

## Karo Pharma publishes third-quarter report 2020 and resolves on sale of own shares

### Q3, July - September

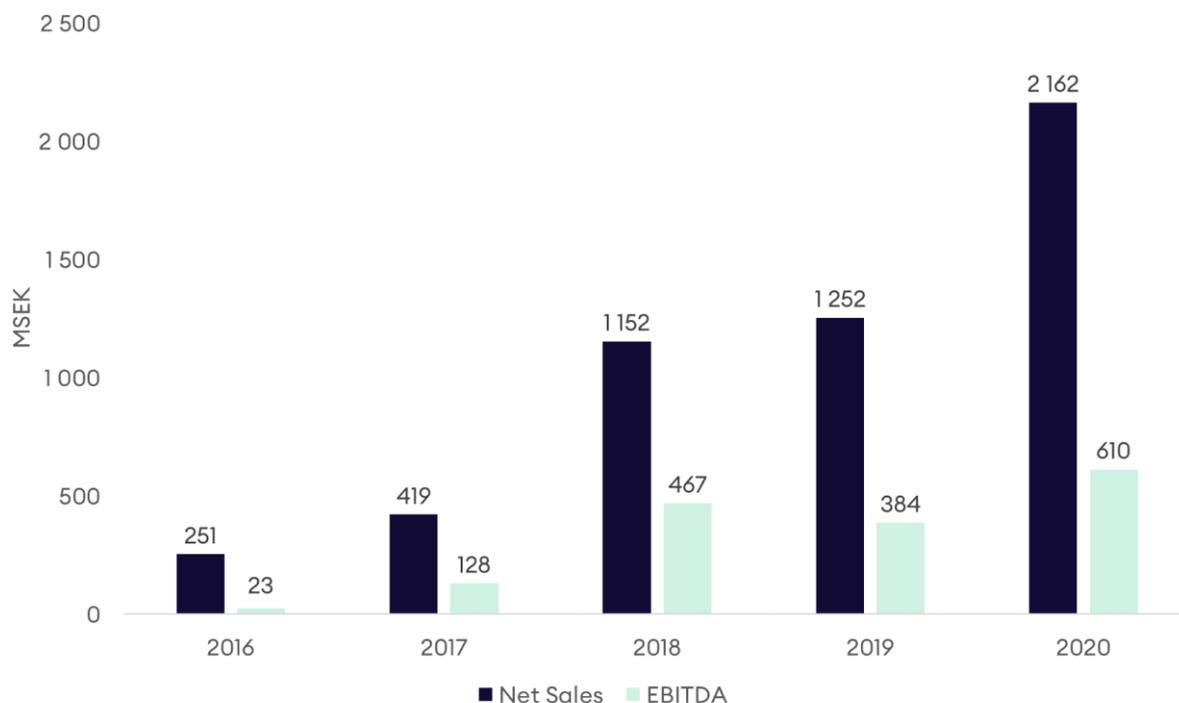
- Net sales amounted to MSEK 679.1 (443.7). This corresponds to an increase of 53% for the period. Following very strong growth in the first quarter the organic growth during the third quarter was -10% which follows the same pattern as during the second quarter of the year. The currency impact in the quarter was 0% while the acquisition of Trimb in 2019 and the acquired product portfolios Proct<sup>®</sup> from Leo Pharma and Pevaryl<sup>®</sup> from Johnson & Johnson generate growth of 63%.
- EBIT (Operating Profit) amounted to MSEK 43.7 (56.2) corresponding to a -22% decline.
- Adjusted EBITDA\* amounted to MSEK 193.0 (156.9) corresponding to growth of 23% excluding non-recurring items related to acquired product portfolios totalling MSEK -18.1 (-28.2).
- The gross margin, defined as gross profit divided by net sales, was 57.8% (52.8%) for the quarter. The margin was affected positively by the acquired product portfolios.
- Cash flow from operating activities amounted to MSEK 63.2 (-85.9).
- Earnings per share was SEK -0.01 (-0.01), before and after dilution.
- During the period Karo Pharma divested the three brands - Suscard, Egazil and Digoxin - to Evolan. The transaction closed on July 1, 2020 and the effect on the result is not significant on the period. According to the agreement Karo Pharma has received parts of the purchase price at closing of the transaction and will receive remaining part at completion of future milestones linked to the commercial take-over of the products.
- Based on the authorization from the 2020 Annual General Meeting, the Board of Directors has resolved to sell up to 2,464,990 own shares to expand the company's financial flexibility. The sale of own shares shall be effected – on one or several occasions before the 2021 Annual General Meeting, where a new mandate should be requested if necessary – at Nasdaq Stockholm at a price within the effective registered price interval on Nasdaq Stockholm.

