

KARO PHARMA

INTERIM REPORT THE FIRST QUARTER 2019

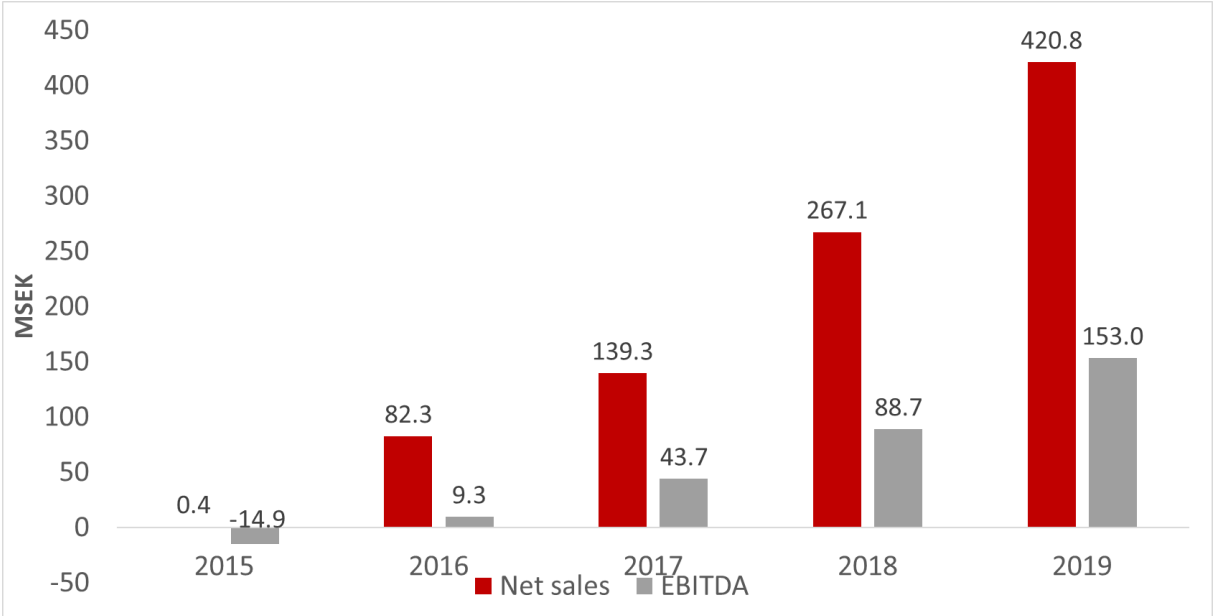
- Net sales amounted to MSEK 420.8 (267.1). This corresponds to an increase of 58%. The growth is attributable to products acquired during the period.
- Net sales decreased by 6% compared to pro forma numbers for the same period 2018. At comparable exchange rates, sales decreased by 8%. The decrease in net sales is mainly attributable to the Norwegian market, where a weak flu season and residual order situation affected the outcome.
- EBITDA amounted to MSEK 153.0 (88.7), corresponding to an EBITDA margin of 36.4% (33.3%).
- The gross margin was 55.8% (56.8%).
- Cash flow from operating activities amounted to MSEK 91.8 (41.5).
- Earnings per share were SEK 0.25 (0.45).
- Cash and short-term investments amounted to MSEK 493.6 (295.2) at period end.

- On January 2, 2019, Karo Intressenter announced that it raised the consideration in its cash offer to SEK 38.00 for each share in Karo Pharma, that they extended the acceptance period until January 17, 2019, and that the condition relating to obtaining the required regulatory and regulatory permits, approvals, decisions or similar had been fulfilled. The offer was later extended until February 12th.
- An extraordinary general meeting on February 14, resolved that the board of directors shall consist of six ordinary board members without deputies. The general meeting resolved on the re-election of Håkan Åström and the new election of Bo Jesper Hansen, Erika Henriksson, Vesa Koskinen, Christoffer Lorenzen and Åsa Riisberg to the Board of Directors until the end of the Annual General Meeting 2019.

