Board of Directors (the “**Board of Directors**”) of Karo Pharma Aktiebolag (the “**Company**” or “**Karo Pharma**”) pursuant to Rule II.19 of Nasdaq Stockholm’s takeover rules (the “**Takeover Rules**”).

EQT VIII (“**EQT VIII**”)<sup>1</sup>, through the indirectly wholly owned subsidiary Karo Intressenter AB<sup>2</sup> (“**Karo Intressenter**” or the “**Offeror**”), has today announced a public cash offer to the shareholders of Karo Pharma to transfer all of their shares in Karo Pharma to Karo Intressenter for a consideration of SEK 36.90 in cash per Karo Pharma share (the “**Offer**”).

The total value of the Offer, based on all outstanding shares<sup>3</sup> in Karo Pharma, is approximately SEK 5,973 million<sup>4</sup> and represents a premium of:

- 25.3 per cent for the shares in relation to the closing price for the shares on Nasdaq Stockholm on 26 October 2018, which is the last day of trading prior to the announcement of the Offer;
- 17.2 per cent for the shares in relation to the volume weighted average price for the shares on Nasdaq Stockholm during a period of 30 trading days prior to the announcement of the Offer; and
- 17.3 per cent for the shares in relation to the volume weighted average price for the shares on Nasdaq Stockholm during a period of 180 trading days prior to the announcement of the Offer.

The acceptance period of the Offer is expected to commence on 13 November 2018 and end on 10 December 2018, subject to any extensions.

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<sup>1</sup> The fund known as EQT VIII, comprising of EQT VIII SCSp acting by its alternative investment fund manager (gestionnaire), EQT Fund Management S.à r.l. EQT Fund Management S.à r.l. is a private limited liability company (société à responsabilité limitée), incorporated and existing under Luxembourg law, having its registered office at 26A, Boulevard Royal, L-2449 Luxembourg, registered with the Luxembourg Trade and Companies Register (Registre de Commerce et des Sociétés, Luxembourg) under number B 167.972, acting as manager (gérant) of EQT VIII SCSp, a Luxembourg special limited partnership (société en commandite spéciale) with its registered office at 26A, Boulevard Royal, L-2449 Luxembourg and registered with the Luxembourg Trade and Companies Register (Registre de Commerce et des Sociétés, Luxembourg) under number B 217.293.

<sup>2</sup> A newly formed company wholly owned by EQT VIII, under name change from Fund VIII Swe Bidco AB.

<sup>3</sup> The number of outstanding shares in Karo Pharma amount to 161,867,792 shares. Outstanding shares are calculated as the total number of shares in Karo Pharma amounting to 164,332,782 shares, less shares held by the Company, amounting to 2 464 990 shares.

<sup>4</sup> If, prior to settlement of the Offer, Karo Pharma pays dividend or makes any other value transfer to shareholders, the Offer as set out above will be reduced accordingly.

Completion of the Offer is conditional upon customary conditions, inter alia, being accepted to such an extent that Karo Intressenter becomes the owner of more than 90 per cent of the total number of the outstanding shares in Karo Pharma as well as the receipt of all necessary regulatory or similar clearances, approvals and decisions, including from competition authorities, in each case on terms which, in Karo Intressenter's opinion, are acceptable. Karo Intressenter has reserved the right to waive this and other completion conditions according to the Offer. The Offer is not conditional upon financing. For further details about the Offer, please refer to EQT VIII's press release.

The Board of Directors of Karo Pharma has, at the written request of EQT VIII, permitted EQT VIII to carry out a limited confirmatory due diligence review of Karo Pharma in relation to the preparation for the Offer. EQT VIII has not, in connection with said due diligence review, received any information that could reasonably be expected to affect the price of the Company's shares, and that has not been published by the date of this announcement, apart from the information disclosed in the Company's interim report for the nine months ended 30 September 2018, which is made public today by Karo Pharma through a separate press release.

Anders Lönner, Executive Chairman of the Company's Board of Directors, and Per-Anders Johansson, member of the Company's Board of Directors, together holding 21,942,140 shares in Karo Pharma representing in total approximately 13.6<sup>5</sup> per cent of the outstanding shares and votes in the Company, have expressed their support for the Offer and declared that they intend to accept the Offer.

Hamilton Advokatbyrå is acting as legal adviser to Karo Pharma in relation to the Offer.

Deloitte AB ("**Deloitte**") has, at the request of the Board of Directors, provided an opinion according to which the Offer is fair to Karo Pharma's shareholders from a financial point of view (subject to the assumptions and considerations set out in the opinion) (the "**Opinion**"). The Opinion is attached to this statement.

#### **The Board of Directors' recommendation**

Karo Pharma is a Specialty Pharma company, which develops and markets products for pharmacies as well as directly to the healthcare sector. The Company has a strong position in the Nordic region and has taken a first step to establish a European presence through the acquisition of a product portfolio from LEO Pharma earlier in 2018. Karo Pharma's product portfolio includes over-the-counter and prescription pharmaceuticals and medical devices. The Company is currently in stable growth with good profitability through sales of established brands, which are generating positive cash flows.

The evaluation of the Offer has been made in relation to the Company's present position and the opportunities available going forward as well as the risks associated with the future developments and its strategy. In that respect, the Board of Directors has taken a number of factors into account which the Board of Directors has deemed relevant to the evaluation of the Offer. These factors include, but are not limited to, the Company's present strategic and financial position and the Company's potential future development and the thereto related opportunities and risks. In

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<sup>5</sup> Based on the number of outstanding shares in Karo Pharma amounting to 161,867,792, which is calculated as the total number of shares in Karo Pharma less treasury shares held by the Company.

evaluating the Offer, the Board of Directors has also analysed the Offer using the methods normally used for evaluating bids for listed companies, including Karo Pharma's valuation relative to comparable companies and comparable acquisitions, the stock market's expectations on the Company and the Board of Director's view on the Company's value based on its long-term cash flow generation.

