



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	983 733 506
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	KARO PHARMA NORGE AS
Forretningsadresse:	Østensjøveien 27 0661 OSLO

Regnskapsår

Årsregnskapets periode:	01.01.2020 - 31.12.2020
-------------------------	-------------------------

Konsern

Mørselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Forenklet IFRS
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	-

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Synnøve With Notø Karo Pharma AS
Dato for fastsettelse av årsregnskapet:	28.04.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 08.07.2022



Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Kostnader			
Annen driftskostnad	3	248 000	288 000
Sum kostnader		248 000	288 000
Driftsresultat		-248 000	-288 000
Finansinntekter og finanskostnader			
Annen finansinntekt	5	109 464 000	66 067 000
Sum finansinntekter		109 464 000	66 067 000
Annen finanskostnad		8 030 000	14 516 000
Sum finanskostnader		8 030 000	14 516 000
Netto finans		101 434 000	51 551 000
Ordinært resultat før skattekostnad		101 186 000	51 263 000
Skattekostnad på ordinært resultat	6	22 261 000	11 192 000
Ordinært resultat etter skattekostnad		78 925 000	40 071 000
Årsresultat		78 925 000	40 071 000



Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	6	115 550 000	137 811 000
Sum immaterielle eiendeler		115 550 000	137 811 000
Finansielle anleggsmidler			
Investering i datterselskap	7	1 235 741 000	1 235 741 000
Sum finansielle anleggsmidler		1 235 741 000	1 235 741 000
Sum anleggsmidler		1 351 291 000	1 373 552 000
Omløpsmidler			
Varer			
Fordringer			
Andre fordringer		34 000	
Konsernfordringer	7	40 997 000	78 021 000
Sum fordringer		41 031 000	78 021 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	9	0	921 000
Sum bankinnskudd, kontanter og lignende		0	921 000
Sum omløpsmidler		41 031 000	78 942 000
SUM EIENDELER		1 392 322 000	1 452 494 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	10	273 541 000	273 541 000
Overkurs		769 527 000	769 527 000
Annen innskutt egenkapital		15 316 000	15 316 000



Balanse

Beløp i: NOK	Note	2020	2019
Sum innskutt egenkapital		1 058 384 000	1 058 384 000
Opptjent egenkapital			
Annen egenkapital		184 055 000	105 129 000
Sum opptjent egenkapital		184 055 000	105 129 000
Sum egenkapital		1 242 439 000	1 163 513 000
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Langsiktig konserngjeld	11	98 661 000	235 446 000
Sum annen langsiktig gjeld		98 661 000	235 446 000
Sum langsiktig gjeld		98 661 000	235 446 000
Kortsiktig gjeld			
Leverandørgjeld	8	0	96 000
Kortsiktig konserngjeld	9,11	50 002 000	49 980 000
Annen kortsiktig gjeld	12	1 221 000	3 459 000
Sum kortsiktig gjeld		51 223 000	53 535 000
Sum gjeld		149 884 000	288 981 000
SUM EGENKAPITAL OG GJELD		1 392 323 000	1 452 494 000



Directors' report for 2020

Karo Pharma Norge AS strengthened its position as a leading Norwegian consumer health company in 2020. Flagship brands Paracet, Ibux and Asan drove revenue and profit.

KARO PHARMA NORGE

Karo Pharma Norge AS is subsidiary of Karo Pharma AB and parent company for the Norwegian entities.

PRESENTATION OF FINANCIAL RESULTS

Reported results

Total revenue and income for Karo Pharma Norge AS amounted to NOK 0.0 million in 2020 (2019: NOK 0.0 million). Operating loss for 2020 was NOK 0.25 million, compared with an operating loss of NOK 0.3 million the year before.

Financial income was NOK 109.5 million (2019: NOK 66.1 million), reflecting interest on bank deposits and group contribution. Financial expenses were NOK 8,0 million in 2020 (2019: NOK 14.5 million).

Karo Pharma Norge AS had a tax expense of NOK 22.3 million for 2020 (2019: NOK 11.2 million). Tax expense includes full-year adjustments to the changes for 2020 related to Norwegian interest cap rules.

Karo Pharma Norge AS had a net profit of NOK 78.9 million for 2020 (2019: NOK 40.1 million).

Liquidity, financial position and investment

Karo Pharma Norge AS's net cash flow from operating activities amounted to NOK -10.6 million in 2020 (2019: NOK -89.3 million).

No net cash flow from investing activities in neither 2020 nor 2019.

Net cash flow from financing activities was NOK 9.7 million in 2020 (2019: NOK 85.3 million).

Total assets at 31 December 2020 amounted to NOK 1 393.5 million, when the company had NOK 149.8 million in interest-bearing debt. That compares with total assets of NOK 1 452.5 million and interest-bearing debt of NOK 285.4 million at 31 December 2019. Cash and cash equivalents amounted to NOK 0.0 million at 31 December 2020. Investment in subsidiaries amounted to NOK 1 235.7 million at the same date, no change from 2019.

Equity amounted to NOK 1 242.4 million at 31 December 2020 (2019: NOK 1 163.5 million), giving an equity ratio of 89,2 % (2019: 80,1 %).

The financial statements of Karo Pharma Norge AS have been prepared in accordance with the simplified International Financial Reporting Standards (IFRS) as adopted by the EU and valid at 31 December 2020.

In accordance with section 3, sub-section 3a of the Norwegian Accounting Act, the board confirms that the financial statements have been prepared under the assumption that the company is a going concern and that this assumption is valid.

ORGANISATIONAL MATTERS

Organisation

Karo Pharma Norge AS had no employees during 2020.

Karo Pharma Norge AS's offices is located in modern and well-equipped premises at Østensjøveien 27, Oslo, Norway.



RISK

Risk exposure and management

Karo Pharma Norge AS's regular business activities entail exposure to various types of risks. It manages these proactively. The board regularly analyses the company's operations and potential risk factors, and takes measures to reduce risk exposure.

Operational risk

Karo Pharma Norge AS faces risks and uncertainties in its business operations and in the domestic and international marketplace. Changes in Norwegian government policy on price regulations for prescription drugs could also affect Karo Pharma Norge AS. The company's financial performance is largely dependent on the performance of its key pain relief brands, and any changes to the competitive position for these products could have a negative financial effect. Major incidents related to HSE could impose significant costs and damage the company's reputation, and Karo Pharma Norge AS is also exposed to changes in legislation and regulations governing the pharmaceutical industry.

Financial risk

The company is principally exposed to interest-rate, credit, liquidity and foreign currency risk. The company has no major financial assets other than cash and cash equivalents and intercompany receivables. These amounted to NOK 0.0 million and NOK 41 million respectively at 31 December 2020. The credit risk relating to these assets arises from possible default by the counterparty. Counterparties to cash deposits is the commercial bank SEB. Intercompany receivables relate to Karo Pharma AS. Karo Pharma's overall credit risk is regarded as moderate to low.

Karo Pharma had NOK 0.0 million in cash and cash equivalents at 31 December 2020. Based on the current cash position, the company considers the liquidity risk to be medium/low.

Exposure to the risk of changes in foreign exchange rates relates primarily to operating activities where revenues or expenses are denominated in a different currency from the company's presentation currency, and to the company's cash deposits denominated in foreign currencies. At 31 December 2020, the company had no cash balances denominated in EUR and USD.


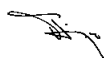

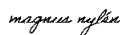
CHANGES AFTER BALANCE SHEET DATE

There are no changes after the balance sheet date 31.12.2020 that affect the Company's position at the balance sheet date.

COVID-19

In mid-March, effects of Covid-19 hit Norway and globally. This has had consequences for the company, but not to such an extent that it is considered significant by the board. Karo Pharma Norge AS is part of a large group, which has the financial strength and solidity to handle the events and effects of Covid-19.

Oslo, 28. April 2021

 Christoffer Lorenzen (Apr 28, 2021 11:14 GMT+2) Christoffer Lorenzen Chair of the Board	 Thor Linge Managing Director/ Board member
 Jon Jonsson (Apr 28, 2021 10:51 GMT+2) Jon Jonsson Board member	 Magnus Nylen Board member



Karo Pharma Norge AS - Årsregnskap 2020

Statement of Profit and Loss for the year ended 31 December

(NOK 000's)	Note	2020	2019
Other income		-	0
Total operating income		0	0
Payroll and payroll related costs	4	-	0
Depreciation and impairment		-	0
Other operating costs	3	248	288
Operating profit/(loss)		-248	-288
Finance income	5	109 464	66 067
Finance costs	5	8 030	14 516
Profit/(loss) before tax		101 185	51 263
Income tax expense	6	22 261	11 192
Profit/(loss) for the year		78 925	40 071
Total comprehensive income		78 925	40 071



Karo Pharma Norge AS - Årsregnskap 2020

Statement of Financial Position as at 31 December

(NOK 000's)	Note	2020	2019
ASSETS			
Non-current assets			
Investment in subsidiaries	7	1 235 741	1 235 741
Group interest-bearing receivables	7	0	0
Deferred tax assets	6	115 550	137 811
Total non-current assets		1 351 291	1 373 552
Current assets			
Trade receivables		0	0
Intercompany receivables	7	40 997	78 021
Other receivables		34	0
Cash and cash equivalents	9	0	921
Total current assets		41 031	78 942
Total assets		1 392 323	1 452 494
EQUITY AND LIABILITIES			
Equity			
Share capital	10	273 541	273 541
Share premium		769 527	769 527
Other paid in capital		15 316	15 316
Retained earnings		184 055	105 129
Total equity		1 242 439	1 163 513
Non-current liabilities			
Borrowings	11	98 661	235 446
Total non-current liabilities		98 661	235 446
Current liabilities			
Trade payables	8	0	96
Intercompany liabilities	9	22	0
Interest-bearing loans	11	49 980	49 980
Income Tax Liabilities	6	0	0
Other current liabilities	12	1 221	3 459
Total current liabilities		51 223	53 535
Total liabilities		149 883	288 981
Total equity and liabilities		1 392 323	1 452 494

Oslo, 28. April 2021

Christoffer Lorenzen
Chairman of the Board

Jon Johnsson
Board member

Thor Linge
Managing Director/ Board member

Magnus Nylén

Magnus Nylén
Board member



Karo Pharma Norge AS - Årsregnskap 2020

Statement of Changes in Equity for the year ended 31 December

(NOK 000's)	Attributable to equity holders				Total equity
	Share capital	Share premium	Other paid in capital	Retained earnings	
Equity as at 01.01.2018	273 541	769 527	15 316	-8 064	1 050 320
Total comprehensive income	-	-	-	73 122	73 122
Distribution of dividend	-	-	-	-	-
Share-based payment	-	-	-	-	-
Equity as at 31.12.2018	273 541	769 527	15 316	65 058	1 123 442
Equity as at 01.01.2019	273 541	769 527	15 316	65 058	1 123 442
Total comprehensive income	-	-	-	40 071	40 071
Distribution of dividend	-	-	-	-	-
Share-based payment	-	-	-	-	-
Equity as at 31.12.2019	273 541	769 527	15 316	105 129	1 163 513
Equity as at 01.01.2020	273 541	769 527	15 316	105 129	1 163 513
Total comprehensive income	-	-	-	78 925	78 925
Distribution of dividend	-	-	-	-	-
Share-based payment	-	-	-	-	-
Equity as at 31.12.2020	273 541	769 527	15 316	184 054	1 242 439



Karo Pharma Norge AS - Årsregnskap 2020

Statement of Cash Flows for the year ended 31 December

(NOK 000's)	Note	2020	2019
Cash flow from operating activities			
Profit/Loss before income tax		101 185	51 263
Non-cash adjustment to reconcile profit before tax to cash flow:			
Group contribution from subsidiary		-109 459	-66 013
Changes in working capital:			
Changes in trade receivables and trade creditors		-96	-65
Changes in other payables, receivables, accruals		-2 249	-74 514
Net interest (income)/expense	5	-	-
Net cash flow from operating activities		-10 619	-89 329
Cash flow from investing activities			
Received Group Contribution from subsidiary	7	-	-
Investment in subsidiaries		-	-
Interest received	5	-	-
Net cash flow from investing activities		-	-
Cash flow from financing activities			
Proceeds from borrowings (net)	11	146 483	85 359
Proceeds of borrowings (net)		-136 785	
Net cash flow from financing activities		9 698	85 359
Net change in cash and cash equivalents		-921	-3 970
Cash and cash equivalents beginning period		921	4 891
Cash and cash equivalents end period	9	0	921



Karo Pharma Norge AS - Årsregnskap 2020

Note 1 Corporate information

Karo Pharma Norge AS is a limited liability company and its registered office is Østensjøveien 27, Oslo, Norway.

Karo Pharma Norge AS apply to §3.7 of the Act Relating to Annual Accounts. Group accounts is provided by the parent company Karo Pharma AB only, and not by sub groups.

Group accounts available at <https://www.karopharma.com/investors/financial-reports/>

The financial statements were approved for release by the Board of Directors on 28. April 2021.



Karo Pharma Norge AS - Årsregnskap 2020

Note 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Karo Pharma Norge AS's financial statements and directors' report are prepared in English only.

2.1 Basis of preparation

The financial statement has been prepared in accordance with the Norwegian Accounting Act § 3-9 and regulations regarding simplified application of IFRS issued by the Ministry of Finance in 2014.

The company have used the following simplifications from the recognition- and measurement regulations in IFRS: IAS 10.12-10.13 and IAS 18.30 have been deviated from resulting in dividends and group contributions being recognized in accordance with the Norwegian Accounting Act.

2.2 Investments in subsidiaries and associated companies

Investments in subsidiaries and associates are accounted for using the cost method in the parent company accounts. The investments are valued at cost less impairment losses. Write-down to fair value is recognised under impairment in the income statement.

2.3 Segment reporting

Karo Pharma Norge AS's activities are currently organised as one operating unit for internal reporting purposes, thus no segment information is presented in these financial statements.

2.4 Recognition for group contributions

Group contributions from wholly owned subsidiaries are recorded as financial income as long as the contributions do not exceed the accumulated results from the date of acquiring the subsidiary. The income is recorded net of tax. Group contributions relating to the result prior the date of acquisition are recorded as a reduction against the investment (net of tax). If Group contributions exceeds accumulated profits in the subsidiary after the acquisition, the payment is treated as a reduction of the carrying value of the investment.