## Summary of result, January - September

- Net sales amounted to MSEK 2 161.6 (1 251.9). This corresponds to an increase of 73% for the period. The organic growth during the first nine months of the year was 0%, currency impact -1% and 73% relates to the acquisition of Trimb in 2019 and the acquired product portfolios Proct<sup>®</sup> from Leo Pharma and Pevaryl<sup>®</sup> from Johnson & Johnson.
- EBIT (Operating Profit) amounted to MSEK 246.4 (163.9) corresponding to 50% growth.
- Adjusted EBITDA\* amounted to MSEK 619.9 (447.7) corresponding to a 38% growth, excluding non-recurring items of -22 MSEK related to the acquisitions and the changed valuation of inventory from Q2 12.4 MSEK (see note 1), totalling MSEK -9.6 (-63.5).
- The gross margin, defined as gross profit divided by net sales, was 57.3% (54.3%) for the period. The margin was affected by a positive product mix from the acquired portfolios and a new valuation of inventory.
- Cash flow from operating activities amounted to MSEK 224.5 (117.7).
- Earnings per share was SEK 0.49 (0.20), before and after dilution.
- During the period, the Proct<sup>®</sup> portfolio was acquired from Leo Pharma with all related rights and assets. The transaction closed on March 2, 2020.
- During the period Karo Pharma acquired Hygis SA, a Swiss distributing company with exclusive distribution rights to Karo's brands MultiGyn<sup>®</sup> and MultiMam<sup>®</sup> in Switzerland. The transaction closed on April 1, 2020
- During the period, the Pevaryl<sup>®</sup> portfolio was acquired from Johnson & Johnson with all related rights and assets. The transaction consolidates the ownership of the Pevaryl<sup>®</sup> brand portfolio in Europe with Karo Pharma. The transaction closed on May 8, 2020.
- During the period Karo Pharma divested the three brands - Suscard, Egazil and Digoxin - to Evolan Pharma. The transaction closed on July 1, 2020 and the effect on the result is not significant on the period. According to the agreement Karo Pharma has received parts of the purchase price at closing of the transaction and will receive remaining part at completion of future milestones linked to the commercial take-over of the products.
- Based on the authorization from the 2020 Annual General Meeting, the Board of Directors has resolved to sell up to 2,464,990 own shares to expand the company's financial flexibility.
- At the end of the period, cash and cash equivalents and other current investments amounted to MSEK 365.3 (248.8) and net debt to MSEK 5 481.4 (5028.9).

