



Karo Pharma
Quarterly
report

Q1 – 2021
January –
March



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Interim report

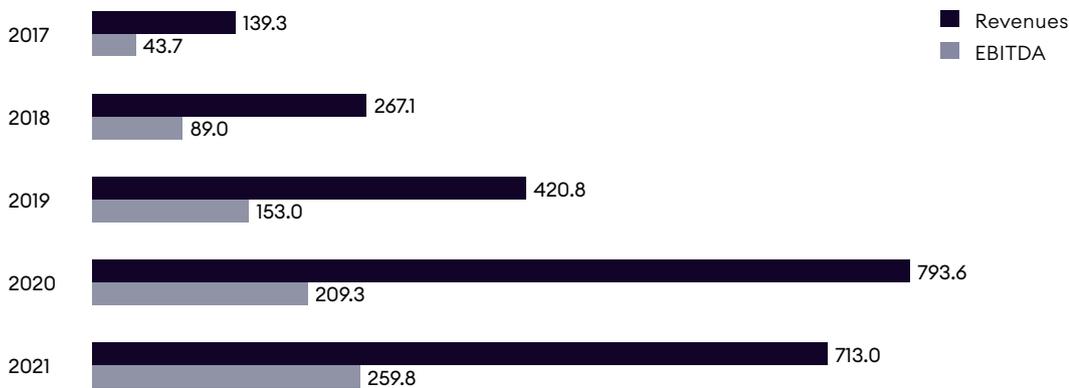
Q1 2021

January – March

- Revenues amounted to MSEK 713.0 (793.6), corresponding to a decrease of -10% for the period.
- The organic growth* during the first quarter was -16%. 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 +7%.
- EBIT (Operating Profit) amounted to MSEK 128.1 (104.1), corresponding to growth of 23%.
- EBITDA* amounted to MSEK 259.8 (209.3) corresponding to growth of 24%.
- The gross margin, defined as gross profit divided by revenues, was 60.9% (53.9%) for the quarter. The margin was affected positively by the acquired product portfolios, the divested Hospital Supply business and by realized synergies in production and distribution of products.
- Cash flow from operating activities amounted to MSEK 34.2 (-9.8).
- Earnings per share was SEK 0.24 (0.39), before and after dilution.

* Alternative Performance Measures (APM), note 4 for further information.

Key financials development January-March (MSEK), 2017-2021



Revenues by category January-March (MSEK)

	2021	2020	Change
Intimate care**	173.0	139.1	24 %
Dermatology**	137.1	109.1	26 %
Foot care**	123.7	80.2	54 %
Specialty products	107.2	113.1	-5 %
Wellness	84.6	98.3	-14 %
Pain, cough & cold	85.5	211.7	-60 %
Other*	1.9	42.1	-96 %
Total	713.0	793.6	-10 %

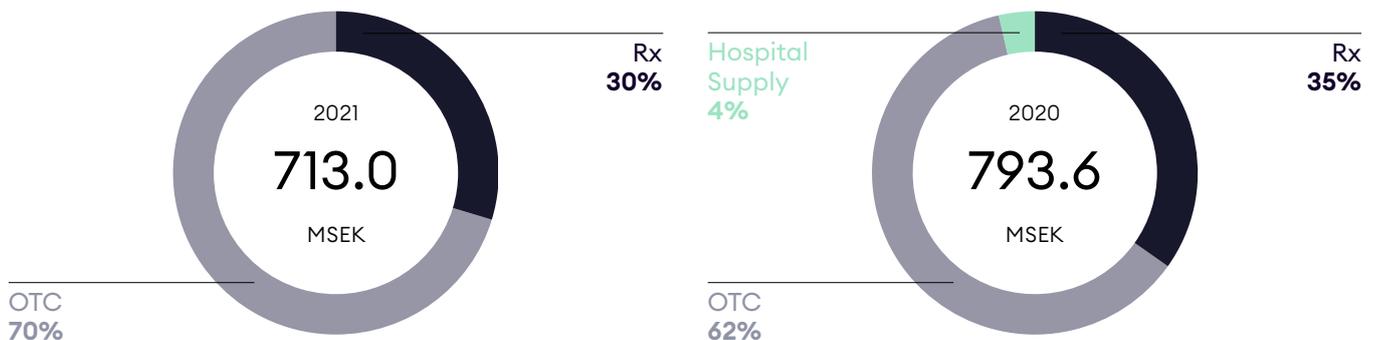
Revenues by market January-March (MSEK)