2.5 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met, as described below.

2.6 Balance sheet classification

Assets and liabilities presented in the statement of financial position according to the classification whether it is current or non-current. An asset is current when it is expected to be realized or intended to be sold or consumed in normal operating cycle, held primarily for the purpose of trading, expected to be realized within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current. A liability is current when it is expected to settle in normal operating cycle, it is held for primarily for the purpose of trading, it is due to be settled within twelve months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.



Karo Pharma Norge AS - Årsregnskap 2020

2.7 Financial assets and financial liabilities

Financial assets and liabilities consists of investments in other companies, trade and other receivables, cash and cash equivalents, trade and other payables and interest-bearing borrowings. The company initially recognizes borrowings and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date.

The financial assets have mainly been classified as loans and receivables. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Financial assets at fair value through profit or loss would include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

Recognition and measurement

All financial assets are initially recognised at fair value plus transaction costs, except financial assets carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

Financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables are after initial measurement carried at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement as finance cost for loans and in other operating expenses for receivables.

Trade receivables and other receivables

Trade receivables are recognized at the original invoiced amount, less an allowance made for doubtful receivables. Other receivables are recognized initially at fair value. Trade and other receivables are valued at amortized cost using the effective interest rate method, less provision for impairment.

Trade and other payables

Trade payables are recognized at the original invoiced amount. Other payables are recognized initially at fair value. Trade and other payables are valued at amortized cost using the effective interest rate method. The interest rate element is disregarded if it is insignificant, which is the case for the majority of the group's trade payables.

Interest bearing borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit and loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium and costs that are an integral part of the EIR method. The EIR amortisation is included as finance costs in the consolidated statement of profit and loss.

Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand and other short-term highly liquid investments with original maturities of three months or less. In the consolidated balance sheet, any bank overdrafts are shown within borrowings in current liabilities.

Impairment of financial assets

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The loss is recognised in the consolidated income statement



Karo Pharma Norge AS - Årsregnskap 2020

2.8 Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.9 Current and deferred income tax

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recognised to the extent that is probable that future taxable profit will be available against for which unused tax losses and unused tax credits can be utilised. A deferred tax assets arising from unused tax losses or tax credit are only recognised to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence supporting the utilisation of the tax losses and tax credits. The carrying amount of deferred tax asset is reviewed at the end of each reporting period. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off tax assets against income tax liabilities and the deferred income taxes relate to the same taxable entity or taxation authority.

2.10 Provisions and contingent liabilities

General

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of the money and the risks specific to the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Restructuring provisions

Restructuring provisions are recognised only when the recognition criteria for provisions are fulfilled. The Company has a constructive obligation when a detailed formal plan identifies the activities concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline. Furthermore, the employees affected have been notified of the plans main features.

2.11 Events after the balance sheet date



Karo Pharma Norge AS - Årsregnskap 2020

New information on the Company's positions at the balance sheet date is taken into account in the annual financial statements. Events after the balance sheet date that do not affect the Company's position at the balance sheet date, but which will affect the Company's position in the future, are stated if significant. Details on events after the balance sheet date are disclosed in Note 15.

2.12 Changes in accounting policies and disclosures

Standards and interpretations that are issued up to the date of issuance of the consolidated financial statements, but not yet effective are disclosed below. The Company's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statements are issued.

IFRS 9 Financial instruments

In July 2014 the IASB published the final element in IFRS 9 and the standard is now complete. IFRS 9 results in amendments to classification and measurement, hedge accounting and impairment. IFRS 9 will replace IAS 39 Financial Instrument: Recognition and Measurement. The parts of IAS 39 that have not been amended as part of this project has been transferred and included in IFRS 9. The standard shall be implemented retrospectively, with the exception of hedge accounting, but it is not a requirement to prepare comparative figures. The rules for hedge accounting shall mainly be implemented prospectively, with certain few exceptions. The Group has no plans regarding early implementation of the standard. The implementation of the Standard is not assumed to have material impact on the Group.

IFRS 15 Revenue from contracts with customers

The IASB and FASB has published a new converged standard for revenue recognition; IFRS 15 Revenue from Contracts with Customers. The standard replaces all existing standards and interpretations relating to revenue recognition. The core principle of IFRS 15 is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. With some few exceptions, the standard is applicable for all remunerative contracts and includes a model for recognition and measurement of sale of individual non-financial assets (e.g. sale of property, plant and equipment). IFRS 15 shall be implemented using either the fully retrospective or modified method. The Standard is not expected to have material impact on the Group.

IFRS 16 Leasing

In January 2016 the IASB issued IFRS 16 Leases. The standard is effective from 1 January 2019, but is not yet adopted by the EU. The standard requires all leases (with the exception of short-term and small asset leases) to be recognised in the statement of financial position as a right-of-use asset with subsequent depreciation. The Group has completed an analysis of the new standard and no material impact is identified for the group.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.



Karo Pharma Norge AS - Årsregnskap 2020

Note 3: Other operating costs

(NOK 000's)	2020	2019
Marketing and advertising expenses	-	-
External services	203	208
General, sales & admin. expenses	45	80
External R&D costs	-	-
Other operating expenses	249	288

Remuneration to the Auditors

(NOK 000's)	2020	2019
Statutory Audit	100	156
Other assurance services*	30	40
Tax advisory services	-	-
Total remuneration to auditors	130	196

* Other assurance services consists of technical preparation of tax assessment
All fees are exclusive of VAT



Karo Pharma Norge AS - Årsregnskap 2020

Note 4: Payroll and payroll related costs

(NOK 000's)	2020	2019
Remuneration Board of Directors	0	0
Other payroll costs	0	0
Total payroll and payroll related costs	0	0
Average number of man-years:	-	-

The Company had no employees in 2020 and 2019. No remuneration to Board of Directors in 2020.



Karo Pharma Norge AS - Årsregnskap 2020

Note 5: Financial items

(NOK 000's)	2020	2019
Income from money-market funds	-	-
Interest income from bank deposits	5	61
Interest income from group companies	-	-
Received group contribution	109 459	66 006
Other financial income	-	-
Total finance income	109 464	66 067
Interest on borrowings	7 322	14 516
Other interest expenses	-	0
Net foreign exchange (gain)/loss	-	0
Other financial expenses	709	-
Total finance costs	8 030	14 516
Net finance	101 434	51 551



Karo Pharma Norge AS - Årsregnskap 2020

Note 6: Tax

Income tax calculation :

(NOK 1 000)	2020	2019
Profit before taxes	101 185	51 263
Changes in temporary differences	624	615
Use of losses carried forward	-101 810	-
Interests not deductible (Norwegian interest cap rules)	-	-
Basis for income tax	-0	51 878
Income tax payable	-0	-
Tax effect of change in net deferred income tax liability/asset	22 261	11 413
Tax effect from previous period	-	-221
Income tax expense	22 261	11 192

Reconciliation of income tax

(NOK 1 000)	2020	2019
Profit before tax	101 185	51 263
Tax assessed at the expected tax rate (22%)	22 261	11 278
Tax effect from previous period	-	-86
Income tax expense, exclusive effect of impaired deferred tax asset	22 261	11 192
Non-capitalised deferred tax asset	-	-
Capitalised deferred tax asset	-	-
Income tax expense	22 261	11 192

Temporary differences

(NOK 1 000)	2020	2019
Non-current assets	-256	-332
Norwegian interest cap rules	-10 844	-10 844
Current liabilities	1 399	2 099
Losses carried forward	-515 528	-617 338
Net income tax reduction temporary differences	-525 228	-626 414
Net deferred tax asset	-115 550	-137 811
As of 1 January	-137 811	-149 212
Tax income/(expense) during the period recognised in profit or loss	22 261	11 192
Other effect from previous period	-	208
Deferred tax assets not capitalised	-	-
Deferred tax assets capitalised	-115 550	-137 811

Tax losses can be carried forward indefinitely, and the corporate tax rate at 22% is used for calculation of net deferred tax assets. The deferred tax asset is recognised as at year end 2020 as Karo Pharma AS has a strong earnings history and estimates going forward shows that it will be utilized within the coming years.

Deferred tax assets are recognised for unused tax losses only to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, and deferred tax assets have been recognised in the balance sheet. The recognised amount is most sensitive to expected future taxable profits, but the deferred tax asset is expected to be utilised within the next 6-7 years based on the company's strong profitable history and presence in the stable growing health care sector.



Karo Pharma Norge AS - Årsregnskap 2020

Note 7: Investment in group companies

2020

(NOK 000's)	Registered office	Share capital	Ownership interest	Voting rights	Carrying amount	Result 2020	Equity 2020
Karo Pharma AS	Oslo, Norway	NOK	100 %	100 %	1 235 741	83 970	131 169

Transactions between related parties

2020

(NOK 000's)	Short term receivables to subsidiaries
Karo Pharma AS	40 997
Total	40 997

The net receivable of 40.997 consist of group contributions (receivables) and short term loans from Karo Pharma AS.



Karo Pharma Norge AS - Årsregnskap 2020

Note 8: Financial assets and liabilities by category

Set out below is a comparison by class of carrying amounts and fair values of all financial instruments that are carried in the financial statements:

The financial assets principally consist of cash and cash equivalents obtained through equity issues. The financial liabilities principally consist of a bond loan and trade and other payables arising directly from its operations

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

(NOK 000's)	Fair value		Carrying amount	
	hierarchy level	Category	2020	2019
Financial assets				
Other receivables	1	Loans and receivables	34	-
Total			34	-
Financial liabilities				
Borrowings - InterCompany loan	1	Other financial liabilities at amortised cost	148 641	285 426
Borrowings - Bank loan	1	Other financial liabilities at amortised cost	-	-
Trade payables	1	Other financial liabilities at amortised cost	-	96
Other payables	1	Other financial liabilities at amortised cost	1 221	3 459
Total			149 861	288 981

The following methods and assumptions were used to estimate the fair values:

- Cash and bank deposits, trade and other current receivables and trade and other current payables approximate their carrying amounts due to the short-terms maturities of these instruments.



Karo Pharma Norge AS - Årsregnskap 2020

Note 9: Cash and cash equivalents

(NOK 000's)	2020	2019
Cash at banks	-	921
Total	-	921

The company is a part of Karo Pharma AB's cash pool. Net cash position is presented as intercompany liability of TNOK 22.



Karo Pharma Norge AS - Årsregnskap 2020

Note 10: Issued shares, share capital and reserves

	Number of shares (thousands)	Share capital (NOK 000's)
At 1 January 2019	36 742	273 541
At 31 December 2019	36 742	273 541
At 1 January 2020	36 742	273 541
At 31 December 2020	36 742	273 541

Each share has a par value of NOK 7,50 per share



Karo Pharma Norge AS - Årsregnskap 2020

Note 11: Borrowings and other interest bearing debt

(NOK 000's)	2020	2019
InterCompany loan	98 661	235 446
Bank loan	-	-
Interest-bearing loans - due within following 12 months	49 980	49 980
Borrowings	148 641	285 426

Karo Pharma Norge AS refinanced its debt at the end of the fourth quarter of 2017. The new Inter Company loan totals NOK 350 million for a period of five years and carries an interest of three-months Nibor plus 2.80% with the current leverage.

The loan has a maturity of 5 years. In 2020 it has been made a repayment of total 137 million. For 2021, the agreement says 4 payments of NOK 12.5 million. The loan carries an annual interest rate of 2,8% +NIBOR 3M, with quarterly interest payments following repayments. The carrying value at initial recognition was the fair value at initiation net of transaction costs. Subsequent measurement are at amortised cost.



Karo Pharma Norge AS - Årsregnskap 2020

Note 12: Other current liabilities

(NOK 000's)	2020	2019
Accrued interest expenses*	1 221	3 459
Total	1 221	3 459

* Accrued interest expenses are intercompany liability against Karo Pharma AB regarding long term loan



Karo Pharma Norge AS - Årsregnskap 2020

Note 13: Commitments and contingencies

The Company has no lease commitments or other contingencies.



Karo Pharma Norge AS - Årsregnskap 2020

Note 14: Transactions with related parties

Related party relationships are those involving control, joint control or significant influence. Related parties are in a position to enter into transactions with the company that would not be undertaken between unrelated parties. All transactions within the Group have been based on arm's length principle.



Karo Pharma Norge AS - Årsregnskap 2020

Note 15: Events after the reporting period

Karo Pharma AS and Trimb Norway is planning a merger during Q2 2020. This will not have any significant effect for Karo Pharma Norge AS.

Signature:

Email: thor.linge@karopharma.com

Signature: *magnus nylén*

Email: magnus.nylen@karopharma.com

Signature:

Jon Johnsson (Apr 18, 2021 14:16 GMT+2)

Email: jon.johnsson@karopharma.com

Signature:

Christoffer Lorenzen (Apr 28, 2021 15:12 GMT+2)

Email: christoffer.lorenzen@karopharma.com



ÅR 2020 KPN AS_til signering

Final Audit Report

2021-04-28

Created:	2021-04-28
By:	Synnøve Notø (synnove.with.noto@karopharma.com)
Status:	Signed
Transaction ID:	CBJCHBCAABAAQfL6Gdfilz-bhLJ6qxoAiLLft9m1F5Ue


"ÅR 2020 KPN AS_til signering" History


-  Document created by Synnøve Notø (synnove.with.noto@karopharma.com)
2021-04-28 - 8:24:58 AM GMT- IP address: 46.212.128.191
-  Document emailed to Thor Linge (thor.linge@karopharma.com) for signature
2021-04-28 - 8:31:28 AM GMT
-  Email viewed by Thor Linge (thor.linge@karopharma.com)
2021-04-28 - 9:48:57 AM GMT- IP address: 104.47.2.254
-  Document e-signed by Thor Linge (thor.linge@karopharma.com)
Signature Date: 2021-04-28 - 9:50:58 AM GMT - Time Source: server- IP address: 217.144.253.82
-  Document emailed to Magnus Nylén (magnus.nylen@karopharma.com) for signature
2021-04-28 - 9:51:00 AM GMT
-  Email viewed by Magnus Nylén (magnus.nylen@karopharma.com)
2021-04-28 - 11:42:25 AM GMT- IP address: 104.47.0.254
-  Document e-signed by Magnus Nylén (magnus.nylen@karopharma.com)
Signature Date: 2021-04-28 - 11:45:03 AM GMT - Time Source: server- IP address: 195.43.37.52
-  Document emailed to Jon Jonsson (jon.johnsson@karopharma.com) for signature
2021-04-28 - 11:45:05 AM GMT
-  Email viewed by Jon Jonsson (jon.johnsson@karopharma.com)
2021-04-28 - 12:15:36 PM GMT- IP address: 104.47.2.254
-  Document e-signed by Jon Jonsson (jon.johnsson@karopharma.com)
Signature Date: 2021-04-28 - 12:16:33 PM GMT - Time Source: server- IP address: 188.151.215.188
-  Document emailed to Christoffer Lorenzen (christoffer.lorenzen@karopharma.com) for signature
2021-04-28 - 12:16:35 PM GMT


karo

POWERED BY
Adobe Sign



 Email viewed by Christoffer Lorenzen (christoffer.lorenzen@karopharma.com)
2021-04-28 - 1:12:01 PM GMT- IP address: 94.191.136.17

 Document e-signed by Christoffer Lorenzen (christoffer.lorenzen@karopharma.com)
Signature Date: 2021-04-28 - 1:12:28 PM GMT - Time Source: server- IP address: 94.191.136.17

 Agreement completed.
2021-04-28 - 1:12:28 PM GMT

karo

POWERED BY
Adobe Sign



Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo
Postboks 1156 Sentrum, NO-0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

www.ey.no
Medlemmer av Den norske revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Karo Pharma Norge AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Karo Pharma Norge AS, which comprise the balance sheet as at 31 December 2020, statement of profit and loss and statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the audit of the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.