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

## Key financials development Jan-Sep, 2016 – 2020

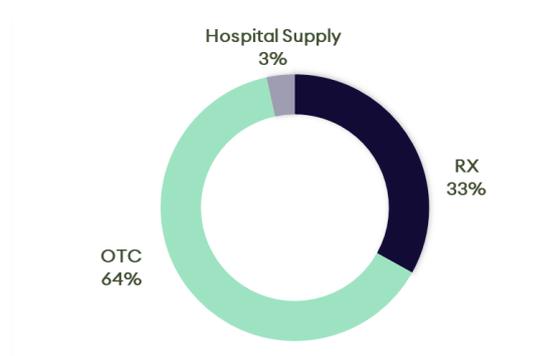


## Karo Pharma's 10 largest products Jan-Sep 2020 (MSEK)

Products	2020	2019	Change
Selexid	149,7	139,2	8%
Paracet	119,3	111,0	7%
Pevaryl 1, 3)	115,5	0,0	n/a
Flux 1)	111,2	0,0	n/a
Burinex	104,0	97,5	7%
Kaleorid	100,1	93,6	7%
Locobase	99,7	97,5	2%
Multi-Gyn 1)	91,7	0,0	n/a
Scheriproct 2)	82,1	0,0	n/a
Ibux	67,0	69,9	-4%
Other Products	1 121,3	643,2	74%
<b>Total Sales</b>	<b>2 161,6</b>	<b>1 251,9</b>	<b>73%</b>

- 1) Sales of products from the Trimb portfolio started 2019-09-12  
2) Sales of products from the Leo portfolio started 2020-03-02  
3) Sales of products from the Pevaryl portfolio started 2020-05-08

## Turnover by category Jan-Sep 2020



RX – Prescription drugs

OTC – Over the counter products (non-prescription)

## Comments by CEO Christoffer Lorenzen

Karo Pharma realized net sales growth of 53% in Q3 compared to the same quarter previous year. The growth was driven by the Proct<sup>®</sup> portfolio (March 2020) and the Pevaryl<sup>®</sup> portfolio (April 2020). Trimb (September 2019) also contributed to growth, however, reached its one-year anniversary and its impact on absolute growth therefore declined compared to previous years. During the first nine months of the year, Karo Pharma generate net sales growth of 73%. Looking exclusively at organic growth (i.e. business that Karo owned 12 months ago), this amounted to -10% in Q3 and 0% in the first nine months of the year.

Our business continues to be impacted by the COVID-19 pandemic. Thus, the Q3 performance saw a continuation of the pattern from Q2 where Karo's net sales were suppressed by a rebalancing and normalization of inventories in the pharmacy chains, notably in Scandinavia. We expect that the rebalancing is now completed, but still expect the pandemic to have a net negative effect on net sales and growth. While certain Karo Pharma categories and brands benefit from COVID-19, a larger proportion of brands suffer (e.g. because of lower traffic in the pharmacies, fewer visits to doctors, or lowered infection rates (other than COVID-19) in societies.

Karo Pharma's business operations continues to prove robust and resilient despite the difficult market environment. Performance across the supply chain is solid and we are strengthening the dialogue and interaction with key our key supply chain partners. We are progressing tech transfer projects related to our acquisitions and are also running gross margin improvement programs across the entire portfolio. As a combined result of these activities and mix effects, we are seeing improvements in gross margins.

We continue to monitor the market developments closely and have contingency plans in place to reduce costs if the markets deteriorate as result of the COVID-19 second wave and if our net sales come under further pressure. The COVID-19 pandemic does not imply any changes to the strategy or long-term ambitions of Karo. We will continue to pursue a dual strategy of developing and optimizing our existing portfolio of brands and markets and add on value-adding acquisitions that generate scale and are synergistic to our existing business.

In 2020, we have invested into the business and what we label the scalable platform. This includes our systems landscape as well as personnel in key functions. These investments will help us drive the business more effectively in the long-term. We have also invested into the integration of our acquisitions. The Trimb integration is now almost complete and our focus turns to the integration of the Proct<sup>®</sup> and Pevaryl<sup>®</sup> portfolios.

In Q3 we saw an increase in our adjusted EBITDA of 23% and for the first nine months of 38%. As a result of our scalable platform investments the EBITDA margins declined, however, we expect to see improvements from the efficiency gains that our platform investments will generate going forward.