	2021	2020*	Change
Sweden**	190.4	249.4	-24 %
Norway	137.0	224.4	-39 %
Denmark	69.9	81.0	-14 %
Other European direct markets	221.9	183.1	21 %
Rest of the world***	93.8	55.7	69 %
Total	713.0	793.6	-10 %

* Including divested Hospital Supply business in 2020
 ** Including acquired products Proct and Pevaryl in 2021

* Not including acquired product portfolios Proct and Pevaryl
 ** Including divested Hospital Supply business in 2020
 *** Rest of the world markets are covered through distributors

Total sales by product segment January-March



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

Comments by CEO Christoffer Lorenzen



Karo Pharma realized a negative revenue growth of 10% during the first quarter of 2021. The organic growth was down 16% but the acquired Proct® and Pevaryl® businesses contributed positively by 7%. Currencies accounted for -1%. The negative organic growth is explained primarily by challenging comparable financials: In March 2020 Karo saw a sales spike as consumers stockpiled, and wholesalers and pharmacies increased inventories in connection with the COVID-19 outbreak in Europe. A secondary for the negative growth was the divestment of the Hospital Supply business at the end of the year 2020.

In terms of brand categories, Karo saw increases in the categories positively impacted by M&A, such as intimate care (+24%) and foot care (+54%). The dermatology category (+26%) was also impacted by M&A, but has also seen positive impact from COVID-19 induced changes to consumer behaviors (in this case, particularly the increased use in products to address dry hands and skin). Conversely, we see declines in the pain, cough & cold category as common cold and flu has seen very low prevalence and as this was the category with the highest impact from inventory build-up in Q1 2020. We also see decline in the 'other' category explained by the previously mentioned divestment of the Hospital Supply business.

In terms of revenue developments by geography, we see that Swedish and Norwegian markets decline. These markets had the highest exposure to the pain, cough & cold category, as well as the Hospital Supply business, respectively. We see expansion in Karo's business outside of the Nordic markets; the business outside of these home markets has grown from from 30% of total sales in Q1 2020 to 44% this year, which serves as a testament to Karo's internationalization strategy.

Through the period EBITDA amounted to MSEK 259.8, equivalent to a 24% increase compared to the year prior. This is a result of gross margin

improvements across the business, cost controls as result of COVID-19 and reduced costs associated with M&A (non-recurring expenses). In terms of production costs, Karo realized an improvement of the gross margin from 53.9% to 60.9%, the result of improved product mix as well as the implementation of strategic tech transfer projects and optimization of our supply chain and logistics set-up. In terms of operating costs, we also saw an improvement versus the year prior. Our organization and general & admin expense levels have grown as a direct reflection of our acquisitions and related geographical expansion. However, we have tightly managed our commercial demand generation spend (advertising and promotion) and – combined with reduced non-recurring expenditures (related to M&A) and exchange differences from operations – this explains a decline in operating expenses of 5% during the first quarter.

We expect to turn up investments in sales and marketing as the COVID-19 pandemic eases its grip on societies. Such increased expenditure will be required to defend and grow market shares – particularly to address the on-going consumer shift to online channels – and will play an important part in executing Karo Pharma's continued growth strategy.

Christoffer Lorenzen
CEO

Key financial data

MSEK	JANUARY-MARCH		FULL-YEAR
	2021	2020	2020
Revenues	713.0	793.6	2,882.9
Gross profit	434.5	427.7	1,595.4
Gross margin %	60.9 %	53.9 %	55.3 %
EBITDA	259.8	209.3	725.0
EBITDA margin %	36.4 %	26.4 %	25.1 %
Profit for the period	53.5	86.8	82.9
Earnings per share, SEK	0.24	0.39	0.37
Cash flow from operating activities	34.2	-9.8	329.2
Cash and cash equivalents	594.5	277.7	570.4

Revenues decreased to MSEK 713.0 (793.6) in the first quarter compared to same quarter last year because of the high revenues in 2020 including substantial stock build-up among customers. This corresponds to a decrease of -10% for the period.

Cost of goods sold amounted to MSEK 278.5 (365.9) January-March 2021. The gross margin was 60.9% (53.9%) during the same period and has been positively impacted by a changed product mix from acquisitions/divestments 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 306.4 (323.7) during the quarter, a decrease of -5%. Sales costs decreased to MSEK 229.2 (235.8). Administration costs amounted to MSEK 94.7 (73.1).

The EBITDA amounted to MSEK 259.8 (209.3) for the year, equivalent to a 24% increase.

