

Year-end report 2020

Q4, October - December

- Net sales amounted to MSEK 721.2 (649.3). This corresponds to an increase of 11% for the period.
- The organic growth* during the fourth quarter was +1%. The currency impact in the quarter was -1% while the acquisitions of the product portfolios Proct[®] from Leo Pharma and Pevaryl[®] from Johnson & Johnson generated growth of 11%.
- EBIT (Operating Profit) amounted to MSEK -19.4 (8.2).
- Adjusted EBITDA* amounted to MSEK 164.8 (151.4) corresponding to growth of 9% excluding non-recurring items related to acquired product portfolios totalling MSEK -53.4 (-43.7).
- The gross margin, defined as gross profit divided by net sales, was 49.3% (46.8%) for the quarter. The margin was affected positively by the acquired product portfolios.
- Cash flow from operating activities amounted to MSEK 104.8 (-10.8).
- Earnings per share was SEK -0.12 (-0.11), before and after dilution.
- During the period Karo Pharma divested the Hospital Supply business to J2L. The transaction closed on December 1, 2020. The net gain of the divestment was MSEK 5.2 and the cash flow effect MSEK 151.0.

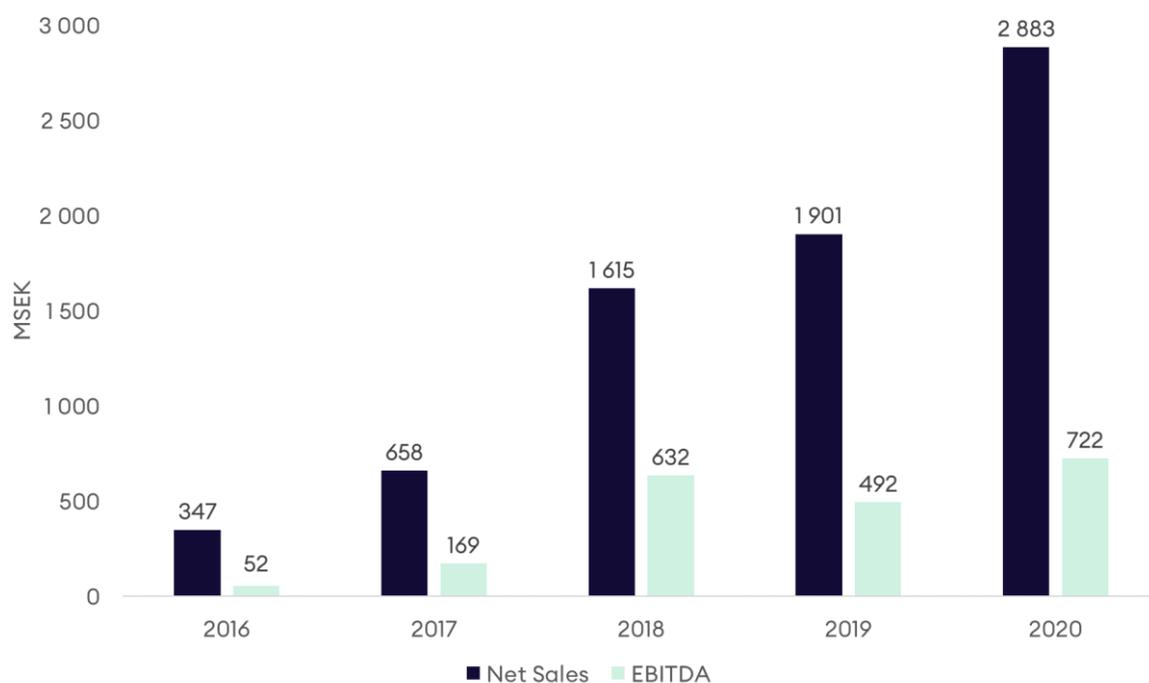
* Alternative Financial Ratios (APM), note 4 for further information.