Oslo, 30 April 2021
ERNST & YOUNG AS

The auditor's report is signed electronically

Erik Sjøreng
State Authorised Public Accountant (Norway)

Penneo Dokumentnr/Idet: YTSY2-LFS16-XEDZY-564QS-M31ZE-4JDX3

Independent auditor's report - Karo Pharma Norge AS

A member firm of Ernst & Young Global Limited



PENNEO

Signaturene i dette dokumentet er juridisk bindende. Dokument signert med "Penneo"™ - sikker digital signatur.
De signerende parter sin identitet er registrert, og er listet nedenfor.

"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Erik Søreng

Statsautorisert revisor

På vegne av: Ernst & Young AS

Serienummer: 9578-5999-4-1529830

IP: 92.220.xxx.xxx

2021-04-30 13:35:31Z



Penneo Dokumentnøkkel: YTSY2-LFS16-XEDZY-S64QS-MB1ZE-4JDX3

Dokumentet er signert digitalt, med **Penneo.com**. Alle digitale signatur-data i dokumentet er sikret og validert av den datamaskin-utregnede hash-verdien av det opprinnelige dokument. Dokumentet er låst og tids-stemplet med et sertifikat fra en betrodd tredjepart. All kryptografisk bevis er integrert i denne PDF, for fremtidig validering (hvis nødvendig).

Hvordan bekrefter at dette dokumentet er originalen?

Dokumentet er beskyttet av ett Adobe CDS sertifikat. Når du åpner dokumentet i

Adobe Reader, skal du kunne se at dokumentet er sertifisert av **Penneo e-signature service <penneo@penneo.com>**. Dette garanterer at innholdet i dokumentet ikke har blitt endret.

Det er lett å kontrollere de kryptografiske beviser som er lokalisert inne i dokumentet, med Penneo validator - <https://penneo.com/validate>



Skattedirektoratet

Saksbehandler Jan Hoelstad	Deres dato 04.10.2010	Vår dato 13.10.2010
Telefon 22077325	Deres referanse Gunnar Manum	Vår referanse 2010/995894

Clavis Pharma ASA
Parkveien 53 B
0256 OSLO

Filed by: *cm* CLAVIS
Date: *17/10/10*
Code: *053*
Copy:

Søknad om tillatelse til å unnlate å utarbeide årsregnskap og årsberetning på norsk språk for Clavis Pharma ASA, org. nr: 983 733 506

Det vises til ditt brev av 4. oktober 2010 hvor du søker om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Clavis Pharma ASA.

Bakgrunn:

Selskapets aktivitet er knyttet til farmasøytisk industri, og da på nåværende tidspunkt i første rekke knyttet til forskning og utvikling av anti kreftmedisin. Selskapet er basert i Norge, men har knyttet til seg et globalt nettverk for utvikling og produksjon av medisiner. Aktiviteten skjer derfor i det vesentligste internasjonalt og hvor engelsk primært benyttes ved kommunikasjon. Selskapet benytter også engelsk som internt arbeidspråk. Selskapet er notert på Oslo Børs, men er innvilget dispensasjon etter vph § 5-13 til å benytte engelsk språk for årsrapportering og -informasjon. Selskapets aksjonærer tilbys derfor alt i dag kun informasjon på engelsk. Det er opplyst at pr i dag er 85 % av selskapets aksjonærer store norske eller internasjonale institusjonelle investorer. Da det er en engelsk versjon av årsregnskapet og -beretningen som vil bli benyttet for alle praktiske formål, og den norske kan utarbeides for å tilfredsstille regnskapslovens krav, anses nytten i forhold til kostnaden ved å utarbeide et norsk årsregnskap og -beretning som liten. Det søkes derfor om dispensasjon.

Skattedirektoratets vurdering og konklusjon

Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til "informative regnskaper for ulike grupper av regnskapsbrukere". Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet. Offentlige myndigheter må også anses som en sentral regnskapsbruker, idet ulike myndigheter, som lignings- og tilsynsmyndigheter, benytter regnskapene

Postadresse Postboks 9200 Grønland 0134 Oslo	Besøksadresse Fredrik Selmers vei 4 Org. nr: 974761076	Sentralbord 800 80 000 Telefaks 22 17 08 60
--	--	--



som et verktøy i sin kontrollvirksomhet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir negativt berørt ved en eventuell dispensasjon.


Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. Selskapet opererer innen en bransje med sterk internasjonal karakter og arbeidsspråket er engelsk. Alle sentrale aktører innen den bransje selskapet jobber, antas å måtte beherske og benytte engelsk språk. Selskapet er innvilget fritak fra Oslo Børs fra å benytte norsk ved rapportering av informasjon til dem.

Skattedirektoratet gir på bakgrunn av en helhetsvurdering Clavis Pharma ASA dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.

Dispensasjonen forutsetter at engelsk språk benyttes i stedet ved utarbeidelsen, og at øvrige opplysninger som vedtaket baserer seg på, heller ikke endres vesentlig.

Vennligst oppgi vår referanse ved henvendelser i anledning saken.

Med hilsen


Torstein Kinden Helleland
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet


Jan Hoelstad



Annual Report 2020

Smart
choices for
everyday
healthcare

karo[®]
pharma



Annual Report
2020

Table of Contents

Management review

- 06 Karo Pharma at a glance
- 07 Our strategy
- 08 Our commitments
- 10 Letter from the CEO:
Making good on our
purpose
- 12 Letter from the Chairman:
A business well set
for success
- 14 Highlights 2020
- 16 Connecting with
consumers: The key to
competitiveness
- 21 Anticipating a
post-COVID market
- 24 Focusing on what
matters most
- 27 Our six categories
- 28 Tackling conditions and
defeating stigma

Financial statements

- 30 Connectivity:
The key to a strong
community and an even
stronger business
- 32 Becoming a faster
and smarter digital
business
- 34 Share and shareholders
- 38 Statutory administration
report
- 49 Five-year summary
- 52 Corporate governance
report
- 56 Board of Directors
- 58 Management
- 60 Financial Statements
- 68 Notes
- 94 Signatures
- 95 Audit report
- 99 Definitions of key indicators
- 100 Product Information
- 101 Annual general meeting



Management review

5

Management review

4



Our vision is to become a pan-European leader in everyday healthcare

Karo Pharma at a glance



Products sold in

markets

brands across six different categories

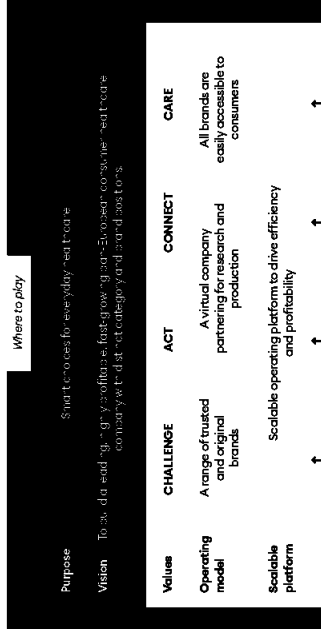
Revenue in SEK

Quoted on NASDAQ Stockholm Exchange's Mid Cap list

Working to realise our vision
Ambitious goals need a strong foundation, and we have already laid the groundwork to make our vision a reality. From 2019 to 2020, we grew more than 3% organically, which is higher than comparable healthcare market indices in our markets. We're taking share in e-commerce channels, and our global growth brands are outgrowing their markets with an average high single-digit growth. With targeted investments and strong, empowered local organisations,

we aim to accelerate our organic growth over the next years.
From our strong Nordic core, we have expanded our business geographically. This has been driven by Mergers and Acquisitions (M&A), and we now have direct business in several European countries. We also have a growing presence outside Europe through strong partner collaborations, and we have consolidated our brand portfolio.

Our strategy is to help shape the future within everyday healthcare and respond intelligently to changes in the environment around us.
To guide our actions, we have made important strategic choices regarding **'where to play'** and **'how to win'**.



We serve six categories within everyday healthcare.

01 Intimate care / 02 Dermatology / 03 Foot care / 04 Pain, cough & cold / 05 Wellness / 06 Rx pharma

Our priority is to add brands in areas where we see the strongest growth opportunities based on capabilities and brand portfolio. Currently these categories are:

Approx.

employees in 10 countries. Headquartered in Stockholm, Sweden

We are an equal opportunities employer. Women represent

of Executive Management and 50% of our people managers are women.

We embrace diversity and our employee base represents more than

different countries of origin

We regularly measure employee engagement and have an employee Net Promoter Score (eNPS)¹⁾ of

1) Bain & Co. the source of the eNPS system. Indicates that a score above 50 is excellent.

Management review

Management review

We are committed to contribute to the creation of healthy and sustainable societies

Smart choices for everyday healthcare

01. Society

We aim to help raise the general standard of health and well-being in society by offering excellent everyday healthcare products and services to people.



02. Environment

We continually strive to reduce our climate footprint and work closely with our suppliers and customers to reduce waste and minimise our activities' environmental impact.

03. Partners

We aim to be a trusted partner to all our stakeholders. To each one, we act as effective problem solvers with a win-win mindset and a high level of integrity.



04. Customers and healthcare professionals

We engage with customers and healthcare professionals to ensure we meet consumer needs and simplify their choices. The insights we gather inspire our product and service development.



05. Consumers

We engage with consumers to learn about their needs and understand how to break down the barriers that prevent people from addressing and treating their everyday health issues.

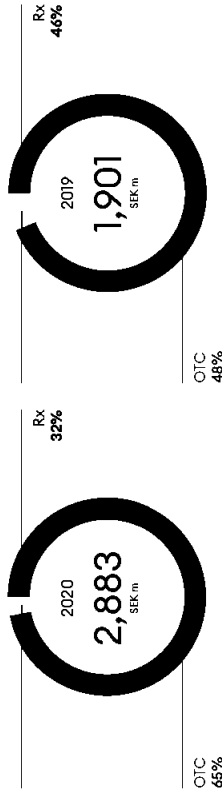
06. Employees

We work to create a dynamic workplace where collective intelligence, diverse backgrounds, and experience come together to support Karo Pharma's purpose.

07. Shareholders

We aim to provide best-in-class risk-adjusted economic returns to our owners and deliver on our promises to the market. We do this by executing our strategy and delivering on our purpose.

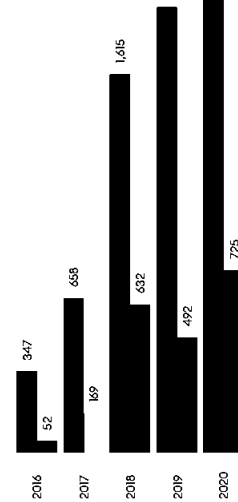
Total sales by product segment



Key indicators

	2020	2019	2018	2017	2016
SEK m					
Net sales	2,882.9	1,901.2	1,615.1	657.6	347.3
Cost of goods sold	-1,287.5	-977.2	-676.3	-315.7	-198.5
Operating expenses	-1,365.0	-811.9	-624.4	-262.0	-192.2
EBITDA	725.0	491.9	692.2	141.6	49.3
Earnings per share (SEK)	0.37	0.05	4.63	0.17	1.42
Cash flow from operating activities	329.2	106.8	318.0	33.5	-36.1
Cash and cash equivalents and other investments in securities	570.4	248.9	398.6	838.6	121.3

Net sales and EBITDA, 2016-2020 SEK m





All this means that we enter 2021 stronger and more focused than we were a year ago, ready to take the next steps on Karo Pharma's development and expansion journey.

In 2021, we will continue to develop our commercial capabilities, expand geographically and continue our M&A activities. At the very end of 2020, we established a subsidiary in Italy, and getting this business off to a good start is a priority. In Q1 2021, we announced the acquisition of a portfolio of products from Teva Pharmaceuticals. The transaction is in full alignment with our strategy of owning and commercialising strong consumer brands within everyday healthcare, and it works to further strengthen our consumer healthcare profile.

Increasing our efforts within sustainability is high on our agenda for 2021 as well. We want to find new and better ways of producing, packaging and distributing our products to reduce our environmental impact. Specifically, we are mapping our CO₂ footprint in order to identify gaps and prioritise our efforts. We are also reviewing our product packaging to reduce our footprint and cut waste.

Karo Pharma is fortunate to have a team of highly engaged colleagues and managers. We embark on 2021 with confidence and resolve, and we will continue to push our business and promote our purpose of providing smart choices in everyday healthcare forward.

Christoffer Lorenzen,
CEO, Karo Pharma

Management review

Despite COVID-19, we've continued to develop our business at a fast pace. Our new businesses in the UK, Switzerland, Germany and Austria are developing well. The integration of Trimb is complete, and the take-over and integrations of the product portfolio acquisitions from Leo Pharma and Johnson & Johnson are progressing according to plan.