IMPORTANT EVENTS AFTER PERIOD END

- On April 3, 2019, it was announced that Karo Pharma's Board appointed Christoffer Lorenzen as the new CEO of Karo Pharma, thereby replacing Peter Blom. Christoffer assumes his new position on July 1, 2019. Until then, Ulf Mattsson has the role of acting CEO.

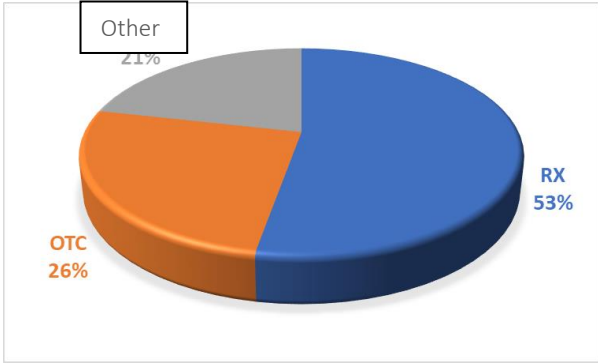
DEVELOPMENT Jan - Mar 2015 – 2018



KARO PHARMA'S 10 LARGEST DRUGS JAN – MAR

Product	Turnover
Selexid	47 120
Locobase	43 040
Kaleorid	35 554
Burinex	34 298
Paracet	33 595
Mollipect	29 424
Ibux	19 806
Centyl	14 981
Paralgin	
Forte	13 007
Lithionit	10 443
Total	281 267

TURNOVER BY CATEGORY JAN – MAR



Rx – Prescription drugs
 OTC – Over the counter drugs (non-prescription)

COMMENT ON OPERATIONS

During the first quarter of 2019, revenues continued to grow with 58 per cent. Pro-forma sales declined, partly due to a weak influenza season in Norway and delivery problems at a manufacturer. The quarter was positively impacted by the acquired products from LEO Pharma. Integration of the product portfolio from LEO Pharma is now in its final phase and we note that our key markets outside the Nordic region are developing positively. Our main focus in 2019 will be to continue to develop and optimize the business and to launch the new products we have in plan.

Karo Pharma has grown sharply in recent years, mainly driven by strategic acquisitions. In a short time, the company has established itself as a successful Specialty Pharma company in the Nordic region and has now entered Europe. In January 2019, EQT, through Karo Intressenter AB, acquired a majority stake in Karo Pharma. EQT will be able to support the company with both expertise and capital, which will be critical for implementing the company's strategy going forward and achieving our long-term goals.

An extraordinary general meeting in February decided to elect a new Board of Directors under Bo Jesper Hansen's leadership. The new board has appointed Christoffer Lorenzen as the new CEO of Karo Pharma from July 1, 2019. Until then, I have been given the opportunity to assume the role of acting CEO. During April, I familiarized myself with the business and worked intensively with the management to enable Karo Pharma's continued growth journey and to help Christoffer to a flying start. I have great confidence in Karo Pharma's prospects of becoming a successful international Specialty Pharma company.

Ulf Mattsson

Acting CEO

KEY FINANCIAL DATA (MSEK)

	Jan – Mar 2019	2018	Full year 2018
Net sales	420.8	267.1	1 615.1
Gross profit	234.8	151.6	938.8
Operating costs	-147.4	-88.0	-524.4
EBITDA	153.0	88.7	632.2
EBITDA margin, %	36.3%	33.2%	39.1%
Profit before tax	51.0	48.3	290.2
EPS ¹ , SEK	0.25	0.45	4.63
Cash flow from operating activities	91.8	41.5	318.0
Cash	493.6	295.2	398.6

¹ Taking into account the bonus element in the rights issue and that outstanding warrants do not imply any dilution.

SALES AND EARNINGS

Net sales for the first quarter 2019 increased to MSEK 420.8 (267.1), which is an increase of 58 per cent.