Christoffer Lorenzen, CEO

## Key financial data (MSEK)

	July - September		January - September	
	2020	2019	2020	2019
Net Sales	679,1	443,7	2 161,6	1251,9
Gross Profit	392,8	234,2	1239,5	679,9
Operating Cost	-349,0	-177,9	-993,2	-516,0
EBITDA	174,8	128,7	610,2	384,2
EBITDA margin %	25,7%	29,0%	28,2%	30,7%
Profit before tax	-3,1	3,5	135,5	45,5
EpS, SEK	-0,01	-0,01	0,49	0,20
Cash Flow from operating activities	63,2	-85,9	224,5	117,7
Cash	365,3	225,0	365,3	225,0

## Sales and earnings

	July - September		January - September	
	2020	2019	2020	2019
Net sales	679,1	443,7	2 161,6	1251,9
Cost of goods sold	-286,4	-209,6	-922,1	-572,0
Gross Profit	392,8	234,2	1239,5	679,9
Cost before amortization and depreciation	-217,9	-105,4	-629,3	-295,7
EBITDA	174,8	128,7	610,2	384,2
Non-recurring costs	18,1	28,2	9,6	63,5
Adjusted EBITDA	193,0	156,9	619,9	447,7
Amortization and depreciation related operating costs	-131,1	-72,5	-363,8	-220,3
Adjusted EBIT	61,9	84,4	256,0	227,4

Net sales for the first nine months of the year increased to MSEK 2 161.6 (1 251.9). This corresponds to an increase of 73% for the period. Net sales for the third quarter was MSEK 679.1 (443.7) corresponding to an increase of 53%.

Cost of goods sold amounted to MSEK 922.1 (572.0) January-September 2020. The gross margin was 57.3% (54.3%) during the same period. The gross margin for the third quarter was 57.8% (52.8%) and has been positively impacted by a changed product mix from acquisitions.

Operating costs including depreciation, other operating income and other operating expenses amounted to MSEK 993.2 (516.0) during the first nine months of the year, an increase of 92%. Sales costs increased to MSEK 716.7 (370.8) driven by costs for taking over the product portfolios from LEO Pharma and Johnson & Johnson, 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 268.8 (115.4). The increase is mainly due to cost related to the acquisition of Trimb and consulting cost for the acquired product portfolios totaling MSEK 22.

The adjusted EBITDA amounted to MSEK 619.9 (447.7) for the first nine months of the year, equivalent to a 38% increase.

Earnings per share was 0.49 (0.20) SEK before and after dilution for the period January-September.

## Cash flow and financial position

Cash flow from operating activities during the first nine months of the year was MSEK 224.5 (117.7) and MSEK 63.2 (-85.9) in the quarter. Group cash and cash equivalents amounted to MSEK 365.3 (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 September 30, total assets amounted to MSEK 12 401.0 (10 898.5 as of December 31, 2019), whereof intangible assets accounted for MSEK 10 257.7 (9 090.1 as of December 31, 2019).

Group equity amounted to MSEK 5 630.4 (5 641.9 as of December 31, 2019). The equity ratio was 45.4% (51.8% as of December 31, 2019).

## Parent company

The Parent company's net sales for the first nine months of the year amounted to MSEK 805.7 (523.9). Profit after financial items amounted to MSEK 75.0 (-31.1). The growth comes from acquired product portfolios. The parent company's cash, cash equivalents and other current investments amounted to MSEK 109.1 at the end of the period (61.6 as of December 31, 2019).

## Sale of own shares on Nasdaq Stockholm

Karo Pharma currently holds 2,464,990 own shares, and to expand the company's financial flexibility in an efficient manner and to provide Karo Pharma with additional capital for purposes of implementing business acquisitions, the Board of Directors has resolved on sale of own shares with deviation from the shareholders' pre-emptive rights. The resolution is based on the authorization granted to the Board of Directors by the Annual General Meeting held on 25 May 2020.

The shares shall be transferred before the 2021 Annual General Meeting, where a new mandate should be requested if necessary, on one or more occasions. The sale of own shares shall be effected at Nasdaq Stockholm at a price within the effective registered price interval on Nasdaq Stockholm, i.e. the price interval between the highest bid price and the lowest ask price. Sale of shares may be carried out of a maximum of all own shares held by Karo Pharma (2,464,990). The sale of the shares will be managed by one or more brokers that will, independent of Karo Pharma, decide on trading decisions, including regarding the timing of the sales.