During 2020, we've simplified our commercial set-up by divesting the Hospital Supply business to the private Swedish investment firm J2L. We've also continued to develop our scalable business platform, upgrading systems and tools to help us better capture, manage and exploit our data. Most importantly, we've successfully implemented a new ERP system within budget and on time.

We've also invested in our brand portfolio, conducting deep consumer research to understand purchasing patterns and unmet needs. This research has helped us understand the digital consumer journey and to categorise our brands and prioritise where and how to invest for profitable growth.

11

meritocracy we are, by definition, a diverse, equal opportunities employer. At the time of writing, 50% of our managers are women as are 50% of my leadership team.

COVID-19 has challenged us in 2020. Like many other businesses, we've had to work hard with our partners to keep our products available. Overall, our supply chain has stood up well, which testifies to our strong supplier relationships. We've adjusted to social distancing and lower traffic in physical stores, as well as shifts in consumer behaviour, including more online purchasing and switching of consumption from pharmacies to food and convenience stores. The pandemic has also prompted innovation in how we communicate and interact with consumers. That's meant investing to support them on their digital journey – from when they start looking for answers to their everyday health issues to when they make a purchase and receive the product.

Management review

In last year's Annual Report, we introduced Karo Pharma's new purpose. Smart choices for everyday healthcare. Our purpose addresses an important societal agenda around health and quality of life. It's about playing our part in raising the standard of health and well-being in society by offering people excellent healthcare products and services. Driven by this, we engage with customers, healthcare professionals and consumers to raise awareness about treatments and break down the barriers that prevent people from seeking treatment for everyday health problems. And we make sure our products are accessible, safe, reliable and optimised to meet consumer needs.

We take our responsibility to the world around us seriously and see it stretching far beyond our core business operations. We hold ourselves to the highest standards in terms of business ethics and code of conduct. We also give our employees opportunities to develop and grow based on their abilities and aspirations. And because we're a

10



Letter from the Chairman

A business well set for success



All over the world, businesses have spent 2020 grappling with the unexpected. The COVID-19 pandemic has disrupted operations and strategies, and put confidence to the test. For us, too, this time has posed challenges. But it's also demonstrated our emerging strengths.

Karo Pharma is an agile business that can move quickly. It can adapt to new circumstances and act decisively to seize opportunities. Above all, it's a business that knows the direction it wants to take, and what its priorities are.

Building our strengths

One of these strengths is our culture. We've put a lot of emphasis on developing the energy of a start-up and trusting our people to run with ideas and initiatives. But we also honed our systems and processes into a resilient base for us to make good on our ambitions to grow.

This is exactly what I outlined this time last year, when I said we'd carry on developing Karo Pharma by streamlining operations and cutting out complexity. It's now time for us to take the next step and capitalise on our potential.

Realising our potential

We're certainly in a good position to do this. With the right people, processes and systems, we have a clear sense of what matters most. We've seen an opportunity in three of our six product categories, which acts as our decision-making compass. We have an equally clear sense of how to engage with consumers. Our agility is our edge here, giving us the ability to move at pace and position our brands digitally as our insights into consumers deepen.

This growing commercial excellence is the engine of our competitiveness.

Also, we are growing scale. We've integrated our acquisition of Trimb and recently added the Teva, Proct and Pevaryi¹ portfolios to the business. Clearly, we've grown in many ways in the past two years during which it's been my privilege to be Chair of Karo Pharma.

My own background is in specialty pharma, and Karo Pharma is increasingly emphasising consumer healthcare. So now is the right time for me to stand down as Chairman of Karo Pharma. I'm proud of how the business has transformed itself, under the leadership of our CEO Christoffer Lorenzen and his team, and how they have successfully managed to reshape it to focus so intently on smart choices for everyday healthcare. With his extensive consumer health-care experience, I'm confident that my proposed successor, Patrick Smallcombe will add significant value in his efforts to help the Karo team intensify that focus and guide the business towards even more success in the years to come.

I want to thank the whole Karo team and the Board of Directors for being so great to work with, and for performing outstandingly.

Dr. Bo Jesper Hansen
Chairman, Karo Pharma





“In 2020 – in full alignment with our strategy – we have achieved important milestones on our journey to become a pan-European leader in everyday healthcare.”

– Christoffer Lorenzen, CEO, Kero Pharma

Launch of a new corporate visual identity

Kero Pharma launches its new corporate brand identity and relocates its new office in Stockholm city.

Investment of Swereco, the Hospital Supply business

To further streamline and focus the core services and offerings within every day healthcare, the Hospital Supply business, Swereco is invested.

Kero Pharma enters the Swiss market

Kero Pharma acquires Hygis SA, a Swiss distribution company with exclusive distribution rights to Kero's brands Multi-Gyn[®] and Multi-Kom[®]. The deal gives direct presence in Switzerland and strengthens the business in the SAC+1 Region.

Divestment of specialty pharma products

Kero Pharma divests the three brands Sigomin[®], Egal[®] and Suscore[®] to Evolon Pharma to reduce complexity and secure continuous availability for patients.

Acquisition of the Feveryl[®] brand portfolio

Kero Pharma acquires the remaining European rights to the Feveryl[®] brand from Johnson & Johnson. The transaction consolidates the ownership of the Feveryl[®] brand portfolio in Europe with Kero Pharma.

Completion of the acquisition of the product portfolio from Leo Pharma

The acquisition strengthens Kero Pharma's market position with an important core energy brand. In line with the strategy of expanding the European geographical presence, the brand portfolio includes the anti-emetic product Scharpact[®].

Direct operations in Italy

As a result of the acquisition of the remaining rights for Feveryl[®], Kero Pharma establishes direct operations in Italy.



In 2020, we set out to get a deeper understanding of what consumers think and feel about everyday health, and how they solve the problems they have. Now the results are part of how we help them make smart choices. And we're already seeing the effect of communicating and working in a new way.

Connecting with consumers:

The key to competitiveness

There are 70 000 health-related searches every minute on Google!

The business that understands the consumer is the one best-placed to meet their needs and earn their loyalty. For us, that's vital as our success depends on helping people make smart choices for everyday healthcare and growing across our market categories. It's also essential to build trust as a source of clear and reliable information.

Digging deep to understand consumers

Through 400-plus hours of interviews across five countries, we dug deep into how consumers see their health and look after themselves. During our research, we heard echoes of some of today's big consumer trends. Increasingly, people seek their own information, or talk to peers to help them make decisions – a process made simpler by increased access to digital technology.

In healthcare too, people often steer their own course and rely less on top-down advice from experts or authorities. In our study, self-care figured prominently among consumers. They were

largely positive about their health, gave themselves high scores for overall wellness, and talked freely about their diet and exercise regimes.

At the same time, the study uncovered that many lived with everyday health issues – from haemorrhoids and fungal skin complaints to bacterial vaginosis – that they didn't talk about so readily. These problems are beset by stigma and embarrassment, which can stop people discussing them, let alone treating them. These 'non-treaters' typically feel such problems are just something they have to live with – and not worth bothering a doctor with.

Spotting an opportunity

This sets us a challenge, not least because many of our foot care, intimate care and dermatology brands deal with precisely these conditions. But few competitor brands are actively promoting themselves in these categories. For us, it's a chance to bring the unsaid into the open, so 'non-treaters' and mis-treaters can become 'treaters'.



60%

60% of people rely on search engines to validate the information received from doctors.¹

92%

92% of German teenagers between 15-17 years shop online.²

Anna Elmlad, Vice-President of Strategic Marketing, describes the core idea: "We want to put people in control of their everyday health, so that they can enjoy a better life. It's about how we communicate with them at every stage of the journey – from becoming aware of the problem and that it's possible to treat it, to helping them choose a treatment or product, and ultimately becoming an advocate for it as they master their condition."

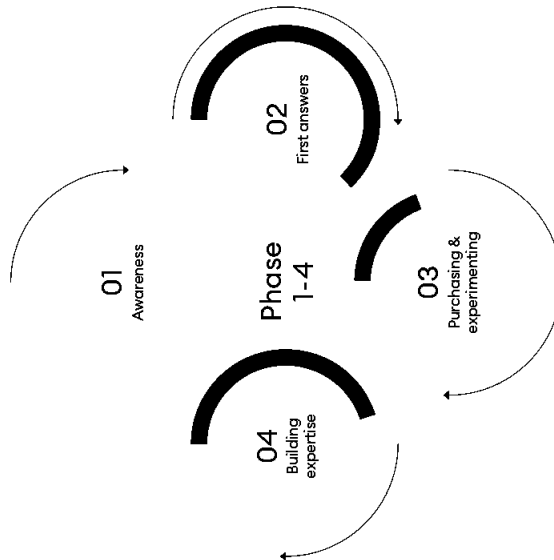
Focusing on the whole consumer journey is one of three golden rules guiding what we do. As Anna explains:

"We've gone from having more short-term targets, like increasing shelf space for new launches, to looking more at long-term strategies that allow us to be close to the changing world around us and the constantly shifting mindset of consumers. That means we go from helping them build awareness to finding good value and becoming a regular purchaser, and what we could improve. This ultimately brings us more loyalty because consumers develop the deeply-held feeling that they can treat these conditions. Once someone starts →



The consumer journey

We are committed to 1) always put consumer insights in focus; 2) understand the consumer journey and the conditions evolving over time; and 3) expand categories by a strong digital presence to target non-treaters and raise the bar for quality of life.



Dimensions:

Emotional ● Functional ● Product or brand related

to treat themselves by using our products, we want to know if they feel they're getting good value and becoming a regular purchaser, and what we could improve."

Anchoring everything in insight

Our second rule, which is actually the starting point in everything from product development to marketing campaigns

on proven insights into how consumers behave and communicate, and what they need.

"We call this part 'project self-care,'" says Anna. "We give people the information they need to be an authority on how to treat their condition. And when we communicate, we do so in the consumers' own language. We don't talk only about

product features or formulations; we also address their emotional needs."

Our 2020 campaign for Nailner nail fungus treatment is an example of this. It didn't lead on the number of doses needed or how the ingredients work. Instead, it focused on the emotional problem – the desire to have good-looking nails for the summer season. In this case, the emotional problem was bigger than the infection itself. The result in Sweden was a 17% increase in sales in a category that shrunk by 3% during the same period.

Going digital

Our third rule is to expand our categories by reaching 'non-treaters'. To succeed we need to be skilled in understanding the digital universe around our products and brands. COVID-19 has boosted reliance on digital channels. In Sweden, online pharmacy purchases of skincare products doubled in 2020.¹ Digital channels are also a highly efficient way to reach consumers and punch above our weight by being insight-driven and targeting more precisely, based on age-group, gender or lifestyle interests.

Social media and forums devoted to specific topics like skincare or motherhood, are where our consumers look for information and compare experiences. Therefore, we need to be visible here, not just among 'influencers'. In addition, these forums are a source of information for us.

We've also optimised web content to make our brands easy to find for people searching for information on symptoms, as well as making online purchase simpler through our landing pages.

To establish trust, we've begun to host online platforms not overtly associated with our brands. The aim is to generate awareness about conditions, create a safe space for discussion and offer advice without an explicit connection to a brand agenda. As consumers interact with these pages, we also learn about their interests and preferences. We've tested intimate care and foot care platforms in Sweden and work is in progress to extend this to other markets.

Pharmacies, digital or physical, remain the most important channel for us. People buy treatments there, based on their own research. But pharmacists are also a source of advice on conditions, and many consumers rely on them to confirm or qualify online sources before making their final choice. "Working closely with pharmacists helps us trace how well changes to products, promotions or communications work," says Anna. "We aim to create joint business plans with our customers. For instance, we might invest to push traffic to pharmacies online. In return, they share data that shows us how communication converts to purchases. Bringing people who'd been non-users into the pharmacy helps us expand our category, but also helps pharmacies build their business."

By deepening our understanding of consumers and adding a human aspect to algorithms, we want everyone to benefit: consumers solving everyday health problems and increasing their quality of life, and ourselves and our partners helping them to do so.



52% of people in the EU report consulting Google regarding their health.²

1) www.forbes.com
 2) [2020digital.com/blog/google-and-healthcare-how-to-understand-patient-behavior-and-opportunities/](https://2020.digital.com/blog/google-and-healthcare-how-to-understand-patient-behavior-and-opportunities/)
 3) E-commerce in Europe 2020, PostNord
 4) IQVIA Consumer Health Insights, Sweden, Skincare, Sweden, Jan-Dec 2020
 5) www.lamixpat.nl



Anticipating a post-pandemic market

After a year of pandemic, the world looks to 2021 for a 'normal' to emerge. How will the market look like? Here, we explore the factors shaping tomorrow's market and what it may mean for consumers.

Karoline Ph

21

Management review

20

Management review



Trends shape our business decisions – how we interact with consumers and how we grow. The COVID-19 pandemic has accelerated trends already evident for businesses and consumers. In some cases, things might well have changed for good. As everyone rushes to predict and prepare for the 'next normal', it's important that we're fast on our feet and capable of moving and investing decisively.

Consumers become more confident

As COVID-19 vaccinations become available to more and more people, consumer confidence is likely to return, along with consumer spending. But each country's rate of recovery will depend on how they deal with the pandemic.

During the pandemic, more consumers have grown accustomed to shopping online and trusting services like online banking. PwC predicts 23% annual growth in online shopping until 2027¹, with nearly nine out of ten people saying they'd still shop online or by phone after the pandemic. Consequently, businesses need to be online too if they want to stay connected with customers.

At Karo Pharma, we've already identified the online world as a place for us to thrive. We've built capabilities and supply chains to serve online pharmacies and general retail. Our marketing focuses on the digital channels consumers use at the different stages of exploring everyday health issues and assessing treatments.

We're also focused on gathering as much data as we can from this value chain, so we can target our campaigns and adjust them, responding to evidence of changing needs and preferences. This will stay central for us in 2021 and beyond.

Business turns to technology

Collaborative technology has become a must for keeping up productivity and accommodating the growth in remote working, triggered by pandemic

lockdowns. But businesses are also relying more on technology like AI and machine learning to sharpen up internally and understand their customers. Pre-pandemic experiments in this field look likely to turn into something more substantial. A survey by Adobe shows the proportion of large businesses using automation to analyse data has leapt by 20% during 2020².

