

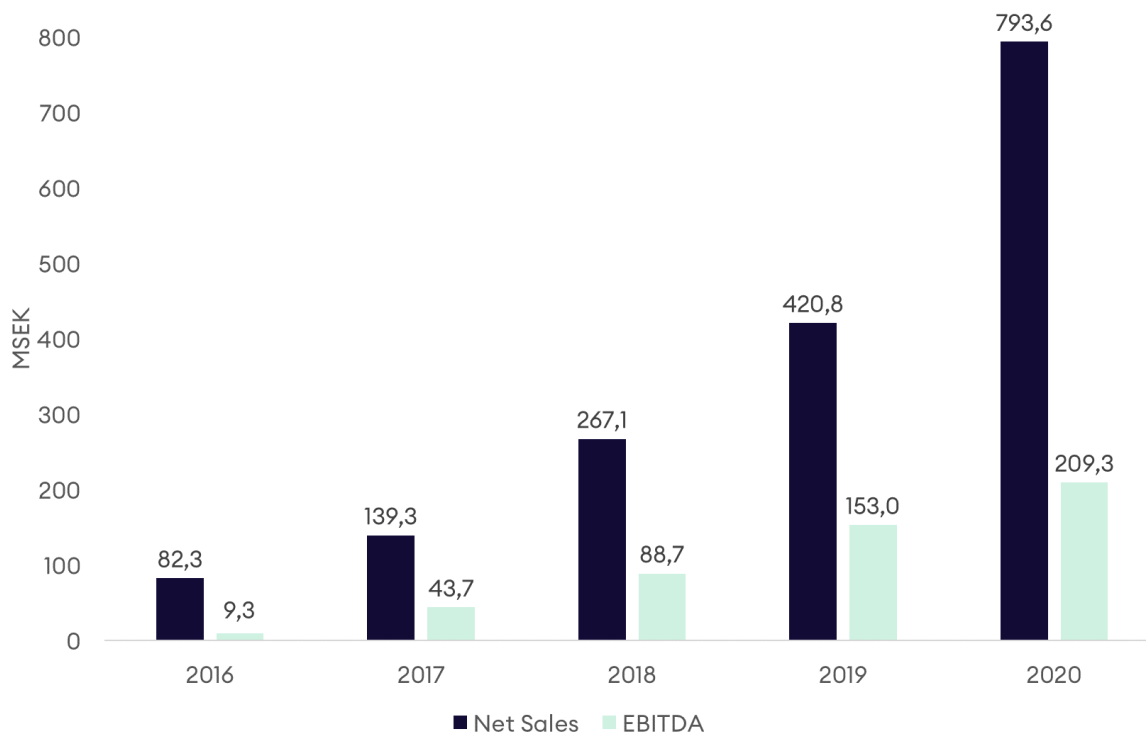
## Interim report Q1 2020

### January - March

- Net sales amounted to MSEK 793.6 (420.8). This corresponds to an increase of 89% for the period. The organic growth during the first quarter was 27%, currency impact -1% and 63% relates to the acquisition of Trimb in 2019 and the product portfolio acquired from Leo Pharma (see below).
- EBIT amounted to MSEK 104.1 (87.4) corresponding to a 19% growth.
- Adjusted EBITDA\* amounted to MSEK 213.2 (153.0) corresponding to a 39% growth. This excluding non-recurring, costs related to the acquisition of the Leo Pharma portfolio totalling MSEK 3.9 (0.0).
- The gross margin was 53.9% (55.8%) for the period. The margin for the period was negatively affected by a change in product mix coming from the Trimb acquisition.
- Cash flow from operating activities amounted to MSEK -9.8 (91.8). The negative cash flow has been affected by a fast growth of working capital, primarily trade receivables after an exceptional level of sales in March.
- Earnings per share was SEK 0.39 (0.25) before and after dilution.
- During the period, a product portfolio was acquired from Leo Pharma with all related rights and assets. The transaction closed on March 2, 2020.
- At the end of the period, cash and cash equivalents and other current investments amounted to MSEK 277.7 (248.8 at December 31, 2019) and net debt to MSEK 5 029.