Summary, January - December

- Net sales amounted to MSEK 2 882.9 (1 901.2). This corresponds to an increase of 52% for the period.
- The organic growth* for the year was 1%, currency impact -1% while 52% relates to the acquisition of Trimb in 2019 and the acquired product portfolios Proct[®] from Leo Pharma and Pevaryl[®] from Johnson & Johnson.
- EBIT (Operating Profit) amounted to MSEK 227.0 (172.1) corresponding to 32% growth.
- Adjusted EBITDA* amounted to MSEK 784.8 (599.1) corresponding to a 31% growth, excluding non-recurring items of -63.1 MSEK (-107.2) related to the acquisitions.
- The gross margin, defined as gross profit divided by net sales, was 55.3% (51.8%) for the period. The margin was positively affected by product mix from the acquired portfolios and tech transfer projects related hereto where benefits from economy of scale has been achieved.
- Cash flow from operating activities amounted to MSEK 329.2 (106.8).
- Earnings per share was SEK 0.37 (0.05), before and after dilution.
- During the period, the Proct[®] 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[®] and MultiMam[®] in Switzerland. The transaction closed on April 1, 2020.
- During the period, the Pevaryl[®] portfolio was acquired from Johnson & Johnson with all related rights and assets. The transaction consolidates the ownership of the Pevaryl[®] 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 but the effect on the result for the period is not significant.
- During the period Karo Pharma divested the Hospital Supply business to J2L. The transaction closed on December 1, 2020. The net gain of the divestment was MSEK 5.2.
- Based on the authorization from the Annual General Meeting, Karo Pharma has in 2020 sold 525.301 own shares during the year to expand the company's financial flexibility at Nasdaq Stockholm.
- The Board of Directors proposes that no dividend is to be paid for 2020.
- At the end of the period, cash and cash equivalents and other current investments amounted to MSEK 570.4 (248.8) and net debt to MSEK 5 235.4 (5 028.9).

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

Key financials development Jan-Dec, 2016 – 2020



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

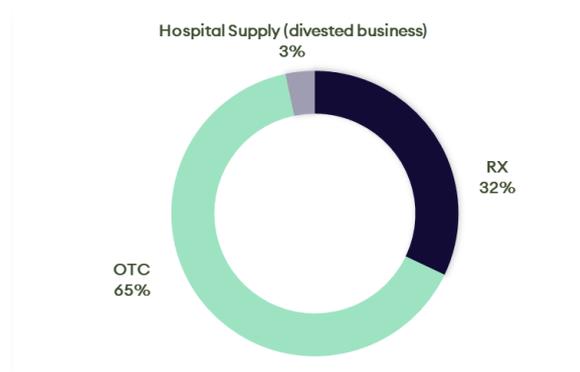
Products	2020	2019	Change
Selexid	200,4	185,7	8%
Pevaryl 1,3)	118	13,8	762%
Paracet	57,2	55,8	1%
Flux 1)	147,9	38,8	281%
Burinex	137,0	130,1	5%
Kaleorid	135,2	126,3	7%
Locobase	132,8	130,7	2%
Multi-Gyn 1)	121,6	17,5	596%
Scheriproct 2)	120,0	0,0	n/a
Decubal 1)	88,3	24,7	258%
Other Products	1483,6	1072,7	38%
Total Sales	2 882,9	1 901,2	52%

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-Dec 2020



RX – Prescription drugs

OTC – Over the counter products (non-prescription)

Comments by CEO Christoffer Lorenzen

Karo Pharma realized net sales growth of 11% in Q4, which was mainly driven by the acquisitions of the product portfolios Proct[®] (March 2020) and Pevaryl[®] (May 2020). The business saw a 1% organic growth in the quarter, which indicates that the Q1 stock-building among wholesales, pharmacies and consumers largely reversed in Q2 and Q3 and that underlying business momentum is improving.

For the full year, net sales grew 52%, mainly driven by acquisitions. The business saw 1% organic growth for the full year. Performance was strong in new markets where we repatriated sales in 2020, whereas core markets such as Sweden saw weaker performance.

In terms of profitability, the EBITDA margin in Q4 was 15.4%, which was lower than the earlier quarters in 2020 but follows the pattern observed in 2019. For the full year, the EBITDA margin was 25.0% (27.2% when excluding non-recurring items), implying an EBITDA growth of 47% versus 2019. The EBITDA margin was slightly lower than the previous year due to investments into our commercial organization and our scalable operating platform, which we will leverage as we continue our expansion journey.

Karo Pharma continues to demonstrate resilience and robustness. In terms of our commercial operations, we have increased our investments into the country sales teams as well to strengthen our digital capabilities. We expect to see pay-back from these investments in 2021. We have a large portfolio of brands but are prioritizing our efforts and investments towards 10-15 brands with the strongest market position and best growth outlook.

Supply chain performance is also solid, and we have strengthened the dialogue and interaction with our key partners over the year. We are consolidating our supplier base to reduce complexity, leverage scale benefits and build best-in-class relationships. We continue to progress the tech transfer projects related to our acquisitions and are running gross margin improvement programs across the entire portfolio. These initiatives will help us improve gross margins and will also yield improvements in our inventory management in the year to come.