The transfers shall be executed by a bank in accordance with Section 5.1.1 part H of the Nasdaq Issuer Rules from 1 May 2020 and otherwise in accordance with all applicable rules and regulations.

For information on the transaction of own shares, please see [www.nasdaqomxnordic.com](http://www.nasdaqomxnordic.com). Transactions of own shares will not be press released separately, unless mandatory disclosure obligations apply.

## Significant events during the reporting period

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.

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.

May 8, 2020 the acquisition of the remaining European rights to the Pevaryl<sup>®</sup> brand portfolio from Cilag GmbH International, one of the Janssen Pharmaceutical Companies of Johnson & Johnson, was closed for 58 MEUR. The transaction consolidates the ownership of the Pevaryl<sup>®</sup> brand portfolio, comprised of Pevaryl<sup>®</sup>, Epi-Pevaryl<sup>®</sup>, Gyno-Pevaryl<sup>®</sup> and Pevisone<sup>®</sup> in Europe with Karo Pharma. The acquired portfolio generated net sales of around 20 MEUR in 2019.

July 1, 2020 Karo Pharma divested the three brands Digoxin, Egazil and Suscard to Evolan due to production challenges. From both a patient as well as a society perspective it is better to divest than to prune these products. The total turnover of the three brands 2019 was 13 MSEK.

## Significant events after period end

Nothing to report

## COVID-19

During the first quarter of 2020 Karo Pharma recorded significant revenue growth from certain product categories mainly as a result of stock build up 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.

During the second and third quarter the brands and products, which were impacted positively by stock build up during the first quarter have been normalized in line with expectations. This has negatively impacted organic growth for the last two quarters. For brands and products that were not impacted by stock fluctuations the development has been variable and linked to the development in demand for each specific brand. Some brands have been positively impacted (such as DAX and Viruseptin) whilst others have been negatively impacted (such as Mabs). We see negative impact from reduced traffic in physical stores notably amongst the 65+ age segment. We also see negative impact from reduced activity at hospitals and in elderly care net of COVID-19 efforts. The latter has impacted our Hospital Supply business. Finally, we see a reduced demand for cold and cough medicines as non-COVID-19 infection rates have been low compared to other years.

We see a shift in consumption patterns and more activity and sales running through online channels, including specialty e-pharmacies, the e-business share of omni-channel pharmacies and e-commerce platforms. This has also contributed to growth in Karo's business and we are investing together with our partners to ensure that we are present in these channels.

The impact on supply chain and delivery performance has been limited. For some brands and products, we have faced out-of-stocks as our supply chain was unable to adjust fast enough to an increase in demand. However, we have taken steps to strengthen our supply situation and are better positioned for the second wave of COVID-19 than the first.

The impact on employee productivity has so far been limited and we have been able to run integration programs and efficiency projects roughly in line with pre-COVID-19 plans and timelines.

The long-term consequences of a general economic downturn in Europe may have a negative impact on growth and profitability in the remaining quarter of 2020 and into Q1 and Q2 of 2021.

Karo Pharma management therefore monitors the situation and regularly update the stress test in collaboration with the Board of Directors in which sales, costs and cash items are evaluated. Karo Pharma is fully prepared to take further actions if the situation should change in any direction.

The COVID-19 outbreak has introduced uncertainty in the conduct of most businesses but until now no significant risk of material adjustment to the carrying amounts of assets and liabilities have arisen in Karo Pharma. In this assessment, all available information about the next twelve months have been considered, including the expected profitability and any restrictions to readily access financial resources.

The impact of COVID-19 on financial performance, financial position and cash-flows has also been limited and the outbreak has not triggered additional financial risks for Karo Pharma, like for example, debt renegotiations, new financial arrangements outside the recent acquisitions, and the breach of debt covenants.