Cost of goods sold amounted to MSEK 186.0 (115.5), resulting in a gross profit for the period of MSEK 234.8 (151.6) and a gross margin of 55.8 (56.8) per cent.

Operating expenses including depreciation, other operating income and other operating expenses, amounted to MSEK 147.4 (88.0). Sales expenses amounted to MSEK 123.3 (74.0). The increase in sales costs is mainly attributable to costs related to the acquisition of the product portfolio from Leo and the build-up of an own organization with, among other things, its own subsidiaries in Denmark and Finland.

Operating profit amounted to MSEK 87.4 (63.6).

Earnings per share amounted to SEK 0.25 (0.45).

CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities amounted to MSEK 91.8 (41.5). Group cash and cash equivalents amounted to MSEK 493.6 (295.2) at the end of the period. The single largest changes compared with the previous year are cash flow linked to the acquisition of the product portfolio from Leo. Total assets amounted to MSEK 7,013.8 (3,674.8) on March 31, 2019 (March

31, 2018), whereof intangible assets MSEK 5,429.8 (2,976.1). The change from the previous year mainly refers to intangible assets and working capital stemming from the acquisition of the product portfolio from Leo.

Group equity increased to MSEK 3,704.6 (1,876.7).

The equity ratio was 52.8 (51.1) per cent.

PARENT COMPANY

The Parent Company's net sales for the period amounted to MSEK 188.9 (2.1). Profit after financial items for the period amounted to MSEK 7.6 (-18.0). The Parent Company's cash and cash equivalents and other short-term investments amounted to MSEK 298.6 (165.3) at the end of the period.

RISKS

The Group is exposed to a number of risks and insecurities.

CHANGES IN REGULATIONS AND HEALTHCARE SYSTEMS

Future changes in health care systems may be implemented in countries where the company and its partners intend to market pharmaceuticals. Such changes may affect the sales potential of these products as well as the ability to enlist new partners.

PATIENT SAFETY

Access to health care and medicine is a crucial issue for the industry. Karo Pharma applies strict standards to ensure the safety and quality of all products marketed by the company. The standard within the Good Manufacturing Practice, GMP is applicable to all pharmaceutical products and the requirements are the same regardless of where the production takes place. Also, for non-pharmaceutical products, there are different quality and safety guidelines.

SIDE EFFECTS

Any use of medicines is associated with the risk of side effects of different kinds and to different extent. Concomitant use of multiple drugs or ingestion of food or drink may alter the effect of the drug. Karo Pharma works for the safe use of medicines through an inhouse department. All potential

side effects are reported to the pharmaceutical authority. During the period there were no significant incidents in pharmacovigilance.

IT

The company is exposed to risks related to IT. These can be intrusion into the company's computer systems, e-mail and connection to networks. Viruses and spam attacks can in vulnerable situations affect the company's entire business.

OTHER

Wrongful, delayed or missing deliveries from Group suppliers may result in Group deliveries also being delayed, inadequate or faulty. The Group is also exposed to exchange rate fluctuations. It cannot be guaranteed that Group operations will not be subject to restrictions by governmental agencies or that the Group will receive necessary future regulatory approvals. There is a risk that the Group's ability to develop products diminishes or that the products will not be launched according to set schedules. These risks may involve lower sales and negatively impact Group earnings.

SIGNIFICANT EVENTS AFTER PERIOD END

On April 3, 2019, it was announced that Karo Pharma's Board appointed Christoffer Lorenzen as the new CEO of Karo Pharma, thereby replacing Peter Blom. Christoffer assumes his position on July 1, 2019. Until then, Ulf Mattsson has been appointed acting CEO.

Christoffer Lorenzen, born 1975, is currently deputy CEO and member of the executive board of Chr. Hansen Holding A/S, listed on the Copenhagen Stock Exchange. He holds a master degree in marketing from Copenhagen Business School and is a Board Member of Hamlet Protein and Vice Chairman of the European Food & Feed Cultures Association. He has previously been Head of Corporate Strategy at H. Lundbeck A/S. In February this year, he was elected to Karo Pharma's Board, an assignment he will leave in connection with Karo Pharma's annual general meeting.