Finally, we have made progress regarding business simplification and business integrations. The sale of the hospital supplies business streamlines our organization and focuses our attention on pharmacy and retail channels. Further, we completed the integration of Trimb and ensuring alignment of systems and structures. Similarly, the Proct[®] portfolio is fully integrated and we are progressing to plan concerning the Pevaryl[®] business.

A few weeks ago, we announced the acquisition of a portfolio of OTC products from Teva Pharmaceuticals. The transaction strengthens our commercial position simplifies our day-to-day execution and provides us control over an exciting primarily Nordic group of brands. We plan to fund the transaction entirely from existing means, including the cash generated from the sell-down of Karo treasury shares, which illustrates the power of Karo's expansion model.

Christoffer Lorenzen, CEO

Key financial data (MSEK)

	October - December		January - December	
	2020	2019	2020	2019
Net Sales	721,2	649,3	2 882,9	1901,2
Gross Profit	355,8	304,1	1595,4	984,0
Operating Cost	-375,2	-295,9	-1368,3	-811,9
EBITDA	111,4	107,6	721,7	491,9
EBITDA margin %	15,4%	16,6%	25,0%	25,9%
Profit before tax	-78,4	-28,9	57,2	16,6
Ep S, SEK	-0,12	-0,11	0,37	0,05
Cash Flow from operating	104,8	-10,8	329,2	106,8
Cash	570,4	248,8	570,4	248,8

Sales and earnings

	October - December		January - December	
	2020	2019	2020	2019
Net sales	721,2	649,3	2 882,9	1901,2
Cost of goods sold	-365,4	-345,2	-1287,5	-917,2
Gross Profit	355,8	304,1	1595,4	984,0
Cost before amortization and depreciation	-244,4	-196,4	-873,7	-492,2
EBITDA	111,4	107,6	721,7	491,9
Non-recurring costs	53,4	43,7	63,1	107,2
Adjusted EBITDA	164,8	151,4	784,8	599,1
Amoritzation and depreciation related operating costs	-130,8	-99,5	-494,6	-319,8
Adjusted EBIT	34,0	51,9	290,1	279,3

Net sales for 2020 increased to MSEK 2 882.9 (1 901.2). This corresponds to an increase of 52% for the period. Net sales for the fourth quarter were MSEK 721.2 (649.3) corresponding to an increase of 11%.

Cost of goods sold amounted to MSEK 1 287.5 (917.2) January-December 2020. The gross margin was 55.3% (51.8%) during the same period. The gross margin for the fourth quarter was 49.3% (46.8%) and has been positively impacted by a changed product mix from acquisitions as well as strategic tech transfer projects and resulting reduction of the cost of goods.

Operating costs including depreciation and amortization, other operating income and other operating expenses amounted to MSEK 1 368.3 (811.9) during the year, an increase of 69%. Sales costs increased to MSEK 955.2 (600.3) 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, Germany and Italy, and the cost related to the acquisition of Trimb. Administration costs amounted to MSEK 395.9 (188.4). The increase is mainly due to cost related to the acquisition of Trimb and non-recurring costs to consultants and external advisors related to the acquired product portfolios totaling MSEK 63.

The adjusted EBITDA amounted to MSEK 784.8 (599.1) for the year, equivalent to a 31% increase.

Earnings per share was 0.37 (0.05) SEK before and after dilution for the period January-December.

Cash flow and financial position

Cash flow from operating activities during the year was MSEK 329.2 (106.8) and MSEK 104.8 (-10.8) in the quarter. Group cash and cash equivalents amounted to MSEK 570.4 (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 reserves are adequate.

On December 31, total assets amounted to MSEK 12 517.5 (10 898.5 as of December 31, 2019), whereof intangible assets accounted for MSEK 10 029.5 (9 090.1 as of December 31, 2019).

Group equity amounted to MSEK 5 638.5 (5 641.9 as of December 31, 2019). The equity ratio was 45.0% (51.8% as of December 31, 2019).

Parent company

The Parent company's net sales for the year amounted to MSEK 1 149.4 (701.0). Profit after financial items amounted to MSEK 40.3 (-89.7). The growth comes from acquired product portfolios. The parent company's cash, cash equivalents and other current investments amounted to MSEK 103.4 at the end of the period (61.6 as of December 31, 2019).