\* Alternative Financial Ratios (APM), note 4 for further information.

## Key financials development Q1, 2016 – 2020



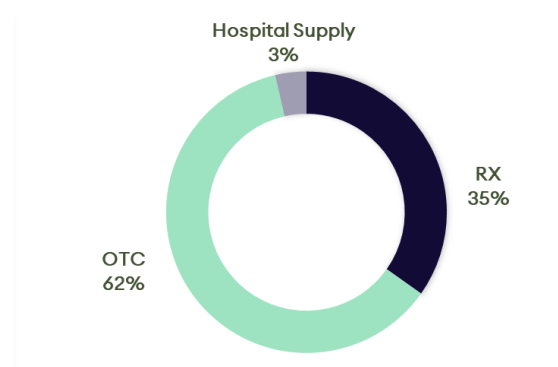
## Karo Pharma's 10 largest products Q1 (MSEK)

Products	2020	2019	Change
Paracet	82,1	33,6	144%
Selexid	55,9	46,9	19%
Ibux	46,9	19,8	137%
Flux 1)	42,9	0,0	n/ a
Burinex	38,9	34,3	14%
Locobase	38,8	42,9	-10%
Kaleorid	35,6	35,4	0%
Mollipect	32,0	29,3	10%
Multi-Gyn 1)	31,5	0,0	n/ a
Pevaryl 1)	21,9	0,0	n/ a
Other Products	367,0	178,6	105%
<b>Total</b>	<b>793,6</b>	<b>420,8</b>	<b>89%</b>

1) Sales of the Trimb portfolio started 2019-09-12

2) Sales of the Leo portfolio started 2020-03-02

## Turnover by category Q1



RX – Prescription drugs

OTC – Over the counter drugs (non-prescription)

## Comments by CEO Christoffer Lorenzen

During Q1 Karo Pharma realized growth of 89%, primarily driven by the acquisition of Trimb, which was completed in September 2019. Additionally, Karo Pharma generated organic growth of 27%, which was positively impacted by the COVID-19 crisis driving increased sales from selected Karo Pharma products during the period, notably within the Pain, Cough & Cold, Dermatology and Rx Pharma categories. There has been large variation in performance across markets and categories. For example, the Pain, Cough & Cold category grew by 77% in Q1 whereas the Footcare category contracted by 9%.

Our view is that the strong sales growth reflects a modest increase in actual market demand and consumption, while the main driver was build-up of inventories across wholesalers, pharmacies, and private homes. We expect that this one-off effect partially will be reversed in the remaining three quarters of the year, notably in Q2.

Karo Pharma's business model has proven robust and resilient in a difficult market environment. Supply performance from our CMO partners has been reliable considering the circumstances and our relationships with channel partners and commercial partners have helped us to respond effectively to volatile market conditions. However, uncertainties and risks are elevated, and we are yet to experience and evaluate the long-term impacts of economic slowdown and negative GDP growth on spending and general consumption patterns. We are monitoring the markets continuously and have developed a response plan, with relevant cost and risk reduction measures, which are being executed and will be further escalated should we see a slow-down in business activity.

In parallel we are continuing to develop the business and are continuing to execute in accordance with our long-term strategy and vision for the business. The integration of the Trimb transaction is progressing and we have launched a common purpose 'smart choices for everyday healthcare' as well as shared values for the new Karo. We are also continuing our work to integrate systems and processes and create a scalable business platform.

We have also been active in new business development and expansion and are executing on repatriations in Germany, Austria and the UK. We closed the acquisition of a portfolio of products from Leo Pharma in Q1, which will strengthen our position in the intimate care and dermatology spaces and improve our geographical footprint. We also acquired our Swiss distribution partner, Hygis SA, in order to serve the Swiss market directly.

Our continued investments into the business and its development translate into higher operating expenditures and increases in net working capital, which impact EBITDA margins and cash flow for the quarter and thereby the cash balance. The increased investments support our growth agenda and are required to build a scalable and efficient pan-European platform.