Earnings per share was 0.24 (0.39) SEK before and after dilution for the period January-March.

Cash flow and financial position

Cash flow from operating activities during the quarter was MSEK 34.2 (-9.8). Group cash and cash equivalents amounted to MSEK 594.5 (570.4 as of December 31, 2020) 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 March 31, total assets amounted to MSEK 12,687.5 (12,517.5 as of December 31, 2020), whereof intangible

assets accounted for MSEK 10,005.5 (10,029.5 as of December 31, 2020).

Group equity amounted to MSEK 5,784.8 (5,638.5 as of December 31, 2020). The equity ratio was 45.6% (45.0% as of December 31, 2020).

Parent company

The Parent Company's net sales for the period amounted to MSEK 341.6 (222.5). Profit after financial items amounted to MSEK 30.9 (31.6). The growth comes from acquired product portfolios. The parent company's cash, cash equivalents and other current investments amounted to MSEK 67.1 (103.4 as of December 31, 2020).

Auditors' review

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

Significant events

On February 3, 2021, Karo Pharma announced the acquisition of a portfolio consumer healthcare brands from Teva Pharmaceuticals for MEUR 84. The acquisition transferred ownership of Flux[®], Decubal[®], Lactocare[®], Apobase[®], Dailycare[®] and Fludent[®] from Teva to Karo Pharma.

Significant events after period end

On April 1, 2021, Karo Pharma closed the acquisition of the consumer healthcare brand portfolio from Teva. 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 loan facilities.

COVID-19

In the first quarter 2020, Karo Pharma generated sharply increased sales in certain product categories, mainly by building up inventories with wholesalers, pharmacies, and consumers. At the same rate, Karo Pharma saw a simultaneous reduction in demand in other categories.

In the subsequent quarters of 2020, the brands and products that grew through inventory build-ups saw demand patterns normalize (as expected) and inventory levels were reduced. Hence, in Q2 and Q3 2020 Karo Pharma saw negative organic growth as a direct effect of the inventory build-up in Q1. In Q4 the business returned to organic growth.

Karo Pharma notes a negative effect of reduced doctor's visits, prescriptions, and footfall in pharmacies. Karo Pharma also notes limited demand for cold and cough medicines, with the low incidence of common cold and RS-virus compared to previous years. Simultaneously, Karo Pharma observes a shift in consumption patterns, and an increasing share of revenues generated through online channels, especially the e-pharmacy and other e-commerce outlets. Karo Pharma has also seen growth in purchasing of OTC pharmaceuticals and consumer healthcare products in food retail and convenience stores.

The impact on Karo Pharma's supply chain, and its capability to deliver products through COVID-19, has been limited. Karo Pharma has taken actions to consolidate its delivery situation and is better equipped to address supply challenges than it was at the outset of the pandemic. Karo Pharma has observed increased volatility and difficulty in

matching supply and demand and has therefore built inventories to counter future out-of-stock situations. Over time, Karo Pharma aims to reduce its inventory levels as a percentage of sales.

The impact of employee productivity has been limited and Karo Pharma sees employee engagement at consistent, high levels through the COVID-19 related lockdown.

Karo Pharma currently projects that societies will gradually re-open from Q2 with normalcy increasing towards the end of 2021. However, we expect to see long-term implications of the pandemic on consumer behavior, which we must adapt to. Karo Pharma's management regularly reviews the situation in consultation with the Board of Directors, and conducts extensive stress tests to evaluate revenues, expenses, and liquidity and to monitor changes in consumer and channel patterns. Karo Pharma is fully prepared to adjust to the situation as it develops.

To date, no significant risk of material restatements of carrying amounts of assets and liabilities has arisen for Karo Pharma. Karo Pharma has included all available information for the next 12 months when forming this opinion, including the expected profitability and any restrictions in access to finance.

The impact of COVID-19 on financial targets and cash flow has also been limited and the pandemic has not implied additional financial risks for Karo Pharma, such as renegotiating loans and new financial arrangements apart from acquisitions, or problems in meeting covenants.

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 pandemic, 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 2020. 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-Jun 2021	Jul 22, 2021
Interim report Jan-Sep 2021	Oct 28, 2021
Year-end report 2021	Feb 16, 2022

The Annual Report 2020 was released March 30, 2021 and the Annual General Meeting will be held 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 April 21, 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 Ørnskov
Director

Christoffer Lorenzen
CEO

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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 April 21, 2021 at 13.00 CET.