Measures taken to address and mitigate potential future impacts and risks of COVID-19 on operations and performance are taken in applicable areas but has also been limited until now.

There are no indications that Karo Pharma's assets should be impaired on the basis of a set of internal and external sources of information. In making this assessment, we have carefully considered the effects of the COVID-19 outbreak and concluded that there are no write-downs or value adjustments required as a consequence of COVID-19.

## 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.

## Financial Calendar

Year-end report 2020

Feb 18, 2021

## 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 October 30, 2020

Bo Jesper Hansen  
Chairman of the Board

Erika Henriksson  
Director

Uta Kemmerich-Keil  
Director

Vesa Koskinen  
Director

Kristofer Tonström  
Director

Håkan Åström  
Director

Flemming Örnсков  
Director

Christoffer Lorenzen  
CEO

## For further information, please contact

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## 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.

*This information is information that Karo Pharma AB 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 October 30, 2020 at 08.00 CET.*

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

## REVIEW REPORT

Karo Pharma AB, corporate identity number 556309-3359

### Introduction

We have reviewed the condensed interim report for Karo Pharma AB as at September 30, 2020 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Financial Statements Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, October 30, 2020

Ernst & Young AB

Jonatan Hansson  
Authorized Public Accountant

## Consolidated income statement summary (KSEK)

	July - September		January - September		Full Year
	2020	2019	2020	2019	2019
Net sales	679 138	443 722	2 161 637	1 251 937	1 901 196
Cost of goods sold	-286 386	-209 562	-922 099	-572 003	-917 165
Gross Profit	392 752	234 160	1 239 539	679 934	984 030
Operating cost					
Distribution cost	-231 896	-130 622	-716 689	-370 773	-600 264
Administration	-116 381	-17 638	-268 762	-115 390	-188 361
Other operating income/ expenses	-734	-29 675	-7 718	-29 824	-23 304
Total operating costs	-349 011	-177 934	-993 170	-515 988	-811 928
Operating Profit	43 742	56 226	246 369	163 946	172 102
Financial Net	-46 826	-52 710	-110 890	-118 456	-155 512
Profit/ loss before tax	-3 084	3 515	135 479	45 491	16 590
Tax	787	-5 323	-25 314	-13 433	-7 649
Net profit/ loss	-2 297	-1 807	110 165	32 058	8 941
Net earnings attributable to:					
Shareholders in the parent company	-2 756	-1 804	109 308	32 061	8 890
Non-controlling interests	459	-3	857	-4	51
Earnings per share (SEK) <sup>1</sup>	-0,01	-0,01	0,49	0,20	0,05
Number of shares issued (000) <sup>2</sup>	222 568	161 868	222 568	161 868	222 568
Number of shares in own custody (000)	2 465	2 465	2 465	2 465	2 465

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

<sup>2</sup> In previous reports, Number of shares issued has included shares in own custody

## Consolidated statement of comprehensive income (KSEK)

	July - September		January - September		Full Year
	2020	2019	2020	2019	2019
NET PROFIT FOR THE PERIOD	-2 297	-1 807	110 165	32 058	8 941
Other comprehensive income for the period, net of tax					
<b>Items that may be reclassified to profit or loss</b>					
Exchange differences on translation of foreign operations	-11 489	-13 550	-121 626	55 055	41 971
TOTAL COMPREHENSIVE INCOME	-13 786	-15 358	-11 461	87 113	50 912
Total comprehensive income attributable to:					
Shareholders in the parent company	-14 245	-15 352	-12 318	87 117	50 861
Non-controlling interests	459	-3	857	-4	51