Christoffer Lorenzen

CEO

## Key financial data (MSEK)

	January - March			Full Year
	2020	2019	% Change	2019
Net Sales	793,6	420,8	89%	1901,2
Gross Profit	427,7	234,8	82%	984,0
Operating Cost	-323,7	-147,4	120%	-811,9
EBITDA	209,3	153,0	37%	491,9
EBITDA margin %	26,4%	36,3%		25,9%
Profit before tax	107,1	51,0	110%	16,6
EpS, SEK	0,39	0,25	57%	0,05
Cash Flow from operating activities	-9,8	91,8	-111%	106,8
Cash	277,7	493,6	-44%	248,8

## Sales and earnings

	January - March	
	2020	2019
Net sales	793,6	420,8
Cost of goods sold	-365,9	-186,0
Gross Profit	427,7	234,8
Cost before amortization and depreciation	-218,4	-81,9
EBITDA	209,3	153,0
Non-recurring costs	3,9	0,0
Adjusted EBITDA	213,2	153,0
Amortization and depreciation related operating costs	-105,2	-65,6
Adjusted EBIT	108,0	87,4

Net sales for the period increased to MSEK 793.6 (420.8). This corresponds to an increase of 89% for the first quarter.

Cost of goods sold amounted to MSEK 365.9 (186.0). The gross margin was 53.9% (55.8%) during the same period. The gross margin in the quarter has been impacted negatively by a changed product mix from the Trimb acquisition.

Operating costs including depreciation, other operating income and other operating expenses amounted to MSEK 323.7 (147.4) during the period (increase of 120%). Sales costs almost doubled to MSEK 235.8 (123.3) driven by costs for taking over the product portfolio from LEO Pharma, the establishment of an own organization with, among other things, own subsidiaries in Denmark, Finland and Germany, and the acquisition of Trimb. Administration costs amounted to MSEK 73.1 (24.5). The increase (198%) is mainly due to cost related to the acquisition of Trimb and the product portfolio from Leo Pharma and restructuring costs totaling MSEK 3.9.

The adjusted operating profit amounted to MSEK 213.2 (153.0), equivalent to a 37% increase.

Earnings per share was 0.39 (0.25) SEK.

## Cash flow and financial position

Cash flow from operating activities during the quarter was MSEK -9.8 (91.8). Group cash and cash equivalents amounted to MSEK 277.7 (MSEK 248.8 as of December 31, 2019) at the end of the period. As part of COVID-19 Karo Pharma has stress tested its financial position, including cash reserves, and have concluded that we have adequate reserves.

On December 31, total assets amounted to MSEK 11 842.0 (7 013.8), whereof intangible assets accounted for MSEK 9 854.6 (5 429.8).

Group equity amounted to MSEK 5 591.8 (3 704.6). The equity ratio was 47.2% (52.8%).

## Parent company

The Parent company's net sales for the period amounted to MSEK 222.5 (188.9). Profit after financial items amounted to MSEK 31.6 (7.7). The parent company's cash, cash equivalents and other current investments amounted to MSEK 250.9 (61.6 as of December 31, 2019).

## Auditors' review

The interim report has not been the subject to auditors' review.

## Significant events

During the period an intimate care and dermatology product portfolio from LEO Pharma was acquired for 90 MEUR, which was signed and announced by Karo Pharma on 23 December 2019 and approved by relevant competition authorities on 20 February 2020. The net asset acquisition was completed March 2, 2020.

The transaction is expected to contribute positively to Karo Pharma's market position within intimate care and dermatology and will support the ambitions to expand the European geographical footprint.

The acquired portfolio includes four anti-hemorrhoid products: Sheriproct<sup>®</sup>, Doloproct<sup>®</sup>, Neriproct<sup>®</sup> and Ultraproct<sup>®</sup> and six dermatology products that are mainly over the counter: Ultrabas<sup>®</sup>, Ultralip<sup>®</sup>, Ultraphil<sup>®</sup>, Ultrasicc<sup>®</sup>, Neribas<sup>®</sup> and Ultralan<sup>®</sup>.