Consolidated income statement

MSEK	JANUARY-MARCH		FULL-YEAR
	2021	2020	2020
Revenues	713.0	793.6	2,882.9
Cost of goods sold	-278.5	-365.9	-1,287.5
Gross profit	434.5	427.7	1,595.4
Sales and marketing expenses	-229.2	-235.8	-955.2
Administration expenses	-94.7	-73.1	-395.9
Other operating income/expenses	17.6	-14.7	-13.9
Operating profit	128.1	104.1	230.3
Financial Net	-61.6	3.1	-173.2
Profit/loss before tax	66.5	107.1	57.2
Tax	-13.0	-20.3	25.8
Net profit/loss	53.5	86.8	82.9
Profit/loss attributable to:			
Equity holders of the parent	53.3	86.7	82.0
Non-controlling interests	0.2	0.1	0.9
Earnings per share (SEK)	0.24	0.39	0.37
Number of shares issued (000)	223,265	222,568	223,094
Number of shares in own custody (000)	1,768	2,465	1,940

Consolidated statement of comprehensive income

MSEK	JANUARY-MARCH		FULL-YEAR
	2021	2020	2020
Net profit for the period	53.5	86.8	82.9
Other comprehensive income for the period, net of tax			
Exchange rate differences	83.6	-136.9	-117.3
Total comprehensive income	137.1	-50.1	-34.4
Total comprehensive income attributable to:			
· Equity holders of the parent	136.9	-50.2	-35.2
· Non-controlling interests	0.2	0.1	0.9

Consolidated balance sheet

MSEK	31 MARCH		31 DECEMBER
	2021	2020	2020
Intangible assets	10,005.5	9,854.6	10,029.5
Rights of use assets	78.5	7.7	50.4
Equipment, buildings and land	20.3	23.6	19.0
Other financial assets	2.0	3.6	2.2
Deferred tax assets	673.9	571.5	685.3
Non-current assets	10,780.2	10,460.9	10,786.5
Inventories	524.8	369.4	451.5
Accounts Receivable	663.6	681.7	596.3
Tax assets	44.5	4.0	37.3
Other Receivables	28.2	25.8	26.4
Prepaid expenses and accrued income	51.7	22.5	49.1
Cash & cash equivalents	594.5	277.7	570.4
Current assets	1,907.3	1,381.1	1,731.0
Total assets	12,687.5	11,842.0	12,517.5
Equity	5,784.6	5,591.8	5,638.5
Borrowings	1,042.8	2,219.7	1,091.6
Lease liabilities	59.9	5.0	36.2
Other provisions	2.7	2.5	2.5
Deferred tax liabilities	527.8	460.0	527.2
Total non-current liabilities	1,633.2	2,687.2	1,657.5
Borrowings	4,796.9	3,086.9	4,707.6
Lease liabilities	16.0	2.5	12.3
Accounts payable	166.8	215.8	232.1
Tax Liabilities	3.4	0.0	3.4
Other current liabilities	75.3	86.3	71.5
Accrued expenses and deferred income	211.4	171.4	194.5
Total current liabilities	5,269.7	3,563.0	5,221.5
Total equity and liabilities	12,687.5	11,842.0	12,517.5

Consolidated statement of changes in equity

MSEK	Share capital	Other capital contributions	Retained earnings/ losses	Translation reserves	Non-controlling interests	Total
Opening balance as of January 1, 2020	90.0	6,010.3	-505.6	45.6	1.6	5,641.9
Comprehensive income	0.0	0.0	82.0	-117.3	0.9	-34.4
Transactions with shareholders						
Transactions with non-controlling interests	0.0	0.0	-0.1	0.0	-0.1	-0.1
Sale of treasury shares	0.0	0.0	31.1	0.0	0.0	31.1
Total transactions with shareholders	0.0	0.0	31.0	0.0	-0.1	30.9
Opening balance as of January 1, 2021	90.0	6,010.3	-392.6	-71.6	2.4	5,638.5
Comprehensive income	0.0	0.0	53.3	83.6	0.2	137.1
Transactions with shareholders						
Transactions with non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0
Sale of treasury shares	0.0	9.0	0.0	0.0	0.0	9.0
Total transactions with shareholders	0.0	9.0	0.0	0.0	0.0	9.0
Closing balance as of March 31, 2021	90.0	6,019.3	-339.3	12.0	2.7	5,784.6