Auditors review

The year-end report has not been subject to auditor's review.

Board proposal for dividend

The Board of Directors proposes that no dividend is to be paid for 2020.

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 for MEUR 90. The expected annual turnover is around MSEK 300.

April 1, 2020 Karo Pharma acquired Hygis SA, a Swiss distributing company with exclusive distribution rights to Karo's brands MultiGyn[®] and MultiMam[®] in the Swiss market. The acquisition gives Karo Pharma control over

the direct sales of these brands and Karo Pharma expects to reach annual net sales related to the two brands of MSEK 14 in Switzerland.

May 8, 2020 the acquisition of the remaining European rights to the Pevaryl[®] brand portfolio from Cilag GmbH International, one of the Janssen Pharmaceutical Companies of Johnson & Johnson, was closed for MEUR 58. The transaction consolidates the ownership of the Pevaryl[®] brand portfolio, comprised of Pevaryl[®], Epi-Pevaryl[®], Gyno-Pevaryl[®] and Pevisone[®] in Europe with Karo Pharma. The expected annual turnover is around MSEK 200.

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 MSEK 13.

December 1, 2020 Karo Pharma AB divested its Hospital Supply business, Swereco AB, to J2L Holding AB. Karo Pharma's commercial focus is on consumer healthcare and its range of brands within over-the-counter medicines, self-care products and prescription medicines, which are sold in pharmacy and mass-market channels. Consequently, the Hospital Supply business, which provides products for rehabilitation, intensive care, diabetes treatment and surgery under the Swereco[®] brand and several in-licensed brands directly to hospitals and regions, was outside of the core business. The Hospital Supply business generated MSEK 118 in revenues in 2019 and J2L has acquired all shares in Swereco for MSEK 150 on a cash and debt free basis. The net gain on the divestment amounted to MSEK 5 and the cash flow effect was MSEK 151.

Significant events after period end

Karo Pharma Aktiebolag ("Karo") announced February 3, 2021 the acquisition of an OTC brand portfolio from Teva Pharmaceuticals (Teva) for a total consideration of MEUR 84 and is expected to close on April 1, 2021.

The transaction transfers ownership of the brand portfolio, comprised of Flux[®], Decubal[®], Lactocare[®], Apobase[®], DailyCare[®] and Fludent[®] from Teva to Karo. The brands generated sales just short of MSEK 350 in 2020 on a global basis. The majority is generated in the Nordic markets, including Scandinavia, where the brands already are distributed and marketed by Karo under a 7-year license agreement that was signed in the spring of 2019.

The transaction adds around MSEK 40 in net sales from new markets outside of Scandinavia of which approx. 80% is in Finland. The transaction simplifies the business set-up and provides Karo with control of the assets, thereby paving the way for long-term optimization of the brands and the value chain.

In terms of financial impact Karo will realize direct savings in year 1 of just under MSEK 50 as costs to Teva are eliminated. Karo already commercializes the products in Scandinavia and has active relationships with the contract manufacturers that supply the brands. Hence, limited added costs and personnel are required as a direct result of the transaction.

The acquisition is a pure asset deal. No personnel or manufacturing sites are included, which limits commercial as well as the technology transfer risks. The transaction is financed with existing cash and requires no additional credit facilities outside the already existing such.

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 rest of the year the brands and products, which were impacted positively by stock build up during the first quarter have been normalized in line with expectations. This negatively impacted organic growth for Q2-Q4. Brands and products that were not impacted by stock fluctuations saw different impact. Some brands have been positively impacted (such as DAX and Viruseptin) whilst others have been negatively impacted (such as Mabs and Mollipect). 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. 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. We are also observing growth in OTC and CHC sales in food retailers and convenience 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 and changed consumption patterns. 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 into Q1 and Q2 of 2021.

Karo Pharma management therefore monitors the situation and regularly updates 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. We have carefully considered the effects of the COVID-19 outbreak and concluded that there are no write-downs or value adjustments required due to 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, or request it from Karo Pharma AB, PO Box 16 184, 103 24 Stockholm, Sweden.

Financial Calendar

Interim report Jan-Mar 2021	Apr 21, 2021
Interim report Jan-Jun 2021	Jul 22, 2021
Interim report Jan-Sep 2021	Oct 28, 2021

The annual report for 2020 is planned to be published in week 13, 2021 and the Annual General Meeting takes place on April 21, 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 February 18, 2021

Bo Jesper Hansen
Chairman of the Board

Erika Henriksson
Director

Uta Kemmerich-Keil
Director

Vesa Koskinen
Director

Kristofer Tonström
Director

Håkan Åström
Director

Flemming Örnkvist
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.