## COVID-19

During the last month of the quarter Karo Pharma recorded significant revenue growth from certain product categories mainly through stock build up orders among distributors, pharmacies and households. At the same time, the company also experienced a slow-down in demand from other product categories, as a consequence of the spread of COVID-19 across Europe. The impact on supply chain, productivity among employees and the business model has so far been limited but the long-term consequences of a general economic downturn in Europe may have a negative impact on growth and profitability in the remaining quarters of 2020 as mentioned in the CEO letter.

Karo Pharma management has conducted an extensive stress test in connection with COVID-19 in collaboration with the Board of Directors in which sales and costs and cash items have been evaluated. The stress test has helped identify key risks and a response plan has been put in place and we have ensured that cash reserves are sufficient. Karo Pharma continues to evaluate the situation on a daily and weekly basis prepared to take further actions if the situation should change.

## Risks and uncertainties

As an international group, Karo Pharma is exposed to various risks, which affect the opportunities to achieve the set goals. These are operational risks, such as the risk that competitive situations affect price levels and sales volumes and the risk that the economic development in the markets and in the segments where the Group operates is not stable. These include financial risks such as currency risks, interest rate risks and credit risks. Besides the COVID-19 crisis, which is covered above, no additional significant change in material risks or uncertainties has occurred during the period. Our assessment is thus unchanged compared to the account of Karo Pharma's risks, uncertainties, and the management of the same in the company's Annual Report for 2019. Readers who wish to consult the annual report can download this from Karo Pharma's website [www.karopharma.com](http://www.karopharma.com), or request it from Karo Pharma AB, PO Box 16 184, 103 24 Stockholm, Sweden.

## Significant events after period end

April 1, 2020 Karo Pharma acquired Hygis SA, a Swiss distributing company with exclusive distribution rights to Karo's brands MultiGyn<sup>®</sup> and MultiMam<sup>®</sup>. Hygis' operations are limited to the distribution of these brands and the acquisition gives Karo Pharma control over the direct sales of these brands. Karo Pharma expects to reach annual net sales related to the two brands of MEUR 1.3 in Switzerland. Additionally, we see potentials to capture synergies related to other brands currently sold in the Swiss market.

## Financial Calendar

Interim report Jan-Jun 2020 Jul 21, 2020

Interim report Jan-Sep 2020 Oct 30, 2020

The Annual Report 2019 was released April 1, 2020 and the Annual General Meeting will be held May 25, 2020 at Näringslivets Hus, Stockholm.

## Board's assurance

The Board of Directors and the CEO assure that the interim report provides a true and fair view of the company's and the Group's operations, position and results and describes significant risks and uncertainties that the company and the companies that are part of the Group face.

Stockholm April 29, 2020

Bo Jesper Hansen  
Chairman of the Board

Erika Henriksson  
Director

Vesa Koskinen  
Director

Eva Sjökvist Saers  
Director

Håkan Åström  
Director

Flemming Örnskov  
Director

Christoffer Lorenzen  
CEO

## For further information, please contact

Christoffer Lorenzen, CEO, +46 73-501 76 20, christoffer.lorenzen@karopharma.com

Jon Johnsson, CFO, +46 73-507 88 61, jon.johnsson@karopharma.com

## About Karo Pharma

Karo Pharma offers "Smart choices for everyday healthcare". We own and commercialize reliable original brands within prescription drugs and over-the-counter consumer products. Our products are available in over 60 countries with the core in Europe and the Nordics region. The headquarter of Karo Pharma is in Stockholm and the company is listed on Nasdaq Stockholm, Mid Cap.

*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 29, 2020 at 16.00 CET.*

## Consolidated income statement summary (KSEK)



	<b>January - March</b>		<b>Full Year</b>
	<b>2020</b>	<b>2019</b>	<b>2019</b>
Net sales	793 586	420 822	190 196
Cost of goods sold	-365 862	-185 983	-917 165
Gross Profit	427 724	234 839	984 030
Operating cost			
Distribution cost	-235 827	-123 349	-600 264
Administration	-73 082	-24 499	-188 361
Research and Development	0	0	0
Other operating income/ expenses	-14 742	400	-23 304
Total operating costs	-323 650	-147 447	-811 928
Operating Profit	104 074	87 392	172 102
Financial Net	3 054	-36 355	-155 512
Profit/ loss before tax	107 128	51 037	16 590
Tax	-20 349	-10 757	-7 649
Net profit/ loss	86 779	40 280	8 941
Net earnings attributable to:			
Shareholders in the parent company	86 669	40 281	8 890
Non-controlling interests	110	0	51
Earnings per share (SEK) <sup>1</sup>	0,39	0,25	0,05
Number of shares issued (000)	225 033	164 333	225 033