Meanwhile, the pace of business activity is accelerating, not least in how companies are expanding e-commerce. Executives told McKinsey their businesses had moved 20-25 times faster than they thought they could on issues like data security and using advanced technology in operations³.

Karo Pharma is well-placed to handle this combination of trends in two main ways. "We've worked hard, before and during the pandemic, to simplify our structures and processes," explains Vice-President of Operations Jonathan Kimber. "This makes us agile and fast-moving, which will be essential qualities in the unpredictable environment emerging as the pandemic ends. We've also embarked on a digital transformation that underpins our internal systems with high-quality data and gives us new ways to connect with partners and consumers. In 2021, we'll carry on digitising our work for maximum efficiency and well-informed decision-making."

Business, consumer and healthcare trends converge

Well before COVID-19, people were taking more interest in their health, and well-being, whether it was healthier diets and lifestyles, or more awareness of mental health. That's likely to continue, along with a growing preoccupation with safety.

Nearly half of consumers in PwC's survey gave security and healthcare as reasons for living where they did – roughly double the pre-pandemic proportion. As in business generally, the pandemic has triggered rapid innovation. During 2020, we saw

how many capabilities came together to develop COVID-19 vaccines at much higher speed than ever before. This could raise the tempo of product development in healthcare more widely, especially with regulators also accelerating their operations.

These trends will converge in our markets. Consumers are continuing to shift to self-care as they become more empowered and have easier access to information through digital channels. Again, COVID-19 has accelerated this trend, with nearly seven out of ten people more focused on their physical health because of the pandemic⁴.

In healthcare, as in business, trust in brands matters more and more, and has to be earned. Consumers are more inclined to trust peer networks and influencers than brands⁵. Businesses must be clear about their purpose and values to attract loyalty in a time of stakeholder capitalism⁶, where

people want to engage with brands they can identify with, not just those that meet a need.

"We can generate this loyalty by being a source of reliable information online that helps people make choices rather than only promoting a specific brand," says Magnus Nylén, our Chief Commercial Officer. "This will be a time when markets are difficult to predict. But the businesses and brands that can adjust fastest will emerge strongest."

If you wish to get a deeper understanding of our approach to changing consumer behaviour in healthcare, please turn to the article, 'Connecting with consumers' on page 16. In the article, 'Becoming a faster and smarter digital business' on p. 32, we unfold in greater detail how digital technology is helping us to work more efficiently and connect more effectively with consumers and partners.

¹ The Next Normal Arrives: Trends that will Shape 2021 – and Beyond, McKinsey, 2021. ² PwC Consumer Insights Survey, 2020. ³ 2020 Digital Trends, Adobe. ⁴ McKinsey Global Survey, 2020. ⁵ PwC Consumer Insights Survey, 2020. ⁶ PwC Consumer Insights Survey, 2020. ⁷ EuroMonitor International Lifestyles Survey, 2019.



Focusing on what matters most

Successful businesses never stop being curious. In 2020, we've continued to learn more about our consumers and how best to help them make smart choices in everyday healthcare. That has helped us to refine our strategy and see our best route to success. Also, it's helped us to make some smart choices of our own about our strategic priorities, where to compete and how to win.

24

Management review

25

Management review

We're a consumer healthcare company that wants to grow fast by making a difference to the world around us. Our ambition is to grow 2-3 times in size in the next few years fuelled by M&A. We want to achieve that by creating distinctive positions in our market categories with documented, trusted and original brands.

We're strongest in our Nordic core, but our vision is to be a pan-European leader in everyday healthcare. That means continuing to expand in European markets and beyond, eventually with the ability to launch direct operations. We're aiming to grow organically at a faster rate than our comparable markets. But our main growth engine is M&A, which helps us achieve scale in our categories.

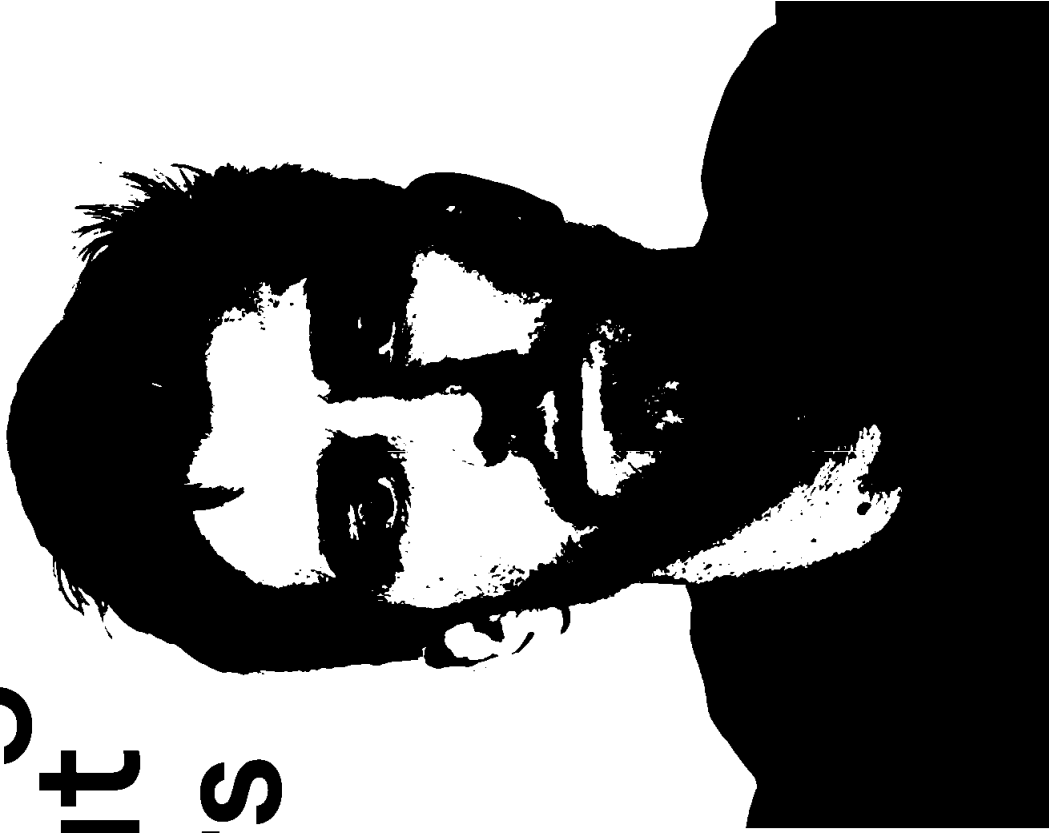
Renewing our purpose

At the heart of our plans is educating and informing consumers, healthcare professionals and channel partners about our products and making sure those products are available wherever consumers want to buy them. We're about helping people make

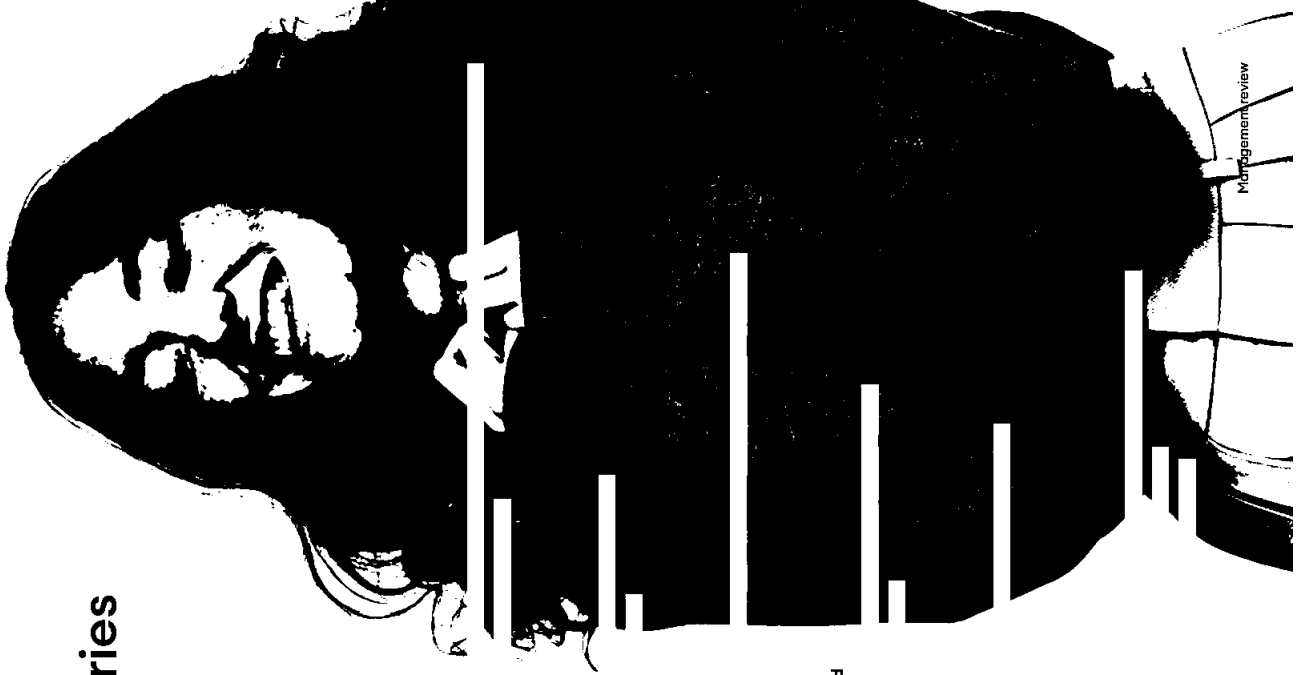
smart choices in everyday healthcare. This was the purpose we set for ourselves in 2020, and it's what drives us now.

In 2020, we've honed our strategy to make our objectives clearer and to combat the risk of complexity. With a portfolio of around 80 brands and just under 90 production partners, it's important for us to have priorities that guide our thinking and choices. In the last year, we've done this by expanding on our learning about our consumers. We know they're more questioning of brands and businesses than they used to be and want to arrive at their own conclusions about what's best for their health. But to dig deeper, we ran a major research project with consumers in five countries to discover how they felt about their health, and their options for staying healthy. On pages 16-19, we present some of the main insights from this study.

We've also looked closely at ourselves to discover how our operation can best turn our ambition into →



Our six categories



Top-selling products
(sales pro forma 2020)

01 / Intimate care

Proct® Family
Multi-Gyne®
Pevaryl® Intimate

02 / Dermatology

Locobase®
Decubol®
Indy Beauty®

03 / Foot care

Pevaryl® Foot
Nallher®
Mabe®

04 / Pain, cough & cold

Paracet®
Ibux®
Mellipact®

05 / Wellness

Flux®
Delly/Lactobac®
Alkive®

06 / Rx pharma

Seloid®
Bunifac®
Kalanor®

27

Management review

whether it's search engine optimisation, online platforms or content. COVID-19 has only accelerated the importance of connecting with consumers online.

As a result of M&A, we expect to see the OTC product share of our business rising to 75%. We see this as a natural consequence of our growing engagement with consumers who increasingly want to make their own choices and might not always want to discuss ailments in a public environment like a doctor's consultation.

Moving towards a first-class operation

To capitalise on our opportunities, we'll rely on our lean, virtual business model. We have a relatively small team of direct employees – only around 200 in approximately 15 countries. For research, production and innovation, we look to external partners. This means we don't have large amounts of resources tied up in buildings, equipment and maintenance. It also makes us fast on our feet when it comes to seizing opportunities. And because we don't have complex hierarchies, we can make decisions quickly.

But to grow, we need a strong operational platform, and that's what we've focused on building in 2020. We've set out to create repeatable systems and processes at our core, and a common language to describe our priorities for the choices we make. We're also making more use of data to make better-informed decisions across our different markets and learn from what we do.

Our culture and values give us a clear shared idea of how we operate and what we expect of each other. This creates cohesion but also helps us integrate new acquisitions.

To grow at the pace we want, both organically and through acquisitions, we'll need highly developed core capabilities, including:

- Portfolio management – basing everything we do on market insights and trends, focusing resources on the brands with most potential, and keeping complexity in check.
- Strong commercial disciplines – understanding how consumers make decisions, picking the right channels to reach them, and being willing to test our assumptions.
- Supply chain and integrated business management – continuously looking for profitability and value from working capital, and sharp forecasting to tighten performance and curb waste.
- M&A execution and integration – following a strategy that flows from our purpose and vision, an approach that cultivates the right targets, a vision for how they help us reach our objectives, and discipline to execute deals and integrate efficiently.

To reach our ambition, we'll need to look as closely at ourselves as we do at our consumers. And we're ready to do that with constant curiosity.

Management review

reality. Through this work, we've seen an opportunity to excel by focusing on particular product categories.

Refining our priorities

The six categories we've chosen to compete in are intimate care, Dermatology, Foot care, Pain, cough & cold, Wellness, and Rx pharma. In each of these categories we have products ranging from prescription drugs (Rx) to over the counter (OTC) products. It's in the first three categories that we see the most significant opportunity. They cater for conditions where people feel awkwardness and embarrassment, and where – crucially – our competitors are less active.

We've also sharpened focus in our brand portfolio, which we've grouped into four tiers of priority. Our 'global growth brands' are well-positioned to grow across multiple markets, and they're our most important focus for investment. Our 'local growth brands' have profiles in no more than three markets. Here, we invest to make the most of opportunities in single markets. Our third tier consists of brands we're looking to maintain. We want to keep them growing in line with those markets, but through smart management rather than significant investment. Our fourth tier of brands don't reflect our core category ambitions and are candidates for divestment or milking strategies.

As well as sharpening our brand priorities, we also want to focus on reaching consumers when and where they need to find their everyday healthcare options. That means targeting resources at digital,

26



Tackling conditions and defeating stigma

At Karo Pharma, we're guided by the shared purpose of helping people stay in good health. Good health means avoiding severe illness or hospitalisation. It also means tackling and preventing the health-related problems people face in their everyday lives – many of which go untreated because they're associated with stigma and people are too embarrassed to seek treatment.

Focusing particularly on three of our categories – Intimate care, Dermatology and Foot care – we aim to turn 'non-treaters' into

'treaters' by putting people back in control of their everyday health, free of discomfort or embarrassment.