This information is information that Karo Pharma AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, on February 18, 2021 at 14.00 CET.

Consolidated income statement summary (KSEK)

	October - December		January - December	
	2020	2019	2020	2019
Net sales	721 230	649 259	2 882 867	1 901 196
Cost of goods sold	-365 418	-345 162	-1 287 516	-917 165
Gross Profit	355 812	304 097	1 595 351	984 030
Operating cost				
Distribution cost	-238 546	-229 491	-955 235	-600 264
Administration	-127 187	-72 971	-395 889	-188 361
Other operating income/ expenses	-9 431	6 520	-17 209	-23 304
Total operating costs	-375 164	-295 941	-1 368 333	-811 928
Operating Profit	-19 352	8 156	227 018	172 102
Financial Net	-58 973	-37 057	-169 863	-155 512
Profit/ loss before tax	-78 325	-28 901	57 154	16 590
Tax	51 064	5 785	25 751	-7 649
Net profit/ loss	-27 260	-23 116	82 905	8 941
Net earnings attributable to:				
Shareholders in the parent company	-27 260	-23 172	82 049	8 890
Non-controlling interests	0	55	856	51
Earnings per share (SEK) ¹	-0,12	-0,11	0,37	0,05
Number of shares issued (000)	223 094	222 568	223 094	222 568
Number of shares in own custody (000)	1 940	2 465	1 940	2 465

¹Taking into account the bonus element in the rights issue

Consolidated statement of comprehensive income (KSEK)

	October - December		January - December	
	2020	2019	2020	2019
NET PROFIT FOR THE PERIOD	-27 260	-23 116	82 905	8 941
Other comprehensive income for the period, net of tax				
Exchange rate differences	4 370	-13 084	-117 256	41 971
TOTAL COMPREHENSIVE INCOME	-22 890	-36 201	-34 351	50 912
Total comprehensive income attributable to:				
Shareholders in the parent company	-22 889	-36 311	-35 207	50 861
Non-controlling interests	0	55	856	51

Consolidated report over financial position summary (KSEK)

	31 December	
	2020	2019
Assets		
Intangible Assets	10 029 478	9 090 094
Equipment	19 041	20 626
Utilization rights*	50 423	9 407
Deferred tax claim	685 323	600 598
Other financial assets	2 185	2 745
Other current assets	1 160 657	926 253
Cash and cash equivalents	570 391	248 806
TOTAL ASSETS	12 517 499	10 898 530
Shareholders' equity and Liabilities		
Equity	5 638 490	5 641 908
Deferred tax	527 192	469 384
Long term debt	1 130 350	1 251 119
Current Liabilities	5 221 467	3 536 119
TOTAL EQUITY AND LIABILITIES	12 517 499	10 898 530

* 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			50 861	51	50 912
Share buy-backs				1531	1531
Rights issue after transaction costs and deferred taxes	24 280	1954 183			1978 463
Amount at 31 December 2019	90 013	6 010 261	-460 005	1639	5 641 908
Amount at 1 January 2020	90 013	6 010 261	-460 005	1639	5 641 908
Total earnings			-35 207	856	-34 351
Shareholder changes in the group			-65	-54	-119
Share sell-out			31051		31051
Amount at 31 December 2020	90 013	6 010 261	-464 225	2 442	5 638 490

Consolidated statement of cash flows summary (KSEK)