<sup>1</sup> Taking into account the bonus element in the rights issue

## Consolidated statement of comprehensive income (KSEK)

	<b>January - March</b>		<b>Full Year</b>
	<b>2020</b>	<b>2019</b>	<b>2019</b>
NET PROFIT FOR THE PERIOD	86 779	40 280	8 941
Other comprehensive income for the period, net of tax			
Exchange rate differences	-136 877	53 303	41 971
TOTAL COMPREHENSIVE INCOME	-50 098	93 583	50 912
Total comprehensive income attributable to:			
Shareholders in the parent company	-50 208	93 583	50 861
Non-controlling interests	110	0	51

## Consolidated report over financial position (KSEK)

	31March 2020	2019	31December 2019
<b>Assets</b>			
Intangible Assets	9 854 561	5 429 823	9 090 094
Equipment	23 575	18 031	20 626
Utilization rights	7 722	11 483	9 407
Deferred tax claim	571 482	533 185	600 598
Other financial assets	3 588	136	2 745
Other current assets	1 103 375	527 574	926 253
Cash and cash equivalents	277 727	493 569	248 806
<b>TOTAL ASSETS</b>	<b>11 842 030</b>	<b>7 013 801</b>	<b>10 898 530</b>
<b>Shareholders' equity and Liabilities</b>			
Equity	5 591 810	3 704 585	5 641 908
Deferred tax	460 042	142 981	469 384
Long term debt	2 227 179	1 875 682	1 251 119
Current Liabilities	3 562 999	1 290 554	3 536 119
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>11 842 030</b>	<b>7 013 801</b>	<b>10 898 530</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 interests	Total equity
Amount at 1 January 2019	65 733	4 056 078	-510 866	56	3 611 002
Total earnings			50 861	51	50 912
Dividend					
Share buy-backs				1 531	1 531
Rights issue after transaction costs and deferred taxes	24 280	1 954 183			1 978 463
Share buy-backs					
Amount at 31 December 2019	90 013	6 010 261	-460 005	1 639	5 641 908
Amount at 1 January 2020	90 013	6 010 261	-460 005	1 639	5 641 908
Total earnings			-50 208	110	-50 098
Dividend					
Shareholder changes in the group					
Share buy-backs					
Rights issue after transaction costs and deferred taxes					
Amount at 31 March 2020	90 013	6 010 261	-510 212	1 749	5 591 810

## Consolidated statement of cash flows (KSEK)

	<b>January - March</b>		<b>Full Year</b>
	<b>20 20</b>	<b>20 19</b>	<b>20 19</b>
<b>Operating activities</b>			
Operating income/ loss before financial items	104 074	87 392	172 102
Depreciation	105 226	65 574	319 755
Other items not affecting liquid assets	264	0	-207
	<b>209 564</b>	<b>152 966</b>	<b>491650</b>
<b>Financial items received and paid</b>			
Financial items received and paid	-42 005	-29 812	-134 033
Income taxes paid	-20 202	-475	-6 093
Cash flow from operating activities before changes in working capital	<b>147 358</b>	<b>122 679</b>	<b>351525</b>
Changes in working capital	-157 122	-30 879	-244 681
Cash flow from operating activities	<b>-9 764</b>	<b>91800</b>	<b>106 844</b>
<b>Investing activities</b>			
Net investments in company acquisitions	0	0	-2 456 377
Net investments in intangible assets	-977 116	-6 917	-31896
Net investments in financial assets	-672	0	-806
Net investments in property, plant and equipment	-4 475	-1532	-2 651
Sale of intangible fixed assets	0	0	50 000
Sale of property, plant and equipment	0	0	20
Cash flow from investing activities	<b>-982 262</b>	<b>-8 449</b>	<b>-2 441710</b>
<b>Financing activities</b>			
Net proceeds from share issues	0	0	2 003 114
Transaction costs share issue	0	0	-23 999
Borrowings	1025 000	0	3 500 000
Repayment of loans	-6 687	-1145	-3 294 469
Cash flow from financing activities	<b>1018 313</b>	<b>-1145</b>	<b>2 184 646</b>
Cash flow from the period	<b>26 287</b>	<b>82 206</b>	<b>-150 220</b>
Cash at the beginning of the period	<b>248 806</b>	<b>398 580</b>	<b>398 580</b>
Exchange rate differences in cash	2 634	12 783	446
Cash at the end of the period	<b>277 727</b>	<b>493 569</b>	<b>248 806</b>