Scheriproct®

Don't let a small problem grow big

Haemorrhoids. The word itself is difficult enough to pronounce. But the condition it describes is shrouded in silence and taboo.

In Europe alone, it's estimated that 220 million people suffer from haemorrhoids. Among them, 60 million are identified as 'non-treaters'.¹ Too embarrassed to talk to their doctor or pharmacist to get treatment, this group suffers in silence, enduring both pain and discomfort.

At Karo Pharma, we work to stop the suffering and break the silence around haemorrhoids, by making people aware that it's a fairly simple condition to treat and cure. Especially if they start treatment early.

Scheriproct® is a well-documented, pharmaceutical designed to reduce the discomfort caused by haemorrhoids and anal fissures.

• Only 4% of those with haemorrhoid symptoms seek help. 43% think it's difficult to talk to their doctor about it.⁴

• In Europe alone, an estimated 220 million people suffer from haemorrhoids. Among them, 60 million are identified as 'non-treaters'.⁵



Scheriproct 13 mg/1 mg and Scheriproct 0.25 mg/0.25 mg are registered trademarks of Karo Pharma AB. For more information on the products, visit www.karo.se.

Launched in 1958, it's been a trusted medicinal treatment ever since. Karo Pharma took over the commercialisation of Scheriproct® worldwide in 2020.

Based on extensive research into the needs and behaviour of people suffering from haemorrhoids, we'll be launching a new website in 2021 giving consumers all the information they need to treat this problem. The site even incorporates a chat bot that gives visitors answers without having to talk to a healthcare professional.

By combining targeted communication with a treatment option, we hope to inspire people to take action against their haemorrhoids before the problem grows bigger.

Nailner®

Fighting nail fungus for healthy and good-looking feet

Nail fungus is a common problem among adults, affecting men and women alike. This kind of fungus doesn't disappear by itself and tends to get worse if it's left untreated. It's also contagious, spreading easily from toe to toe as well as from one person to another.

So there are good medical reasons for treating nail fungus as soon as it arises. But our research shows that for consumers, the emotional concerns outweigh the condition itself: A fungus-infected nail looks unattractive, and the embarrassment of having unhealthy-looking toenails causes most people to keep their socks on, even during warm summer months.

The Nailner® range offers a simple solution to getting feet

looking good again. Our communication to consumers centres around the way Nailner® combines aesthetic benefits with the actual treatment – ensuring 'better-looking nails while treating.'



Nailner is a medical device. Read the instructions before use. For full product information please visit www.nailner.com.

Locobase®

Revamping a trusted brand

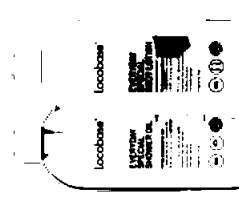
For dermatologists and generations of consumers, the Locobase® range is the tried and trusted treatment to protect or rebuild dry and sensitive skin. Originally developed by a group of Scandinavian dermatologists, the Locobase® brand goes back more than 30 years. Today, the brand encompasses a range of well-documented skincare products clinically proven to relieve dry, sensitive, damaged and eczema-prone skin.

To keep this long-standing brand relevant and drive more growth in our skin care category, we're refreshing the look of Locobase® and launching extensions to the line. The new launches – Locobase® Everyday Body Lotion and Locobase® Everyday Shower Oil – are for people with

• Locobase® Repair is the number-one selling skincare cream in Swedish pharmacies.¹

• In a Swedish user study, we asked more than 400 people to try Locobase® Repair. Over 93% recommended the product.²

• A Danish user study confirmed that Locobase® Repair was the most popular skincare product among people with atopic dermatitis.³



Read more about Locobase® at www.locobase.se

- 1) IQVIA Consumer Health National Sales Audit, Skincare, Sweden, Jan-Dec 2020
- 2) Smartson survey, May 2018
- 3) Kjetilja Milbradis, Joergensen & Gregor B. E. Jensen (2018) Use of moisturizers among Danish atopic dermatitis patients which perceived product characteristics associate with long-term adherence? Journal of Dermatological Treatment, 32(2), 122, DOI:10.1080/09546624.2017.1358993
- 4) References that support data:
 - Haemorrhoids and what to do about them. Harvard Health Publishing, (China) 2019 Feb 6. [Accessed 20/07/21]. Available at: <https://www.harvardhealth.org/healthpress/2019/02/06/haemorrhoids-and-what-to-do-about-them>
 - Ravindranath G, Rahul B. Prevalence and risk factors of hemorrhoids: a study in a semi-urban centre. Int Surg J. 2018; 10(1):1-4.
 - Sandler BS, Peary AF. Rethinking What We Know About Hemorrhoids. Clin Gastroenterol Hepatol. 2019;17:8-15
- 5) RED Journal of the American College of Surgeons (2007)
- 6) RED Journal of the American College of Surgeons (2007)
- 7) Research performed in UK by Trinity McQueen, 2019



Connectivity:

The key to a strong community and an even stronger business

Being 'a people company' is more than a claim at Karo Pharma. It's the credo that defines our business. "At Karo, every individual plays a crucial role and has an impact on the future of our company," says Karin Lindberg, Head of People & Organisation. "We believe in putting the power of the organisation in the hands of the individual."



Nurturing a dynamic network

At Karo Pharma, we nurture an environment of trust where each employee feels empowered to take ownership, make decisions and head up new initiatives, without bureaucratic processes or hierarchies holding them back. We work to create a community where people can exchange opinions freely within the framework of our shared values. For us, it's all about building a company where everyone feels they can come to work and be themselves, motivated by knowing they're making a difference.

"We like to think of our organisation as a living organism," says Karin. "It's a dynamic network made up of around 200 individuals and a set of trusted advisors and business partners. Every employee holds a unique position in this network – sharing information, shaping the culture

or driving performance. But the strength of our network – and ultimately the success of Karo Pharma as a business – depends on how well we understand each other and how connected we are, within our own team as well as with other teams across Karo Pharma. Connectivity becomes even more important in a young and fast-growing organisation like ours, where people are onboarded fast and are fairly new to the company."

Karo Connect

In 2020, we launched Karo Connect – a values and network survey across the entire organisation. The purpose was to help us understand how the values we bring to work and the connections we establish across the organisation influence performance and job satisfaction – for the individual as well as our teams.

Based on their answers to a questionnaire, every Karoite got a personal report that included a 'Values compass', charting the values that drive their decisions, energy and behaviour. They also got a 'Networks' illustration reflecting their relationships within the Karo organisation.

"The more aware we are of our own values, the better we are at understanding those of others," explains Karin. "That kind of self-awareness – and respect for your colleague's opinions – is critical to a work environment where personalities and talent can flourish. And better networks have consistently been linked to improved performance, innovation and engagement. At individual level, the strength of someone's networks is one of the best indicators for job satisfaction and career success. And at team level, better-connected teams have higher levels of psychological safety and are more likely to hit team goals."

Understanding values and relationships is obviously a natural priority for a 'people company'. But there were practical reasons for launching Karo Connect too.

"In a fast-growing organisation like ours, with newly organised teams across 32 legal entities and 10 markets, it's even more important that we make a dedicated effort to understand each other and strengthen collaboration across teams and business units. That's how we build

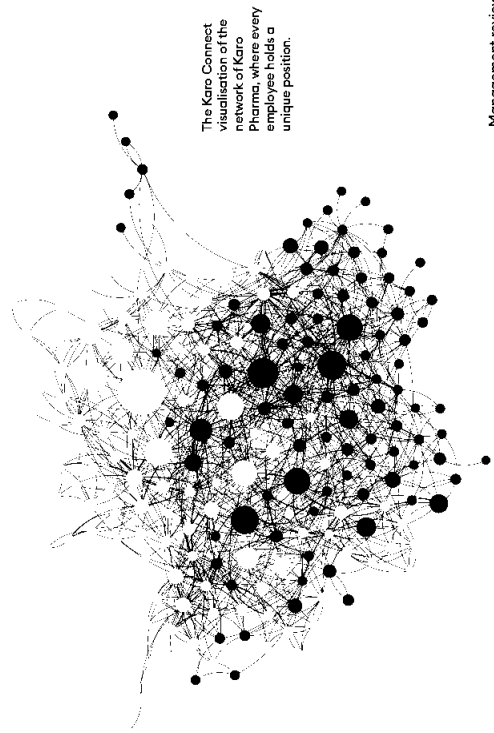
that strong global community we want Karo Pharma to be," says Karin.

Turning soft into business critical
The values and network analysis hasn't just given us a practical tool to map values and patterns of connectivity; it's created an awareness across the organisation of how we can effectively work to strengthen both.

Managers are already using the results of the survey in their development sessions to discuss the values they are at play in their team and what they can do to boost their collaboration across the Karo organisation. During 2021, HR will be launching a mentoring programme to support people and teams in nurturing connectivity.

The wealth of data from Karo Connect has given us a baseline for monitoring progress when it comes to integrating values and strengthening collaboration across teams and business units.

As Karin explains, "Karo Connect has turned engagement and relationships into something tangible that we can actually track and set specific targets for. Most people consider values and interpersonal relations the 'soft' side of a business. For us, they're crucial objectives because they're central to whether people enjoy their work, get fulfilment from it and perform better. And ultimately, that's what makes us a better company and a better place to work."



The Karo Connect visualisation of the network of Karo Pharma, where every employee holds a unique position.

Businesses today have to move fast to stay competitive. That means acting decisively, based on accurate, up-to-the-minute data, and having smooth-running, uncomplicated processes. At Karo Pharma, we use digital technology to make us efficient internally and to connect effectively with consumers and partners externally.

Becoming a faster and smarter digital business

We want to put digital technology at the heart of how we work and how we connect with customers and consumers. This will set us up to be a faster and smarter business with the right information at our fingertips. And it's already letting us reach consumers quickly and work proactively with our partners.

Inside Karo Pharma's engine room
We see digital technology becoming the backbone of what we call our scalable platform – the systems and processes that make us efficient and effective. Our mantra is that we want to mimic a 'born-digital' company. To move towards this ambition, we choose our systems based on the kind of business we want to be. This gives us an advantage over competitors who have to adapt complex and outdated existing systems to explore and exploit new digital opportunities.

Choosing the right digital systems
According to Karo Pharma's CFO, Jon Johnsson, this choice is vital to being able to scale and evolve our business.

"We choose digital systems based on several criteria. First, they must be able

to integrate well with other systems, so data flows freely between them and we can readily draw insights from it. We need to be able to put systems together without it being a complicated, expensive project that slows us down."

Systems must also be easy to update and to migrate to the cloud. "We want more of our infrastructure to be in the cloud because software-as-a-service is more flexible and easy to adapt and update than it's on our premises. It's also more cost-effective, and updates are automatically," explains Jon. "So if a solution exists in a cloud version, that's a reason to choose it. And it's hard to migrate an existing system to the cloud, that's a reason to replace it."

Finally, our systems have to be scalable. "In the future, there are only going to be more transactions and more data, so we have to be able to scale up without creating dead-ends," says Jon.

Unlocking valuable insights
Digital systems handle everything from document management and scientific affairs to stock control and our supply chain. They let us see and manage infor-



mation easily and quickly. The more integrated systems are, the more valuable the insights. For instance, our stock control system allowed us to quickly spot a difference in profitability for a pain relief brand in one market and trace it back to a decision made long ago about pack size in that market.

We evolve and improve our processes to fit what technology is capable of, rather than customising the technology to fit an established way of working. As Jon explains, "Many businesses have tried and tested processes, like paying and approving invoices. But rather than modify them, these businesses customise their new systems instead. We prefer to get the full potential of the technology by evolving how we work to deal with new situations."

Finding the right people

Working this way means we look for staff who have digital competence and demonstrate:

- curiosity – wanting to know more about digital possibilities, and being ready to learn from other organisations how to make them happen;
- awareness – knowing what the latest technology is and what it can do; and
- adaptability – being ready to use technology in new ways in their own role.

We also give people the chance to use these capabilities to make a difference, says Jon: "We want people who are closest to challenges and opportunities to have the mandate to try new ways of working digitally."

Making plans for the future

In 2021, we aim to:

- make more use of AI and machine learning to improve data quality and move away from manual processes.
- We've already begun with our first robot employee, 'Robban', that we use to cleanse data.
- use machine learning to optimise inventory, and tighten security by spotting phishing and ransomware threats;
- switch to 80% automated processes, and away from manual equivalent; and
- move two thirds of our systems into the cloud.

Karo Pharma's connection with consumers

Digital is also critical to how we connect quickly and deeply with consumers, to understand their needs and engage with them.

Our approach is about:

- understanding consumers' journey, from when they start looking for information to when they choose a treatment;
- choosing digital channels and messages carefully for each brand to reflect consumer needs;
- defining KPIs to help us understand what works well and what we can improve; and
- creating mutually beneficial partnerships with pharmacies and other online retailers.

Winning the battle for online shelf space

Collaborating with partners is vital for us to stay visible online. We invest with partners in paid media and organic growth campaigns to drive traffic and grow business on their websites.

By combining our expertise and data we get maximum value from our shared investments based on agreed KPIs. As Head of Digital Paul Friberg says: "Data, transparency, is fundamental. Accessing sales data means we can target investments precisely during campaigns."

Collaborating to connect

We also collaborate with partners to quickly test and launch ideas. For instance, in late 2020, we developed a pilot website on productive coughs, with easy access to an online doctor service and an online pharmacy. The project went from idea to execution in only a few weeks.

Digital technology is critical both inside and outside Karo Pharma. It's the key to us punching above our weight by evolving the way we work and the way we connect to pursue opportunities and fuel our competitiveness.



In 2021, we aim to move two thirds of our systems into the cloud.

We're collaborating with our customers to stay visible online. By combining our expertise and data we get maximum value from our shared investments.



Karo Pharma's share is quoted on NASDAQ Stockholm Exchange's Mid Cap list.

Share and shareholders

Listing

Karo Pharma's share has been quoted on Nasdaq Stockholm since 1998, with the ISIN code SE0007444888, and is in the Mid Cap segment.

Share price and trading

Karo Pharma's share price increased by 29.6% in 2020, from SEK 40.52 to SEK 52.50. The high of SEK 75.10 was seen on 18 September, and the low of SEK 38.68 was on 13 March. At year-end, market capitalisation was SEK 11,814m.