Consolidated statement of cash flows

MSEK	JANUARY-MARCH		FULL-YEAR
	2021	2020	2020
Operating activities			
Operating profit	128.1	104.1	230.3
Non-cash items	130.3	105.5	491.2
Financial items	-37.5	-42.0	-181.1
Cash flow from result after financial items	220.9	167.6	540.5
Income taxes paid	-7.8	-20.2	-44.5
Cash flow from operating activities before change in Working Capital	213.1	147.4	495.9
Change in Working Capital	-178.9	-157.1	-166.7
Cash flow from operating activities	34.2	-9.8	329.2
Investing Activities			
Investments in property, plant and equipment	-1.9	-4.5	-21.4
Investments in intangible assets	-8.5	-977.1	-1,685.3
Investments in other financial assets	-0.3	-0.7	-1.2
Other changes in financial assets	0.0	0.0	0.1
Investments in business combinations	0.0	0.0	151.0
Sale of intangible assets	0.0	0.0	12.5
Cash flow from investing activities	-10.6	-982.3	-1,544.3
Financing Activities			
Sale of treasury shares	9.0	0.0	31.1
Loans arranged	-4.8	1,025.0	1,775.0
Repayment of loans	-4.1	-6.7	-262.4
Transactions with minority interests	0.0	0.0	-0.1
Cash flow from financing activities	0.1	1,018.3	1,543.5
Cash flow for the year	23.8	26.3	328.4
Cash and cash equivalents at beginning of year	570.4	248.8	248.8
Exchange difference in cash and cash equivalents	0.3	2.6	-6.8
Cash and cash equivalents at end of year	594.5	277.7	570.4

Parent company income statement

MSEK	JANUARY-MARCH		FULL-YEAR
	2021	2020	2020
Revenues	341.6	222.5	1,149.4
Cost of goods sold	-109.0	-106.3	-426.6
Gross profit	232.5	116.2	722.8
Sales and marketing expenses	-91.8	-60.3	-322.6
Administration expenses	-63.6	-25.3	-236.7
Other operating income/expenses	7.6	0.3	-16.1
Operating profit	84.7	31.0	147.4
Financial Net	-53.8	0.6	-107.1
Profit/loss before tax	30.9	31.6	40.3
Tax	-8.4	0.0	-6.7
Net profit/loss	22.5	31.6	33.6

Parent company statement of comprehensive income

MSEK	JANUARY-MARCH		FULL-YEAR
	2021	2020	2020
Net profit for the period	22.5	31.6	33.6
Other comprehensive income for the period, net of tax			
Exchange rate differences			
Total comprehensive income	22.5	31.6	33.6

Parent company balance sheet

MSEK	31 MARCH		31 DECEMBER
	2021	2020	2020
Intangible assets	3,785.3	3,602.2	3,853.6
Equipment, buildings and land	7.8	5.5	8.3
Other financial assets	6,593.3	5,404.3	6,371.4
Deferred tax assets	479.7	494.7	488.1
Non-current assets	10,866.1	9,506.7	10,721.4
Inventories	167.3	100.8	148.4
Accounts Receivable	321.4	182.9	253.3
Tax assets	1.1	1.1	0.9
Other Receivables	57.3	1,309.7	300.6
Prepaid expenses and accrued income	55.3	10.0	13.0
Cash & cash equivalents	67.1	250.9	103.4
Current assets	669.4	1,855.7	819.6
Total assets	11,535.5	11,362.4	11,541.0
Equity	5,626.7	5,562.1	5,595.2
Borrowings	1,043.7	4,176.6	1,010.7
Deferred tax liabilities	22.0	241.9	22.0
Total non-current liabilities	1,065.8	4,418.5	1,032.7
Borrowings	4,693.3	988.9	4,687.4
Accounts payable	60.6	98.7	115.7
Tax Liabilities	0.0	262.8	47.2
Other current liabilities	19.7	0.0	3.8
Accrued expenses and deferred income	69.4	31.4	59.0
Total current liabilities	4,843.0	1,381.8	4,913.1
Total equity and liabilities	11,535.5	11,362.4	11,541.0

Note 1

Accounting and valuation principles

Karo Pharma applies International Financial Reporting Standards (IFRS) as adopted by EU.

This report has been prepared in accordance with the Annual Accounts Act and IAS 34 regarding interim reports. The accounting and valuation principles that have been used are unchanged compared to those that were applied in the annual report 2020.

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 are unchanged compared to those that were applied in the last annual report.

