



INTERIM REPORT JANUARY – MARCH 2017

FIRST QUARTER

- Net sales amounted to MSEK 139.3 (82.3), equivalent to an increase of 69.3%. Growth was mainly due to acquisitions.
- EBITDA amounted to MSEK 43.7 (9.3), which corresponds to a margin of 31.4% (11.3%)
- Cash flow from operating activities amounted to MSEK 34.9 (-61.0)
- Earnings per share was SEK 0.29 (0.05)
- Cash and cash equivalents and other short-term investments at the end of the period amounted to MSEK 166.1 (11.2)
- A rights issue raised a total of MSEK 374

SIGNIFICANT EVENTS AFTER PERIOD END

- Pfizer pays a milestone of MUSD 2
- Change of CEO:
Maria Sjöberg resigns, Peter Blom is appointed new CEO
Background: Karo Pharma is evolving from a preclinical research company to a Specialty Pharma company
- Babyslide will be launched in October

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 or by telephone +46 8 505 564 74. Questions may be submitted over the internet or by the telephone.

COMMENT ON OPERATIONS

Karo Pharma continues its positive development as a "Specialty Pharma" healthcare company. During the quarter we delivered growth with increased profitability.

The costly early projects have either been out-licensed or are managed virtually. This way we have lowered the cost level and, moreover have partners for projects that provide us with the opportunity of future milestones and royalties.

2017 is an important year for Karo Pharma to develop its operations to a new level, with continued growth and increased profitability.

The company's changed focus has led to a change of CEO. Maria Sjöberg has been

very helpful in bringing about changes within the organization.

Our focus is now to develop into a Specialty Pharma company with strong market orientation. Peter Blom currently deputy CEO, who has long experience in consumer goods, has successfully led the market organization within Karo Pharma over the past two years. Most recently, Peter comes from Swereco Group where he was Sales Director since 2011. Prior to that, Peter has held senior positions in Sony Sweden, Viasat and Valio. Peter has been appointed by the Board as new CEO.

We have several interesting products that are facing launch. One of these is Babyslide, which will be launched in the fall. Babyslide is a new patented Swedish invention aimed at reducing the

risk of ruptures at childbirth. The product has been tried by more than 1,100 women in the obstetrics departments in Helsingborg, Lund and Malmö, and has proven to be very effective – 30 percent more women managed without ruptures using Babyslide compared with the control group. Work on identifying and evaluating different types of acquisition opportunities continues in parallel with the organic growth of operations.

This makes the company well prepared to lead the consolidation in the sector.

Karo Pharma is an interesting option for shareholders who want to invest in the health care area. The company is not cyclical and we are confident in our ability to continue delivering a good development to our shareholders.

Anders Lönner
Chairman

KEY FINANCIAL DATA

(MSEK)	January - March		Full year
	2017	2016	2016
Net sales	139.3	82.3	347.3
Gross earnings	74.8	37.3	148.7
Gross margin, %	53.7	45.7	43.7
Operating expenses	-43.4	-28.0	-119.2
Earnings before tax	43.7	9.3	51.7
EBITDA, %	31.4	11.4	15.2
Earnings before tax	19.42	2.8	19.8
Earnings per share (SEK)	0.29	0.05	1.59
Cash flow from operating activities	34.9	-61.0	-36.1
Cash and cash equivalents	166.1	11.2	121.3

SALES AND EARNINGS

Net sales for quarter 1 2017 increased to MSEK 139.3 (82.3). Sales consist mainly of product sales.

Cost of goods sold amounted to MSEK 64.5 (45.0). This resulted in a gross profit of SEK 74.8 M (37.3) and a gross margin of 53.7 (45.7) percent for the period.

Operating expenses, including depreciation and amortization of other operating income, amounted to MSEK 43.4 (32.8). Sales expenses amounted to MSEK 34.7 (24.9).

Research and development costs amounted to MSEK 1.4 (1.7). Partners develop the projects and assume responsibility for the costs.

Operating profit amounted to MSEK 31.4 (4.6).

Earnings per share amounted to SEK 0.29 (0.05).

CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities amounted to MSEK 34 (-61.0). The Group's cash and cash equivalents amounted to MSEK 166.1 (11.2) at the end of the period. Intangible assets accounted for

MSEK 1 420.2 (480.5) of the balance sheet total at the end of the period.