## Consolidated report over financial position summary (KSEK)

	30 September <b>2020</b>	30 September <b>2019</b>	31 December <b>2019</b>
<b>Assets</b>			
Intangible Assets	10 257 684	9 230 706	9 090 094
Equipment	25 935	21 095	20 626
Utilization rights*	53 241	24 167	9 407
Deferred tax claim	565 489	581 418	600 598
Other financial assets	2 542	17 825	2 745
Other current assets	1 130 806	898 924	926 253
Cash and cash equivalents	365 330	225 017	248 806
<b>TOTAL ASSETS</b>	<b>12 401 027</b>	<b>10 999 151</b>	<b>10 898 530</b>
<b>Shareholders' equity and Liabilities</b>			
Equity	5 630 447	3 699 645	5 641 908
Deferred tax	440 448	447 448	469 384
Other long-term debt	1 186 712	3 764 324	1 251 119
Current Liabilities	5 143 419	3 087 735	3 536 119
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>12 401 027</b>	<b>10 999 151</b>	<b>10 898 530</b>

\* Signing of a new rental contract for offices in April 2020

## 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			87 116	-4	87 112
Share buy-backs				1531	1531
<b>Amount at 30 September 2019</b>	<b>65 733</b>	<b>4 056 078</b>	<b>-423 750</b>	<b>1584</b>	<b>3 699 645</b>
Amount at 1 January 2020	90 013	6 010 261	-460 005	1 639	5 641 908
Total earnings			-12 318	857	-11 461
<b>Amount at 30 September 2020</b>	<b>90 013</b>	<b>6 010 261</b>	<b>-472 322</b>	<b>2 496</b>	<b>5 630 447</b>

## Consolidated statement of cash flows summary (KSEK)

	July - September		January - September		Full Year
	2020	2019	2020	2019	2019
<b>Operating activities</b>					
Operating income/ loss before financial items	43 742	56 226	246 369	163 946	172 102
Adjustment for items not affecting cashflow	131 115	67 876	362 773	236 386	319 548
	174 857	124 102	609 142	400 333	491650
<b>Financial items received and paid</b>					
Financial items received and paid	-45 596	-50 287	-142 293	-98 284	-134 033
Income taxes paid	-8 295	-404	-36 319	-1395	-6 093
Cash flow from operating activities before changes in working capital	120 966	73 410	430 530	300 654	351525
<b>Changes in working capital</b>					
Changes in working capital	-57 779	-159 326	-206 071	-182 961	-244 681
Cash flow from operating activities	63 187	-85 916	224 459	117 693	106 844
<b>Investing activities</b>					
Net investments in company acquisitions	0	-2 456 377	0	-2 456 377	-2 456 377
Net investments in intangible assets	-8 628	-7 157	-1659 393	-21572	-31896
Net investments in financial assets	-799	-432	-1477	-584	-806
Other changes in financial assets	-1	37	98	37	0
Net investments in property, plant and equipment	-9 331	-262	-15 948	-1941	-2 651
Sale of intangible fixed assets	12 500	0	12 500	0	50 000
Sale of property, plant and equipment	0	20	0	20	20
Cash flow from investing activities	-6 260	-2 464 171	-1664 220	-2 480 416	-2 441710
<b>Financing activities</b>					
Net proceeds from share issues	0	0	0	0	2 003 114
Transaction costs share issue	0	0	0	0	-23 999
Borrowings	0	3 500 000	1775 000	3 500 000	3 500 000
Repayment of loans	-83 786	-1273 747	-215 420	-1316 044	-3 294 469
Cash flow from financing activities	-83 786	2 226 253	1559 580	2 183 956	2 184 646
<b>Cash flow from the period</b>					
Cash flow from the period	-26 859	-323 834	119 820	-178 766	-150 220
Cash at the beginning of the period	390 406	561207	248 806	398 580	398 580
Exchange rate differences in cash	1782	-12 356	-3 296	5 203	446
Cash at the end of the period	365 330	225 017	365 330	225 017	248 806