	October - December		January - December	
	2020	2019	2020	2019
Operating activities				
Operating income/ loss before financial items	-19 352	8 156	227 018	172 102
Depreciation	131 755	99 493	494 528	319 755
Other items not affecting liquid assets	0	-16 332	0	-207
	112 404	913 18	721 546	491 650
Financial items received and paid				
Financial items received and paid	-38 796	-35 749	-181 089	-134 033
Income taxes paid	-8 193	-4 698	-44 513	-6 093
Cash flow from operating activities before changes in working capital	65 415	50 871	495 945	351 525
Changes in working capital				
Changes in working capital	39 349	-61 720	-166 722	-244 681
Cash flow from operating activities	104 764	-10 850	329 223	106 844
Investing activities				
Net investments in company acquisitions	0	0	0	-2 456 377
Net investments in intangible assets	-25 862	-10 324	-1685 255	-31896
Net investments in financial assets	0	-223	-1199	-806
Other changes in financial assets	269	-37	90	0
Net investments in property, plant and equipment	-5 473	-710	-21421	-2 651
Divestment of company	150 969	0	150 969	0
Sale of intangible fixed assets	0	50 000	12 500	50 000
Sale of property, plant and equipment	0	0	0	20
Cash flow from investing activities	119 903	38 706	-1544 317	-2 441 710
Financing activities				
Net proceeds from share issues	0	2 003 114	0	2 003 114
Transaction costs share issue	0	-23 999	0	-23 999
Sale of own shares	31 051	0	31 051	0
Borrowings	0	0	1 775 000	3 500 000
Repayment of loans	-46 995	-1 978 425	-262 415	-3 294 469
Minority transactions	-118	0	-118	0
Cash flow from financing activities	-16 063	690	1 543 517	2 184 646
Cash flow from the period	208 604	28 546	328 424	-150 220
Cash at the beginning of the period	365 330	225 017	248 806	398 580
Exchange rate differences in cash	-3 543	-4 757	-6 839	446
Cash at the end of the period	570 391	248 806	570 391	248 806

Parent company income statement summary (KSEK)

	October - December		January - December	
	2020	2019	2020	2019
Net sales	343 727	177 191	1 149 409	701 042
Cost of sales	-143 272	-95 576	-426 642	-324 074
Gross profit	200 455	81 615	722 768	376 969
Operating costs				
Sales costs	-86 005	-91 098	-322 564	-247 492
Administration	-109 430	-26 795	-236 736	-94 246
Research and development	0	0	0	0
Other operating income/ expenses	-10 900	-1 779	-16 080	-1 192
Total operating costs	-206 335	-119 672	-575 381	-342 929
Operating profit/ loss	-5 880	-38 057	147 387	34 039
Financial net	-28 820	-20 500	-107 087	-123 724
Profit/ loss before tax	-34 699	-58 556	40 300	-89 685
Group contributions paid	0	129 110	0	157 380
Tax	8 845	-15 471	-6 655	-15 799
Net profit	-25 855	55 083	33 645	51 895

Parent company statement of comprehensive income (KSEK)

	October - December		January - December	
	2020	2019	2020	2019
NET PROFIT FOR THE PERIOD	-25 855	55 083	33 645	51 895
Other comprehensive income for the period, net of tax	0	0	0	0
Exchange rate differences	0	0	0	0
TOTAL COMPREHENSIVE INCOME	-6 407	32 154	59 500	-3 187

Parent company balance sheet summary (KSEK)

	31 December	
	2020	2019
Assets		
Intangible assets	3 853 638	2 453 690
Equipment	8 293	1097
Utilization rights	488 060	494 715
Other financial assets	1 139 428	304 223
Participation in group companies	5 231 948	5 128 404
Other current assets	716 233	1 682 486
Cash and cash equivalents	103 410	615 57
TOTAL ASSETS	11 541 010	10 126 173
Shareholders' equity and liabilities		
Equity	5 595 166	5 530 470
Deferred tax	21 989	21 989
Long term debt	1 010 712	1 141 190
Current liabilities	4 913 143	3 432 525
TOTAL EQUITY AND LIABILITIES	11 541 010	10 126 174

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 the annual report 2019 with the complementary description of changes described below.

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, 2020, Karo Pharma AB has unutilized loss carryforwards of MSEK 2 369, Trimb Sweden MSEK 263, Karo Pharma AS MSEK 574, Trimb Norway MSEK 4 and Trimb Netherlands MSEK 74 with a total for the group of MSEK 3 283. In light of the Group's expected profit development, the deficits are fully valued in the balance sheet (MSEK 685).

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 April 1, 2020, Hygis SA a Swiss distributor with exclusive rights to Karo's brands MultiGyn and MultiMam was acquired.

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.

On July 1, 2020 three brands were divested to Evolan (Digoxin, Egazil and Suscard).

On December 1, 2020, the Hospital Supply business was divested to J2L Holding AB.

Note 4

Definitions

During 2020 Karo Pharma has continued the progress to integrate the acquisitions in Karo Pharma. The legal fees, cost for re-organization and cost of external advisor related to acquisitions and divestments are adjusted for in the alternative performance measures like 'Adjusted EBITDA'.

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
Organic growth	Growth in Net Sales coming from Volume, price and mix effects presented without structural effects from M&A	The organic growth shows underlying business performance without acquired or divested business and currency impact.
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 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.

Note 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.