In the Board of Directors' opinion, Karo Pharma has a viable strategy going forward and the Board of Directors has full confidence in the management's ability to execute on the Company's current stated strategy. The Board of Directors is convinced that EQT VIII is very well positioned to support Karo Pharma upon the execution of its strategy thanks to EQT VIII's vast sector experience combined with financial resources and focus on long term value creation. With EQT VIII as the new owner, leveraging its unique global network, Karo Pharma will have the right support in its transformation journey which already has been successfully started and also be able to continue to build Karo Pharma's scalable business platform.

The Board of Directors notes that the Offer implies a premium of approximately 25.3 per cent compared to the closing price for the Karo Pharma share on Nasdaq Stockholm on 26 October 2018, which was the last day of trading prior to the announcement of the Offer, and a premium of approximately 17.2 per cent and 17.3 per cent compared to the volume weighted average price for the Karo Pharma share on Nasdaq Stockholm during the last 30 and 180 trading days, respectively, prior to announcement of the Offer.

Furthermore, the Board of Directors has considered the Opinion by Deloitte, according to which the Offer is fair to Karo Pharma's shareholders from a financial point of view (subject to the assumptions and considerations set out in the Opinion).

Based on these considerations, the Board of Directors considers the terms of the Offer to correspond, in all relevant aspects, to Karo Pharma's future growth opportunities, as well as the risks associated with these opportunities.

**On this basis, the Board of Directors unanimously recommends the shareholders of Karo Pharma to accept the Offer.**

Under the Takeover Rules, the Board of Directors must, based on the statements made by EQT VIII in its press release issued earlier today, present its opinion regarding the impact that the implementation of the Offer will have on Karo Pharma, particularly in terms of employment, and its opinion regarding EQT VIII's strategic plans for Karo Pharma and the effects it is anticipated that such plans will have on employment and on the places in which Karo Pharma conducts its business. In this respect, the Board of Directors notes that EQT VIII has stated that:

*"EQT places great value on Karo Pharma's organization, and expects that the Offer will support growth and create long-term positive effects for employees and other stakeholders. EQT VIII does not expect the Offer to have any negative impact for Karo Pharma's organisation, employees, including their terms of employment, or on the locations of Karo Pharma's operations."*

The Board of Directors has no reason to question these statements.

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This statement shall in all respects be governed by and construed in accordance with Swedish law. Disputes arising from this statement shall be settled exclusively by Swedish courts. This statement

has been made in a Swedish and English version. In case of any discrepancies between the Swedish and the English text, the Swedish text shall prevail.

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Stockholm, 29 October 2018

**Karo Pharma Aktiebolag**

*The Board of Directors*

**For additional information please contact:**

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*The information in the press release is information that Karo Pharma is obliged to make public pursuant to the EU Market Abuse Regulation and the Takeover Rules. The information was submitted for publication, through the agency of the contact person set out above, at 07:45 CET on 29 October 2018.*

**About Karo Pharma**

Karo Pharma is a Specialty Pharma company, which develops and markets products for pharmacies as well as directly to the healthcare sector. Karo Pharma is listed on Nasdaq Stockholm Mid Cap.

The Board of Directors

Karo Pharma AB

Nybrokajen 7

111 48 Stockholm

## **Opinion**

EQT VIII, via the wholly owned subsidiary Fund VIII Swe Bidco AB, under name change to Karo Intressenter AB ("Karo Intressenter"), has on 29 October 2018 announced a public offer to acquire all outstanding shares in Karo Pharma AB ("Karo Pharma").

In summary Karo Intressenter offers SEK 36.90 in cash for each share in Karo Pharma ("the Offer").

Completion of the Offer is conditional upon customary conditions, inter alia, being accepted to such an extent that Karo Intressenter becomes the owner of more than 90 per cent of the total number of the outstanding shares in Karo Pharma as well as the receipt of all necessary regulatory or similar clearances, approvals and decisions, including from competition authorities, in each case on terms which, in Karo Intressenter's opinion, are acceptable.

In light of the above, the Board of Directors of Karo Pharma has engaged Deloitte AB ("Deloitte") to, in the capacity of being an independent expert, issue an opinion on the fairness of the Offer from a financial point of view for the shareholders of Karo Pharma.

For this analysis, we have:

- a) Reviewed the Offer;
- b) Reviewed historical public and internal financial information related to Karo Pharma;
- c) Analysed certain forecasts and other internal forward looking information related to Karo Pharma;
- d) Held discussions with representatives of Karo Pharma's management and Board of Directors; and
- e) Conducted other financial analyses and investigations that we have deemed to be appropriate.

It is assumed that the information received is correct and complete and no independent control or verification has been carried out. Deloitte does not assume any responsibility for any inaccuracy or

incorrectness in the information received. If it is determined that the information we received was inaccurate or incomplete, this could mean that our conclusion is incorrect.

Our opinion is based on macroeconomic, financial, market related, and other conditions, as well as other information provided to us as of the date of our opinion. We assume no responsibility for events occurring after this date, which could affect this opinion and the assumptions that it is based upon.

Our fee for this engagement does not depend on the size of the consideration, to what extent the Offer is accepted or whether the Offer is completed or not.

This opinion is governed by Swedish law.

Based on the analyses, assumptions and reservations above, we are of the opinion, as of the date hereof, that the Offer is fair from a financial point of view for the shareholders of Karo Pharma.

Stockholm, 29 October 2018

Deloitte AB

Mats Lindqvist

Partner, Valuation & Modelling