Note 2

Loss carryforwards

As of the balance sheet date December 31, 2020, Karo Pharma AB had unutilized loss carryforwards of MSEK 2 369, Trimb Sweden MSEK 263, Karo Pharma AS MSEK 574, Trimb Norway MSEK 4 and Trimb Netherlands MSEK 64 with a total for the group of MSEK 3 275.

In light of the Group's expected profit development, the deficits are fully valued in the balance sheet adjusted for the tax in the first quarter.

Note 3

Net asset acquisition

No net asset acquisitions were closed during the period.

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.

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 2020 under the heading definitions.

Financial performance measure	Definition	Purpose
Organic growth	Growth in revenues 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 revenues	Gross earnings is used to show the company's margin before the impact of costs such as sales and administration costs and R & D.
EBITDA	Operating earnings before depreciation and amortization	The financial performance measure shows the underlying earnings from operations, adjusted for effect of depreciation. It provides a picture of earnings generated from ongoing operations.
EBITDA margin	EBITDA in relation to revenues	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

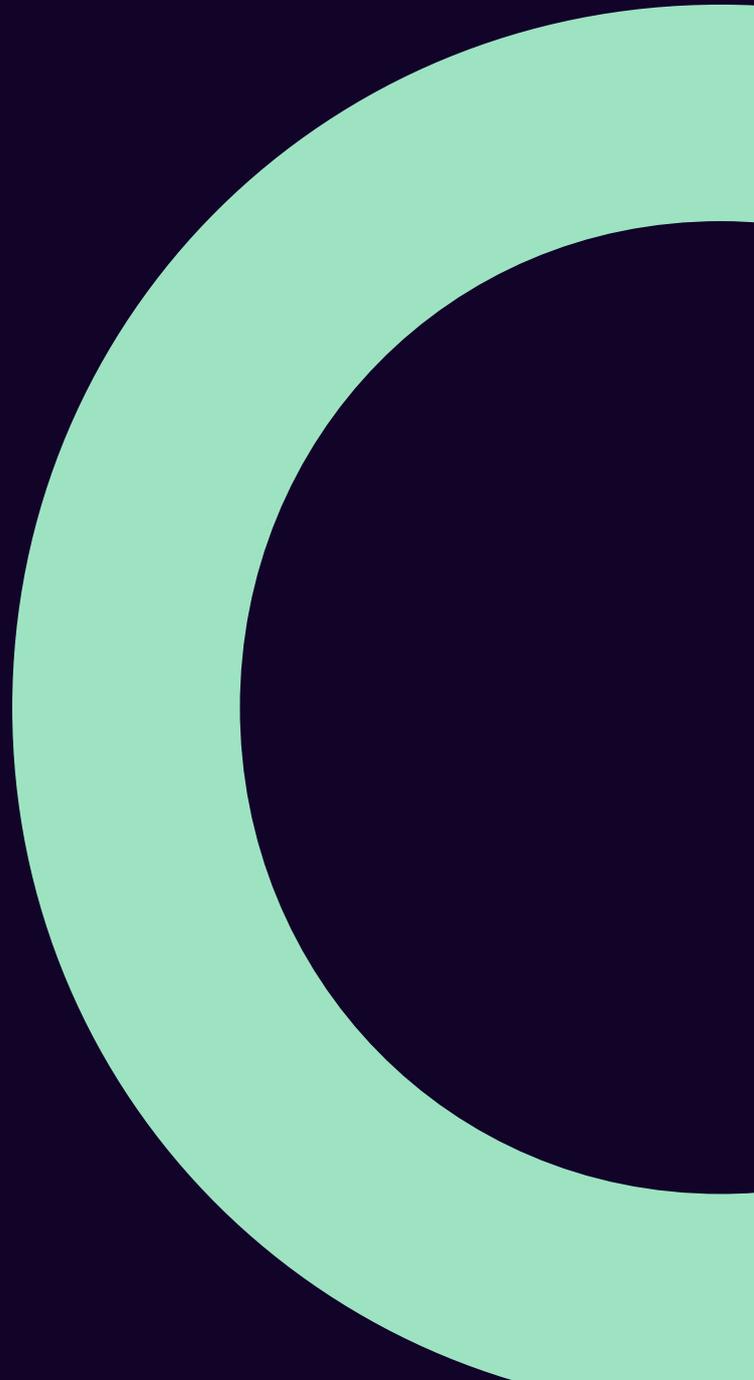
instruments recognized at amortized cost; accounts receivables, other receivables, cash and cash equivalents, accounts payable and other interest-free liabilities, the fair value is assessed to be consistent with the recognized amount.

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.

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