Ulf Mattsson has been an industrial advisor to EQT for over ten years. He has previously been CEO of Gambro, Capio, Mölnlycke Healthcare and

Domco Tarkett and has lived in Sweden, Germany, UK, USA and Canada. Ulf has also had several board assignments in listed and unlisted companies.

AUDITORS REVIEW

This report has not been subject to auditor's review.

FINANCIAL CALENDAR

AGM	May 16, 2019
Interim report Jan-June	July 19, 2019
Interim report Jan-Sept	Nov 1, 2019
Year-end report 2019	Feb 13, 2019

All reports will be available on the corporate web site at the respective dates above.

Stockholm on April 26, 2019

Karo Pharma AB (publ)

Ulf Mattsson
Acting CEO

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 April 26, 2019 at 8.30 a.m. CET.

CONSOLIDATED INCOME STATEMENT SUMMARY (TSEK)

	January - March 2019	2018	Full year 2018
Net sales	420 822	267 063	1 615 109
Cost of sales	-185 983	-115 493	-676 349
Gross profit	234 839	151 571	938 760
Operating costs			
Distribution costs	-123 349	-74 036	-442 970
Administration	-24 499	-14 355	-78 505
Research and development	0	-400	-615
Other operating income/expenses	400	776	-2 350
Total operating costs	-147 447	-88 016	-524 440
Operating profit	87 392	63 555	414 320
Financial net	-36 355	-15 208	-124 155
Profit before tax	51 037	48 347	290 165
Tax	-10 757	-1 184	367 227
NET PROFIT	40 280	47 163	657 392
Net earnings attributable to:			
Shareholders in the parent company	40 281	47 164	657 376
Non-controlling interests	0	-1	16
Earnings per share (SEK) ¹	0.25	0.45	4.63
Number of shares issued (000)	164 333	109 555	164 333

¹Taking into account the bonus element in the rights issue.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (TSEK)

	January - March		Full year
	2019	2018	2018
NET PROFIT FOR THE PERIOD	40 280	47 163	657 392
Other comprehensive income for the period, net of tax			
Exchange rate differences	53 303	65 897	23 482
TOTAL COMPREHENSIVE INCOME	93 583	113 060	680 875
Total comprehensive income attributable to:			
Shareholders in the parent company	93 583	113 061	680 859
Non-controlling interests	0	-1	16

CONSOLIDATED REPORT OVER FINANCIAL POSITION (TSEK)

	31 March		31 December	Change
	2019	2018	2018	
Assets				
Intangible assets	5 429 823	2 976 131	5 424 689	5 134
Equipment	18 031	14 945	16 793	1 238
Utilization rights	11 483	0	0	11 483
Deferred tax claim	533 185	76 838	530 950	2 235
Other financial assets	136	136	136	0
Other current assets	527 574	311 539	513 491	14 083
Cash and cash equivalents	493 569	295 189	398 580	94 988
TOTAL ASSETS	7 013 801	3 674 778	6 884 639	3 339 023
Shareholders' equity and liabilities				
Equity	3 704 585	1 876 744	3 611 001	93 583
Deferred tax	142 981	83 332	144 479	-1 498
Long term debt	1 875 682	1 456 374	1 836 083	39 599
Current liabilities	1 290 554	258 328	1 293 075	-2 521
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	7 013 801	3 674 778	6 884 639	3 339 023

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (TSEK)