## Parent company income statement summary (KSEK)

	January - March		Full Year
	2020	2019	2019
Net sales	222 493	188 946	701 042
Cost of sales	-106 270	-82 552	-324 074
Gross profit	116 223	106 393	376 969
Operating costs			
Sales costs	-60 286	-55 447	-247 492
Administration	-25 260	-10 012	-94 246
Research and development	0	0	0
Other operating income/ expenses	297	330	-1 192
Total operating costs	-85 249	-65 129	-342 929
Operating profit/ loss	30 974	41 264	34 039
Financial net	643	-33 574	-123 724
Profit/ loss before tax	31 618	7 690	-89 685
Group contributions paid	0	0	157 380
Tax	0	-1 839	-15 799
Net profit	31 618	5 851	51 895

## Parent company balance sheet summary (KSEK)

	31 March		31 December
	2020	2019	2019
<b>Assets</b>			
Intangible assets	3 602 210	2 585 402	2 453 690
Equipment	5 476	1 101	1 097
Utilization rights	494 715	480 229	494 715
Other financial assets	275 902	362 806	304 223
Participation in group companies	5 128 404	2 565 982	5 128 404
Other current assets	1 604 778	253 646	1 682 486
Cash and cash equivalents	250 901	298 589	615 557
<b>TOTAL ASSETS</b>	<b>11 362 387</b>	<b>6 547 755</b>	<b>10 126 173</b>
<b>Shareholders' equity and liabilities</b>			
Equity	5 562 087	3 505 962	5 530 470
Deferred tax	241 858	0	219 899
Long term debt	4 176 660	1 880 370	1 141 190
Current liabilities	1 381 782	1 161 423	3 432 525
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>11 362 387</b>	<b>6 547 755</b>	<b>10 126 173</b>

## 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 2019.

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 December 31, 2019, Karo Pharma AB has unutilized loss carryforwards of MSEK 2 402, Karo Pharma AS of MSEK 724 and Trimb Group of MSEK 304. In light of the Group's expected profit development, the deficits are fully valued in the balance sheet adjusted for the taxes during the first quarter.

## Note 3

### Net Asset Acquisition

On March 2, 2020, a product portfolio was acquired from Leo Pharma and all related intellectual property rights and assets, including required licenses and permits and existing inventories.

## Note 4

### 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 analyse the company's operations. These measures may differ from measures with similar names at other companies. See also table on page 5.

Below are a number of financial performance measures and how these are used to analyse the company's goals. For further definitions, see the Annual Report 2019 under the heading definitions.

<b>Financial performance measure</b>	<b>Definition</b>	<b>Purpose</b>
<b>Equity ratio</b>	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.
<b>Gross margin</b>	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.
<b>Adjusted EBITDA</b>	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.
<b>Adjusted EBITDA margin</b>	Adjusted EBITDA in relation to Net sales	The ratio is used to measure the profitability of ongoing operations.

## Note 5

### Fair value of financial instruments

The Group holds no derivative instruments or other financial instruments valued at fair value.

The fair value of long- and short-term interest-bearing liabilities is not expected to deviate materially from the recognized amount. For financial instruments recognized at amortized cost; accounts receivables, other receivables, cash and cash equivalents, accounts payable and other interest-free liabilities, the fair value is assessed to be consistent with the recognized amount.