During the period, a short-term bridge loan of MSEK 350 in connection with the acquisition of BioPhausia was dissolved. As a result, the Group's short-term liabilities decreased during the period by MSEK 335. The acquisition resulted in the Group's long-term liabilities compared with the corresponding period last year increased to MSEK 505.4 (21.0). Short-term liabilities decreased to MSEK 120.6 (176.1).

The Group's equity increased to MSEK 1104.4 (367.6), which, after considering the profit for the period, corresponded to SEK 15.11 (6.87) per share. The equity ratio was 61.7 (61.0) percent

PARENT COMPANY

The parent company's net sales for the first quarter of 2017 amounted to MSEK 6.8 (9.1).

Profit after financial items amounted to MSEK -11.6 (-2.9).

The Parent Company's equivalent funds and other short-term investments amounted to MSEK

106.0 (9.1) at the end of the period.

IMPORTANT EVENTS

An extraordinary general meeting January 18 resolved on a rights issue of MSEK 374 before transaction costs of approximately SEK 24 million, to repay part of the loans raised in connection with the acquisition of BioPhausia. The issue was subscribed to approximately 132 percent, of which 98.5 percent of the shares were subscribed under subscription rights. Share capital increased by SEK 7,303,599 by issuing 18,259,198 shares.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Pfizer pays a milestone of MUS\$ 2.

Maria Sjöberg will terminate her position as CEO. A new CEO has been appointed by the Board, the current deputy CEO Peter Blom.

TRANSACTIONS WITH RELATED PARTIES

No related party transactions were conducted during the first quarter.

RISKS

The Group is exposed to a number of risks and insecurities. Wrongful, delayed or missing deliveries from the Group's suppliers mean that the Group's deliveries also may be delayed, inadequate or wrong. The Group is also exposed to exchange rate fluctuations. It is not guaranteed that Group operations will not be subject to restrictions from governmental agencies or that the Group will receive necessary future authority approvals. There is a risk that the Group's ability to develop products decreases or that the products will not be launched according to set schedules. These risks may involve decreased sales and a negative effect on Group earnings.

ANNUAL GENERAL MEETING

The Annual General Meeting of Karo Pharma AB will take place on Thursday, May 11, 16.00 in Business House at Storgatan 19 in Stockholm.

DIVIDEND

Considering the company's earnings capacity, the Board has decided to propose that the Annual General Meeting resolves on a dividend per share of SEK 0.50. The dividend consists of SEK 0.22 per share as a one-time dividend from the sale of shares in Oasmia and a dividend of SEK 0.28 per share.

ACCOUNTING AND VALUATION PRINCIPLES

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

As regards the Parent Company, this interim report has been prepared in accordance with the Annual Accounts Act and RFR 2 Accounting for Legal Entities. The accounting policies applied to the parent company differ from those applying to the Group solely for

the purposes of accounting for leases.

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 as well as over tele-phone + 46 8-505 56 474. Questions can be submitted both over the Internet and over the phone.

Stockholm May 10, 2017

The Board of Directors

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 May 10, 2017 at 8.00 a.m. CET.

AUDITOR'S REVIEW

This interim report has not been reviewed by the auditors.

FINANCIAL REPORTS

AGM	May 11, 2017
Interim report Jan-June	Aug 24, 2017
Interim report Jan-Sept	Nov 2, 2017
Year-end report	Feb 22, 2018

CONSOLIDATED INCOME STATEMENT SUMMARY (KSEK)

	January - March		Full year
	2017	2016	2016
Net sales	139 333	82 300	347 261
Cost of sales	-64 540	-44 974	-198 536
Gross earnings	74 793	37 326	148 725
Operating expenses			
Distribution costs	-34 653	-24 859	-112 787
Administration	-7 565	-6 196	-28 689
Research and development	-1 361	-1 715	-5 259
Other operating income/expenses	213	6	27 583
	-43 366	-32 763	-119 152
Operating result	31 427	4 563	29 573
Financial net	-12 007	-1 807	-9 735
Earnings before Tax	19 420	2 756	19 838
Tax	1 930	-	75 718
NET EARNINGS	21 350	2 756	95 556
Net earnings attributable to:			
Shareholders in the parent company	21 352	2 765	95 554
Non-controlling interests	-2	-9	2
Earnings / loss per share (SEK) 1	0,29	0,05	1,59
Number of shares issued (000)	82 166	49 926	63 907

¹ 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)