Shareholders

The shareholder base increased in the year, with 7,919 shareholders at the beginning of the year, and 7,940 at year-end. The largest shareholder as of 30 December was Karo Intressenter with 76.66%. The 10 largest shareholders held 84.06% (81.6) of the total number of shares at year-end.

Shares and share capital

As of 30 December, 2020, Karo Pharma's share capital was SEK 90,013k as of 30 December 2020. The number of shares amounted to 225,033,204 (225,033,204).

Treasury shares

Based on authorisation from the Annual General Meeting, Karo Pharma sold 525,301 of its own shares in 2020 to expand the company's financial flexibility. The transfers have taken place on Nasdaq Stockholm. As of December 31, 2020, the remaining shares in own custody amount to 1,939,689 (2,464,990), which constitutes 0.9% (1.1) of the share capital. Treasury shares do not entitle the holder to dividends or votes.

Shareholders

	No. of shares	Percentage of capital and votes
KARO INTRESSENTER AB	172,521,648	76.66%
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	3,465,564	1.54%
STATE STREET BANK AND TRUST CO, WY	2,675,763	1.19%
ÖHMAN BANK S.A.	2,176,003	0.97%
KARO PHARMA AB	1,939,689	0.86%
SEB INVESTMENT MANAGEMENT	1,587,566	0.71%
CBNY-NORGES BANK	1,485,510	0.66%
T-FALLEN OBLFÖRV AB PENSIONSSTIFT	1,091,226	0.53%
BNP PARIBAS SEC SERVICES PARIS, W8BMY (SC)	1,066,458	0.47%
HANDELSBANKEN FONDER	1,045,991	0.46%
Total, 10 largest shareholders	189,165,318	84.06%
Total, other shareholders	35,877,886	15.94%
TOTAL, 30 Dec 2020	225,033,204	100.0%

Number of shareholders

	Holding
Number of shareholders	7,940
Net change during 2020	+21
	225,033,204



**Financial
statements**



STATUTORY ADMINISTRATION REPORT

The Board of Directors and Chief Executive Officer of Karo Pharma AB (publ), corporate identity number 565309-3359 and registered office in Stockholm, Sweden, hereby present the Annual Accounts for the operations of the group and parent company for the financial year 1 January to 31 December 2020. All figures are for the group for the financial year 2020, unless otherwise stated. Unless otherwise stated, companies are with the financial year 2019.

The group consists of parent company Karo Pharma AB and its wholly owned subsidiaries Karo Pharma Sverige AB, Karo Pharma Norge AS, Karo Pharma Oy, Karo Pharma ApS, BioPhausia AB, Karo Pharma AG, Karo Pharma UK Ltd. and Trimb Holding AB. Karo Pharma Norge AS has one direct, wholly owned subsidiary, and Trimb Holding AB has a total of 11 directly or indirectly wholly owned subsidiaries.

Operations

Karo Pharma is a healthcare company that markets prescription drugs (Rx), and OTC products to pharmacies and the retail sector. The company was founded in 1997 and is quoted on Nasdaq Stockholm Exchange's Mid Cap list.

Significant events in 2020

On 2 March, a product portfolio was acquired from Leo Pharma, including all related intellectual property and assets, such as the necessary licenses and permits, and existing inventory.

On 1 April, Karo Pharma acquired Hygis SA, a Swiss distribution company with exclusive rights to sell Karo Pharma's MultiGyn® and Multi-Mam® brands on the Swiss market. On 1 January 2021, Hygis SA changed corporate name to Karo Pharma AG.

Karo Pharma also acquired the remaining European rights to the Pevary® product portfolio from Citig GmbH International, a Janssen Pharmaceuticals company in the Johnson & Johnson group, on 8 May. This transaction consolidates ownership of the Pevary® product family, consisting of Pevary®, Epi-Pevary®, Gyno-Pevary® and Pevision® in Europe, into Karo Pharma.

The AGM on 25 May resolved that the Board of Directors should have seven ordinary members with no deputies. The AGM re-elected Bo Jesper Hansen, Erika Hanriksson, Vesa Koskinen, Flemming Ornskov and Håkan Åström, and elected Kristofer Lönström and Uta Kammerich-Kail as Board members for the period until the AGM 2021.

On 1 July, Karo Pharma sold the three brands Digoxin®, Egazip® and Suscard® to Evolan, because assuring their production had proved problematic. From a patient and societal perspective, Karo Pharma made the assessment that it was better to sell, rather than discontinue these products.

On 1 December, Karo Pharma sold its hospital supply business, Swereco AB, to J2L Holding AB. J2L acquired all the shares of Swereco.

Significant events after the end of the financial year 2020

On 3 February 2021, Karo Pharma announced the acquisition of an OTC portfolio from Tevo Pharmaceuticals (Tevo), a transaction scheduled for completion on 1 April. This transaction transfers rights of ownership of the brand portfolio consisting of Flux®, Decubar®, Lactocare®, Apobase®, DailyCare® and Fluidem® from Tevo to Karo Pharma.

COVID-19

In the first quarter 2020, Karo Pharma generated sharply increased sales in certain product categories, mainly by building up inventories with resellers, pharmacies and consumers. Meanwhile, the company saw reduced demand in other categories as a consequence of the spread of COVID-19 across Europe.

In the following quarters of 2020, those brands and products that grew through inventory build-ups saw demand normalize as expected when consumption caught up with demand. For those brands and products not impacted by the inventory build-up, progress varied. Some brands (like DAX® and Viruseptin®) were positively impacted, while others (like Mabs® and Mollipex®) were negatively impacted. The company is noting a negative effect of reduced footfall in stores, mainly from the over-65s, and from reduced activity in hospitals and retirement homes, over and above COVID-19 efforts. Karo Pharma is also noting limited demand for cold and cough medicines, with the low incidence of influenzas compared to previous years.

Karo Pharma is noting a shift in consumption patterns, and more activity in sales through online channels, especially the e-pharmacy and other e-commerce outlets. Karo Pharma has also seen growth in OTC pharmaceuticals and consumer healthcare products from food and neighborhood stores.

The impact on Karo Pharma's supply chain, and its capability to deliver products, has been limited. However, inventories of some brands and products have sold out, and Karo Pharma has not been able to adjust to the increased demand and altered purchasing patterns quickly enough. Consequently, Karo Pharma has taken actions to consolidate its delivery situation and is now better positioned to address these challenges going forward.

The impact of employee productivity has been limited, and Karo Pharma is implementing integrations and rationalization projects consistent with the long-term plans in place prior to COVID-19.

However, the long-term consequences of a general economic downturn across Europe may have a negative impact on growth and profitability into the early quarters of 2021.

Accordingly, Karo Pharma's management regularly reviews the situation in consultation with the Board of Directors, and is conducting extensive stress tests that evaluate sales revenues, expenses and liquidity. Karo Pharma is fully prepared to take more measures if the situation moves in either direction.

The outbreak of COVID-19 has triggered uncertainty in most companies, but to date, no significant risk of material restatements of carrying amounts of assets and liabilities

Acquisitions

On 2 March 2020, a product portfolio was acquired from Leo Pharma, including all related intellectual property and assets, such as the necessary licenses and permits, and existing inventory.

On 1 April 2020, Karo Pharma acquired Hygis SA, a Swiss distribution company with exclusive rights to sell Karo Pharma's MultiGyn® and Multi-Mam® brands on the Swiss market. On 1 January 2021, Hygis SA changed corporate name to Karo Pharma AG.

Karo Pharma also acquired the remaining European rights to the Pevary® product portfolio from Citig GmbH International, a Janssen Pharmaceuticals company in the Johnson & Johnson group, on 8 May 2020. This transaction consolidates ownership of the Pevary® product family, consisting of Pevary®, Epi-Pevary®, Gyno-Pevary® and Pevision® in Europe, into Karo Pharma.

All the above acquisitions in 2020 were reported as asset acquisitions.

Divestments

On 1 July 2020, Karo Pharma sold the three brands Digoxin®, Egazip® and Suscard® to Evolan, because assuring their production had proved problematic. From a patient and societal perspective, Karo Pharma decided that it was better to sell, rather than discontinue these products.

On 1 December 2020, Karo Pharma sold its hospital supply business, Swereco AB, to J2L Holding AB. J2L acquired all the shares of Swereco.

Cash flow and financial position

Cash flow from operating activities was SEK 329.2 m (106.8). The group's cash and cash equivalents were SEK 570.4 m (248.8 as of 31 December 2019) at the end of the period.

Total assets as of 31 December were SEK 12,517.5 m (10,895.8), with intangible assets representing SEK 10,029.5 m (9,090.1) of total assets.

Consolidated equity was SEK 5,238.5 m (5,241.9). The equity/assets ratio was 45.0% (51.8).

Equity and share data

The total number of Karo Pharma shares is 22,503,204, of which 1,939,489 were held in treasury as of 31 December 2020.

Consolidated equity reduced to SEK 5,638,490 m (5,641,908), which after considering earnings for the year, corresponded to SEK 25.05 (25.07) per share.

Parent company

The parent company's net sales for 2020 were SEK 1,149.4 m (791.0). Profit/loss after financial items was SEK -40.3 m (-89.7). The parent company's cash and cash equivalents and other investments in securities, etc. were SEK 103.4 m (61.6 as of 31 December 2020).

Remuneration guidelines for senior executives

Remuneration guidelines for senior executives
No proposals to amend remuneration guidelines for senior executives are being submitted to the AGM 2021. The applicable guidelines, approved by the AGM 2020, follow. These guidelines do not include compensation resolved by shareholders' meetings.

has arisen for Karo Pharma. When forming this opinion, Karo Pharma has included all available information for the next 12 months, 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 any additional financial risks for Karo Pharma, such as renegotiating loans and new financial arrangements apart from acquisitions, or problems in meeting covenants.

Actions taken to address and counter future risk related to COVID-19 on the business and earnings have been conducted within relevant segments, but have also been limited to date. Karo Pharma's opinion is that it has thoroughly examined the effects of COVID-19, and has not identified any impairment or value restatements necessary as a consequence of COVID-19.

Organization

Operations are conducted within the parent company Karo Pharma AB and its wholly owned subsidiaries Karo Pharma Sverige AB, Karo Pharma AS, BioPhausia AB, Karo Pharma ApS, Karo Pharma AG, Karo Pharma Oy and Trimb Holding AB, as well as Trimb's directly and indirectly wholly owned subsidiaries. The head office is in Stockholm, Sweden.

Hadi Ghane, Director of Hospital Supply, left group management as a result of the sale of Swereco. Karin Lindberg, Head of People & Organization, joined group management effective May 2020. Otherwise, management has the same members in the year, and at the end of the financial year, consists of the Chief Executive Officer, the Chief Financial Officer and another seven individuals.

At year-end, Karo Pharma had 192 (193) permanent employees.

Revenue and earnings

Revenue for the year increased to SEK 2,682.2 m (1,901.2), a 52% increase for the period, of which 1% was organic growth, and -1% negative currency effects. Sales growth in the period relates to the acquisition of Trimb in September 2019 and the acquired product portfolios Procc® and Pevary®.

Cost of goods sold were SEK 1,267.5 m (977.2). The gross margin was 55.5% (51.8) for the period. 2020 was positively impacted by an altered product mix in acquired operations.

Operating expenses including depreciation, amortization, other operating income and other operating expenses were SEK 1,336.0 m (811.9) for the period. Selling expenses were SEK 955.2 m (600.3). The increase in selling expenses relates to costs for taking over the Procc® and Pevary® product portfolios, building up proprietary resources including subsidiaries in Switzerland, the UK, Italy and Germany, as well as the September 2019 acquisition of Trimb. Administrative expenses were SEK 395.9 m (186.4). This increase is mainly due to investments in a scalable platform for continued expansion, non-recurring items related to acquisitions, and restructuring expenses totaling SEK 63.1 m.

Adjusted EBITDA was SEK 794.8 m (599.1). Earnings per share were SEK 0.37 (0.05).

Investments

Investments amounted to SEK 1,554.3 m (2,441.7), with acquisitions representing SEK 1,665.3 m and divestments SEK 1,635 m. The remainder of investments were made in implementing systems and equipment.



Type of remuneration	Relation to the company's strategy	Implementation	Evaluation
Fixed salary	The fixed salary should reflect that responsibility for the position entails. Fixed salary levels aim to facilitate recruitment and enable long-term retention of Karo Pharma's senior executives.	Reviewed annually. Revisions during the year can be carried out change of role.	Based on market levels for current position and country of operation. Levels are adjusted according to evaluation of the individual's performance and responsibility.
Variable remuneration	The variable salary seems to be achieved or exceeding Karo Pharma's predetermined annual fixed goals through measurable financials and non-financial criteria such as growth, for example and cash flow. In addition, non-performance indicators used for to focus on the key areas of Karo Pharma and that recruit and retain key employees.	At the end of the measurement period, the Board does an assessment of to what extent the criteria for payment of variable cash compensation was met.	Fulfillment of criteria for a defined goal.
Pension and other benefits	Pension and other benefits for senior executives constitute a step in being able to offer a competitive total compensation, in purpose of facilitating recruitment and enable long-term retention by Karo Pharma's senior executives.	Offered during employment and may need to be revised depending on factors such as age, level on fixed salary and role.	Based on practice and market levels for current positions and country of operation.

termination and severance pay. Senior executives shall also be able to operate on a consultancy basis where consultancy fees shall be accommodated within the same framework as compensation which is payable on employment. To the extent the Board member serves Karo Pharma in addition to the Board's work, consulting fees at market level should be payable.

Notwithstanding the remuneration guidelines for senior executives, the AGM may also approve share and share price-related remuneration.

Fixed salary
For satisfactory service, compensation shall be paid in the form of a fixed salary.

Variable remuneration
In addition to fixed salary, variable remuneration should be offered as clearly rewards target-related performance according to simple and transparent structures. Senior executives' variable compensation should depend on the degree of achievement of predetermined business objectives. Senior executives' variable remuneration is designed to promote Karo Pharma's ability to offer market-based and competitive remuneration levels and terms of employment that enables senior executives with good skills and the ability to achieve set business goals to be recruited, motivated and retained. The business objectives to be considered are different forms of financial targets related to the financial targets related to the group's financial results including organic growth, earnings and cash flow. In addition, financial and non-financial performance indicators used to focus on issues of particular interest in Karo Pharma.