## Parent company income statement summary (KSEK)

	July - September		January - September		Full Year
	2020	2019	2020	2019	2019
Net sales	263 345	167 009	805 682	523 851	701 042
Cost of sales	-88 637	-72 240	-283 369	-228 498	-324 074
Gross profit	174 708	94 768	522 313	295 353	376 969
Operating costs					
Sales costs	-85 935	-50 296	-236 559	-156 394	-247 492
Administration	-55 085	60	-127 307	-67 451	-94 246
Other operating income/ expenses	-454	262	-5 180	587	-1 192
Total operating costs	-141 474	-49 974	-369 046	-223 258	-342 929
Operating profit/ loss	33 234	44 795	153 267	72 096	34 039
Financial net	-4 1241	-4 1239	-78 267	-103 225	-123 724
Profit/loss after financial items	-8 007	3 556	75 000	-31 129	-89 685
Group contributions paid	0	28 270	0	28 270	157 380
Tax	1600	327	-15 500	-329	-15 799
Net profit	-6 407	32 154	59 500	-3 187	51 895

## Parent company statement of comprehensive income (KSEK)

	July - September		January - September		Full Year
	2020	2019	2020	2019	2019
NET PROFIT FOR THE PERIOD	-6 407	32 154	59 500	-3 187	51 895
Other comprehensive income for the period, net of tax	0	0	0	0	0
TOTAL COMPREHENSIVE INCOME	-6 407	32 154	59 500	-3 187	51 895

## Parent company balance sheet summary (KSEK)

	30 September <b>2020</b>	30 September <b>2019</b>	31 December <b>2019</b>
<b>Assets</b>			
Intangible assets	3 907 921	2 489 824	2 453 690
Equipment	8 741	1 103	1 097
Utilization rights	479 215	481 485	494 715
Other financial assets	166 763	337 568	304 223
Participation in group companies	5 142 010	5 128 302	5 128 404
Other current assets	1 765 299	1 530 956	1 682 486
Cash and cash equivalents	109 110	68 746	61 557
<b>TOTAL ASSETS</b>	<b>11 579 059</b>	<b>10 037 984</b>	<b>10 126 173</b>
<b>Shareholders' equity and liabilities</b>			
Equity	5 589 969	3 496 924	5 530 470
Deferred tax	21 989	0	21 989
Long term debt	1 050 371	3 633 876	1 141 190
Current liabilities	4 916 730	2 907 184	3 432 525
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>11 579 059</b>	<b>10 037 984</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 with the complementary description of changes described below.

During 2020 Karo Pharma has continued the progress to integrate Karo Pharma and Trimb into one ERP system. One of the steps completed during Q2 was the integration of Karo Pharma's inventory into the new ERP system. This led to the use of an updated valuation model for the standard cost estimate that had a positive impact on the inventory value (a reduction of cost of goods sold) in the quarter of 12.4 MSEK. The effect is adjusted for in the alternative performance measure 'Adjusted EBITDA'. Non-IFRS measures are also presented in the report since they are considered to be important supplemental measures of the company's performance. For further information about these measures and how they have been calculated, please see Note 4 below.

Regarding 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 principles applied for the Parent Company differ from those applied for the Group solely with respect to the accounting of leasing agreements.

The definition of business combinations in IFRS 3 'Business Combinations' has been changed and applies from January 1, 2020. The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. It also makes clear that this must be based on what has been acquired in its current state and condition and not what could be replaced by a market participant. Further, the amendments introduced an optional concentration test to perform a simplified assessment, to determine whether an acquired asset is or is not a business combination. The changes have not impacted the interim report.

## Note 2

### Loss carryforwards

As of the balance sheet date December 31, 2019, Karo Pharma AB has unutilized loss carryforwards of MSEK 2402, 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 (MSEK 565).

## 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.

On May 8, 2020, a product portfolio was acquired from Johnson & Johnson 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.

Financial performance measure	Definition	Purpose
<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 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.
<b>Adjusted EBIT</b>	Operating earnings excluding items affecting comparability	The financial performance measure provides a picture of earnings generated from 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.

## Not 6

### Related party transactions

Apart from transactions such as remuneration and salary to the Board of Directors and senior executives, there have been no related party transactions.