	January - March		Full year
	2017	2016	2016
NET EARNINGS FOR THE YEAR	21 350	2 756	95 556
Other comprehensive income for the year, net of tax			
Exchange rate differences	39	220	357
TOTAL COMPREHENSIVE INCOME	21 389	2 976	95 913
Total comprehensive income attributable to:			
Shareholders of the parent company	21 391	2 985	95 911
Non-controlling interests	-2	-9	2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (KSEK)

	March 31		Dec 31
	2017	2016	2016
Intangible assets	1 420 213	480 471	1 432 012
Equipment	12 537	5 504	12 297
Other financial assets	9 465	21	37 801
Other current assets	179 640	104 952	169 390
Cash and cash equivalents	166 110	11 219	121 346
TOTAL ASSETS	1 787 965	602 167	1 772 846
Shareholders' equity and liabilities			
Equity	1 104 374	367 559	717 012
Deferred tax	57 467	37 447	59 371
Long term debt	505 489	21 026	456 580
Current liabilities	120 635	176 135	539 883
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1 787 965	602 167	1 772 846

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
Rights issue, net proceeds	7 304	358 670	-	-	365 973
Total comprehensive income	-	-	21 391	-2	21 389
Amount at March 31, 2017	32 867	2 084 770	-1 013 382	120	1 104 375

CONSOLIDATED STATEMENT OF CASH FLOWS (KSEK)

	January - March		Full year
	2017	2016	2016
Operating activities			
Operating income/loss before financial items	31 427	4 563	29 573
Depreciation	12 313	4 719	22 110
Other items not affecting liquid assets		118	-26 652
	43 740	9 400	25 031
Financial items received and paid	-2 858	-155	-17 077
Income tax paid	-1 618	-155	-17 077
Cash flow from operating activities before changes in working capital	39 264	9 245	7 954
Changes in working capital	-4 393	-70 274	-44 072
Cash flow from operating activities	34 871	-61 029	-36 118
Investing activities			
Net investment in company acquisitions	-2 025	-1 557	-2 087
Net investment in intangible assets	-75	-759	-926 183
Net investment in other financial instruments	17 786	-	-
Net investment in equipment	-719	-426	-67 656
Cash flow from investing activities	14 967	-2 742	-995 927
Financing activities			
Net proceeds from share issues	374 014	-	279 628
Transaction costs share issue 1)	-8 040	-	-22 070
Warrants		-	460
Borrowings		-	900 000
Repayment of borrowings	-371 000	-1 500	-80 055
Transactions with minorities		-	-1 561
Cash flow from financing activities	-5 026	-1 500	1 076 402
Cash flow for the period	44 812	-65 271	44 357
Cash at the beginning of the period	121 346	76 490	76 490
Currency exchange in cash	-48	-	499
Cash at the end of the period	166 110	11 219	121 346

¹⁾ Comprises the portion of transaction related costs that has been paid during the period

PARENT COMPANY INCOME STATEMENT SUMMARY (KSEK)

	January - March		Full year
	2017	2016	2016
Net sales	6 847	9 082	48 885
Cost of sales	-10	-4 133	-12 567
Gross earnings	6 837	4 949	36 318
Operating expenses			
Distribution costs	-1 031	-56	-4 079
Administration	-4 083	-4 521	-20 126
Research and development	-1 361	-1 549	-5 259
Other operating income/expenses	-8	-4	28 956
	-6 484	-6 130	-508
Operating result	354	-1 181	35 810
Financial net	-11 905	-1 763	-34 938
Earnings after financial items	-11 551	-2 944	872
Group contributions paid			-1 260
Tax		-	75 000
NET EARNINGS	-11 551	-2 944	74 612

*Distribution costs consist of depreciation of brands which were reported separately during the corresponding period last year.

PARENT COMPANY BALANCE SHEET SUMMARY (KSEK)

	March 31		Dec 31
	2017	2016	2016
Intangible assets	75 373	73 706	76 328
Equipment	490	1 195	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	80 886	17 718	61 283
Cash and cash equivalents	105 984	9 091	85 743
TOTAL ASSETS	1 646 120	501 076	1 635 744
Equity and liabilities			
Total restricted equity	32 866	19 970	25 563
Total non-restricted equity	1 033 974	355 655	686 855
Non-current liabilities	519 201	15 537	448 450
Current liabilities	60 078	109 914	474 876
TOTAL EQUITY AND LIABILITIES	1 646 120	501 076	1 635 744