Attributable to shareholders in the parent company	Share capital	Ongoing rights issue	Other contributed capital	Retained earnings	Non-controlling interest	Total equity
Amount at Jan 1, 2018	32 866	8 501	2 627 015	-1 081 907	40	1 586 515
Total earnings				680 859	16	680 875
Dividend				-32 867	-	-32 867
Rights issue after transaction costs and deferred taxes	32 867	-8 501	1 429 063			1 453 429
Share buy-backs				-76 951		-76 951
Amount at Dec 31, 2018	65 733	-	4 056 078	-510 866	56	3 611 001
Amount at Jan 1, 2019	65 733	-	4 056 078	-510 866	56	3 611 001
Total earnings				93 583	-0	93 583
Divident				0	-	0
Share buy-backs				0		0
Rights issue, net proceeds	0	-	0			0
Amount at March 31, 2019	65 733	0	4 056 078	-417 283	56	3 704 584

CONSOLIDATED STATEMENT OF CASH FLOWS (TSEK)

	January - March 2019	2018	Full year 2018
Operating activities			
Operating income/loss before financial items	87 392	63 555	414 320
Depreciation	65 574	25 395	217 869
Other items not affecting liquid assets	0	1	-1 443
	<u>152 966</u>	<u>88 951</u>	<u>630 747</u>
Financial items received and paid			
Financial items received and paid	-29 812	-24 013	-156 850
Income tax paid	-475	-1 123	-257
	<u>122 679</u>	<u>63 815</u>	<u>473 639</u>
Changes in working capital			
Changes in working capital	-30 879	-22 287	-155 608
Cash flow from operating activities	<u>91 800</u>	<u>41 528</u>	<u>318 031</u>
Investing activities			
Net investment in company acquisitions	0	0	-2 673 216
Net investment in intangible assets	-6 917	-1 354	-14 881
Net investment in other financial instruments	0	0	0
Net investment in equipment	-1 532	-703	-4 033
Cash flow from investing activities	<u>-8 449</u>	<u>-2 057</u>	<u>-2 692 130</u>
Financing activities			
Net proceeds from share issues	0	177 980	1 492 642
Transaction costs share issue	0	-48 878	-98 340
Share buy-backs	0	0	-76 951
Dividend	0	0	-32 867
Warrants	0	0	0
Borrowings	0	0	4 243 507
Repayment of loans	-1 145	-719 643	-3 596 753
Transactions with minorities	0	0	0
Cash flow from financing activities	<u>-1 145</u>	<u>-590 541</u>	<u>1 931 238</u>
Cash flow for the period			
Cash flow for the period	82 206	-551 069	-442 861
Cash at the beginning of the period	398 580	838 586	838 586
Currency exchange in cash	12 783	7 673	2 855
Cash at the end of the period	<u>493 569</u>	<u>295 189</u>	<u>398 580</u>

PARENT COMPANY INCOME STATEMENT SUMMARY (TSEK)

	January - March		Full year
	2019	2018	2018
Net sales	188 946	2 086	655 551
Cost of sales	-82 552	0	-235 254
Gross profit/loss	106 393	2 086	420 297
Operating costs			
Sales costs	-55 447	-1 147	-166 874
Administration	-10 012	-6 445	-40 509
Research and development	0	-400	-615
Other operating income/expenses	330	1 097	-1 438
Total operating costs	-65 129	-6 895	-209 435
Operating profit/loss	41 264	-4 809	210 861
Financial net	-33 574	-13 232	-113 419
Profit/loss before tax	7 690	-18 042	97 442
Group contributions paid	0	0	55 862
Tax	-1 839	0	395 754
NET PROFIT/LOSS	5 851	-18 042	549 058

PARENT COMPANY BALANCE SHEET SUMMARY (TSEK)

	31 March		31 December
	2019	2018	2018
Assets			
Intangible assets	2 585 402	76 486	2 625 210
Equipment	1 101	8	152
Deferred tax receivables	480 229	75 000	481 814
Other financial assets	362 806	371 944	358 587
Shares in group companies	2 565 982	2 646 768	2 565 982
Other current assets	253 646	35 524	283 840
Cash	298 589	165 339	198 004
TOTAL ASSETS	6 547 755	3 371 070	6 513 589
Shareholders' equity and liabilities			
Equity	3 505 962	1 766 569	3 500 111
Deferred taxes	0	0	0
Long term debt	1 880 370	1 467 756	1 847 889
Current liabilities	1 161 423	136 745	1 165 589
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	6 547 755	3 371 070	6 513 589

Note 1

ACCOUNTING AND VALUATION PRINCIPLES

This report has been prepared in accordance with International Accounting Standards 34 regarding interim reports and international accounting standards IFRS as adopted by the EU. The accounting and valuation principles that have been used are unchanged compared to those that were applied in 2017, with the exception of what is stated below in this note under new accounting principles for 2018.

Regarding the Parent Company, this annual report has been prepared in accordance with the Annual Accounts Act and RFR 2 Accounting for Legal Entities. The accounting principles applied for the Parent Company differ from those applied for the Group solely with respect to the accounting of leasing agreements.

Note 2

LOSS CARRYFORWARDS

As of the balance sheet date, Karo Pharma AB has unutilized loss carryforwards of MSEK 2,218 and in Karo Pharma AS of MSEK 743. With regard to the Group's expected profit development, the deficits are fully valued in the balance sheet.

Note 3

DEFINITIONS

In the report, a number of financial performance measures are referred to which are not defined by IFRS. These measures are used to help investors, management and other stakeholders to analyze the company's operations. These measures may differ from measures with similar names at other companies.

Below are a number of financial performance measures and how these are used to analyze the company's goals.

For further definitions, see the Annual Report 2018 under the heading definitions.

Financial performance measure	Definition	Purpose
Average number of shares	Weighted average number of shares	
Earnings per share	Earnings per average number of shares	
Equity ratio	Equity as a percentage of Total assets	The equity ratio is relevant for investors and other stakeholders who want to assess the company's financial stability and ability to manage long term.
Gross margin	Gross earnings as a percentage of Net sales.	Gross earnings is used to show the company's margin before the impact of costs such as sales and administration costs and R & D.

Adjusted EBITDA	Operating earnings before depreciation excluding items affecting comparability	The financial performance measure shows the underlying earnings from operations, adjusted for effect of depreciation and items that affect comparisons over time. It provides a picture of earnings generated from ongoing operations.
Adjusted EBITDA margin	Adjusted EBITDA in relation to Net sales	The ratio is used to measure the profitability of ongoing operations.

Note 4

NEW ACCOUNTING PRINCIPLES FOR 2019

Karo Pharma has begun to apply the new accounting standard IFRS 16 Leasing as of January 1, 2019.

IFRS 16 is applied retroactively without recalculation of comparative figures. Thus, the incoming balance for 2019 has been recalculated in accordance with the new standard.

When applied in a forward-looking period, the debt is based on the remaining lease term.

As a lessee, Karo Pharma has carried out a detailed review and analysis of the Group's leasing agreements, whereby rental contracts for premises were identified as the single most significant. In addition to rental contracts, only a number of minor lease agreements have been identified, such as for vehicles.

Recognized utilization rights have not had the same value as the reported lease debt as of January 1, 2019 due to advance payment.

In the calculations made, leasing debt is expected to have an initial value of MSEK 11.9.

As well as utilization rights of MSEK 11.5. The difference consists of prepaid expenses and thus no transition effect is presented in equity.

Karo Pharma's assessment is that the transition to IFRS 16 has had no significant impact on the Group's earnings and financial position and cash flow statement.

The first time IFRS 16 is put into practice, Karo Pharma will also use the following exceptions:

- The same discount rate has been applied to leasing portfolios with similar characteristics
- Operating leases with a remaining lease term of less than 12 months as of January 1, 2019 have been reported as short-term lease agreements removed from the lease liability
- Direct acquisition costs for utilization rights have not been included in the transition
- Historical information has been used in the assessment of the length of a lease in cases where there are preferential rights to extend or terminate an agreement.