By applying predetermined and measurable financial and non-financial targets and performance indicators reflecting Karo Pharma's business priorities, Karo Pharma believes that the opportunity to attract, motivate and retain key employees is increasing, which contributes to Karo Pharma's business strategy, long-term interests and sustainability. When the measurement period for fulfillment of payment criteria of variable remuneration, an assessment must be made of the extent to which the criteria were met.

Before payment of variable cash compensation is made, the Board of Directors shall consider whether any outcome is reasonable. This consideration relates to Karo Pharma's earnings and financial position.

Variable remuneration shall include pension and vacation allowance in accordance with the Swedish Vacation Act and is therefore not pensionable.

Variable compensation shall amount to a maximum of 125% of fixed salary for the CEO and maximum of 100% for other senior executives.

Pension and other benefits
The senior executives' pension terms shall be market in relation to what generally applies for corresponding executives in the market, and shall be based on defined contribution pension solutions or goods connected to the ITP plan. Pension benefits shall be based on a retirement age of 65.

Pension benefits shall amount to a maximum of 30% of the pensionable fixed salary of the CEO and other senior executives. Other benefits may include, among other things, non-monetary benefits, such as car benefit. Other benefits shall amount to a maximum of 25% of the fixed salary of the CEO and other senior executives.

The non-monetary benefits of senior executives (for example, car benefit and health care) should facilitate the performance of duties and correspond to what can be considered fair in relation to market practices and the benefits of Karo Pharma.

Termination and severance pay
In the event of termination by Karo Pharma, the period of notice may not exceed twelve months. In the event of termination by the CEO or senior executive, the period of notice may not exceed six months. The CEO and other senior executives shall, upon termination of employment from Karo Pharma, be entitled to severance pay amounting to a maximum of 12 months' fixed salary. No severance pay shall be payable upon termination by the employee.

The executives covered
The above guidelines should include the CEO of Karo Pharma Aktiefond and senior executives that report directly to the CEO and the Presidents of Karo Pharma's subsidiaries.

Authorization for the Board to depart from the guidelines
The Board has the right to depart from the guidelines if there are special circumstances in an individual case. The Board may decide to temporarily depart from the guidelines in whole or in part, whether in an individual case, there are specific reasons justifying this, and a departure is necessary to satisfy the company's long-term interests and sustainability or to ensure the financial viability of Karo Pharma. Board of Directors performs the duties otherwise incumbent on a remuneration committee established by the Board, which includes decisions to depart from the guidelines. Any departures must be stated in the annual remuneration report.

Information on Karo Pharma's shares

On 31 December 2020, there were a total of 225,033,204 shares (225,033,204). Each share (apart from those held in treasury) carries one vote, and equal entitlement to the company's distributable earnings. As of 31 December 2020, Karo Pharma AB held 1,939,469 shares in treasury. Treasury shares do not confer rights to dividends, and do not carry votes. For more information on treasury shares and changes in the year, see page 34 and note 21.

There are no limitations to the transferability of Karo Pharma's shares due to legal restrictions or stipulations of the Articles of Association. To the best of Karo Pharma's knowledge, there have been no agreements between shareholders that could limit the transferability of shares.

Authorization to issue new shares

The AGM 2020 authorized the Board to decide on the issue of shares on one or more occasions until the AGM 2021. The number of shares that may be issued supported by this authorization should not exceed 10% of the registered share capital at the time of the decision to issue. Such issue should be possible with or without waiving shareholders' preferential rights, and with or without decisions on contribution in kind, set-off or other terms.

The purpose of this authorization is to increase the company's financial flexibility and enable acquisitions through payment in shares. If the Board decides to issue shares waiving shareholders' preferential rights, possible justification is may

STATUTORY ADMINISTRATION REPORT

be providing the company with new capital and/or new shareholders of strategic significance to the company, and/or acquisitions of other companies or operations. When waiving shareholders' preferential rights, the issue price should be determined on an arm's length basis. The Board of Directors is permitted to decide on other terms and conditions.

Sale of treasury shares
To increase the company's financial flexibility effectively, and free up additional capital for Karo Pharma to execute acquisitions, the Board of Directors decided to sell treasury shares, waiving shareholders' preferential rights. This decision was based on an authorization to the Board of Directors by the AGM of 25 May 2020. 525,301 treasury shares were sold in the financial year. The transfers were on Nasdaq Stockholm.

The sale of treasury shares must be complete prior to the AGM on 21 April 2021, when a new mandate will be requested as necessary. The sale of treasury shares will be on Nasdaq Stockholm, at a price within the quoted price interval at any time. The maximum sale of treasury shares is of all the shares held by Karo Pharma AB. The sale of shares will be executed by one or more brokers, who will make decisions, including the timing of sale, independent of Karo Pharma.

The sale of treasury shares will be in accordance with section 5.11 part H of Nasdaq Issuer Rules of 1 May 2020, and pursuant to other applicable regulations.

For more information on the sale of treasury shares, see www.nasdaqgm.nordic.com.

Dividend

Due to the company's ambition to grow through acquisitions and other means, as well as the company's debt/equity ratio, the Board of Directors is proposing that no dividend is paid for the financial year 2020.

Corporate Governance Report

Karo Pharma's Corporate Governance Report is available at the company's website www.karopharma.com, and is also on pages 52-55 of this Annual Report.

Internal control and risk management systems

The group's systems for internal control and risk management in tandem with the preparation of the consolidated accounts are reviewed in Karo Pharma's Corporate Governance Report under the Internal control and risk management in financial reporting heading.

Sustainability reporting and the Sustainability Report

Karo Pharma's Sustainability Report is for the financial year 1 January-31 December 2020. This Report, which is included on pages 42-44 below, is the Statutory Sustainability Report.

About Karo Pharma

Karo Pharma's mission is to contribute to a healthy and sustainable society for the future. By offering high-quality consumer health products, and a high quality of service to people, we work towards our objective of improving the everyday health

STATUTORY ADMINISTRATION REPORT

Risks & risk management

Issue & Swedish Annual Accounts Act section	Description	Governance	Risk location
1. Patient safety in pharmaceutical management	Non-approved chemicals in products and other factors that involve a risk of harm to patients, which in turn, could cause brand and reputational damage.	<p>Patient Safety Policy</p> <p>Quality Policy</p> <p>GMF permit & Qualified Person (QP)</p> <p>GMF permit & Responsible Person (RP)</p> <p>GMF permit & Qualified Person for Pharmacovigilance (GPPV)</p> <p>Internal audit and continuous inspections to ensure compliance with applicable rules and legislation</p> <p>Pharmacovigilance audit</p> <p>Events Safety legislation</p>	<p>At supplier level and Karo Pharma's operations (for patients)</p>
2. Shortage of pharmaceuticals	Shortage of resources and raw materials, production errors and transportation schedule disruptions could cause health risks for patients. This could also cause brand and reputational damage.	<p>GMF permit & Qualified Person (QP)</p> <p>GMF permit & Responsible Person (RP)</p> <p>GMF permit & Qualified Person for Pharmacovigilance (GPPV)</p> <p>Internal audit and continuous inspections to ensure compliance with applicable rules and legislation</p> <p>Safety legislation</p>	<p>At supplier level and Karo Pharma's operations (for patients)</p>
3. Sustainable supply chain Social conditions & HR	Distribution of pharmaceuticals by third parties can result in unauthorized sale of pharmaceuticals, with the resulting misuse.	<p>Code of Conduct</p> <p>Qualification of suppliers and customers regarding the respective GMF permit & Responsible Person (RP)</p> <p>Quality control of distributors</p> <p>Contracts on compliance with regulation and legislation by suppliers</p>	<p>At the supplier and customer level (for wider society and patients)</p>
4. Anti-corruption Anti-corruption	A risk of corruption exists end to end in the value chain (suppliers and employees).	<p>A code of conduct was implemented during 2019.</p>	<p>Karo Pharma's own operations, at the supplier and customer level</p>
5. Environmental impact Environment	Negative environmental impact of production and transportation of goods including: 1. Emissions from transportation 2. Usage of chemicals 3. Electricity consumption	<p>Environmental & Sustainability Policy</p>	<p>Karo Pharma's own operations (for the environment)</p>
6. Staff injuries HR	Risk of employee physical and psychological ill-health.	<p>Code of Conduct</p> <p>Safety Policy</p> <p>Occupational Health & Safety policy</p> <p>GMF permit & Qualified Person (QP)</p>	<p>Karo Pharma's own operations (for employees)</p>

After production and release, all pharmaceuticals are transported, stored and distributed in accordance with Good Distribution Practice, which is monitored by a qualified individual for wholesaling, designated by the regulator.

On each market, Karo Pharma collaborates with customers and healthcare staff to ensure that it is satisfying consumer needs. Through education, Karo Pharma's intention is to simplify the choice of solution to everyday health problems. The understandings Karo Pharma accumulates generate the product development process, as well as new services and support for consumers. Karo Pharma wants to improve consumer understanding of the choices available for treating everyday health problems, and Karo Pharma wishes to improve quality of life, overcoming the obstacles that prevent individuals from treating their everyday problems. By inter-

acting with consumers, Karo Pharma also learns about their needs – understandings that can then be used to improve Karo Pharma's commercial range and offer them a better experience. After Karo Pharma products reach the consumer and patient, Karo Pharma undertakes to monitor quality assurance and patient safety data, with a Qualified Person for Pharmacovigilance (GPPV) designated by the regulator, being responsible for Karo Pharma maintaining a system for monitoring, and that the risks and benefits of our products are continuously assessed. If circumstances occur where consumers and patients need to contact Karo Pharma, Karo Pharma always listens to its consumers.

Karo Pharma undergoes continuous external audits of its management system to evaluate and ensure its effectiveness.



STATUTORY ADMINISTRATION REPORT

Karo Pharma's environmental impact

Karo Pharma works continuously on reducing its CO₂ footprint and optimizing its value chain. As a virtual company, dependent on partners for production, this means working closely with suppliers and customers to reduce waste and minimize the environmental impact of operations.

Karo Pharma also endeavors to maximize efficiency in its transport chain by carefully evaluating its choice of suppliers, filling trucks, minimizing the amount of air transport, and using the shortest possible route to destinations.

Height providers, warehousing, distributors and customers are subject to qualification processes prior to processing our products.

Part of our work involves reviewing packaging materials, where we set targets to reduce secondary packaging and remove plastic from our secondary packaging. Karo Pharma has also set the target of only having sustainable solutions for packaging by 2025.

Corporate social responsibility

Karo Pharma is endeavoring to assist in raising general standards of health and well-being in society by offering and delivering services, products and pharmaceuticals that improve the health of patients and consumers.

Karo Pharma also supports a range of charitable organizations, closely associated with its core value of showing consideration to its business environment and community.

Operation Smile is a charity that arranges surgery for children born with serious facial deformities, especially for children born with cleft lip and palate. This organization enables some 15,000 surgical procedures worldwide each year, benefiting an equal number of children. Karo Pharma views this as a smart choice to improve everyday health, and has been supporting Operation Smile since 2018.

Karo Pharma has also created the Stay Healthy Fund, enabling targeted donations to non-profit organizations selected by our colleagues. When Karo Pharma's employees do active volunteer work, Karo Pharma makes a corresponding donation.

Karo Pharma's employees

Karo Pharma is keen to maintain a diversified and inclusive environment. As an employer, Karo Pharma wants to attract individuals with a strong field feeling of entrepreneurship regardless of gender, sexual identity, sexual orientation, ethnicity, race, religion, country of origin, disability or age. Karo Pharma stands for equal opportunities and has a balanced gender division in its group management and other management positions.

Karo Pharma works collectively to enable a creative workplace where collective intelligence and the diverse backgrounds of our employees realize Karo Pharma's vision together. Karo Pharma values its people as a critical asset, and regularly measures employee commitment.

Human resources and occupational health & safety

A good working environment and staff health are important to Karo Pharma and how we do business. We view these two issues as material focuses to achieve high motivation and job satisfaction, and ensure our status as an attractive employer. Just like our environmental work, we conduct yearly follow-ups of physical and psychosocial health & safety to ensure that we maintain a good, safe and stimulating working environment where our people are happy.

Health & safety work covers our whole business, all equipment and premises, and is formalized in our Health & Safety policy. Karo Pharma's overall goal is to create and maintain a good working environment right across its business.

Karo Pharma is proactive in creating a positive working environment. Karo Pharma has offices that enable a positive physical and psychosocial working environment. Karo Pharma uses adjustable-height desks, good lighting, rest areas, a range of office spaces for meetings, and smaller spaces for working undisturbed. Karo Pharma conducts initiatives and enables social contexts to create an environment where all coworkers feel included and recognized. There are risks associated with working from home, where Karo Pharma has taken the initiative for all its colleagues to be able to attain an ergonomic working environment in the office and at home. Additionally, risks are associated with stress in this context, where interaction between staff and managers from the foundation of functional occupational health & safety work.

The CEO and management bears overall responsibility for Karo Pharma's health & safety, while staff are responsible to participate. By our staff being aware of the overall goals of operations, working actively for a happy workplace and taking responsibility for their duties, as well as having the authorization necessary to perform them, we create a safe and motivational working environment.

Karo Pharma's goal is for no serious injuries to occur and that Karo Pharma should maintain a working environment that does not cause sickness absence. No personal accidents resulting in sickness absence occurred in 2020. Karo Pharma also continued its work on maintaining a working environment that does not cause illness.

Future progress

The company's Board of Directors has an express objective to create a profitable company and increase shareholder value.

Risk factors

The group's operations may be affected by a variety of events. The main risks potentially having a material impact on financial position, results of operations and/or reputation follow. These risks have not been stated in any particular order of priority. Other risks, which are either unknown or currently not considered material to Karo Pharma, could have a similar impact on operations.

Risks related to the market and company

Acquisition-related risks
The company is executing an active acquisition strategy, and within the company's business strategy may, in addition to the above acquisitions, acquire new, more mature projects, and enter partnerships with players with the aim of creating cash flows for the company. Karo Pharma continuously screens potential acquisitions. If Karo Pharma is unable to find suitable acquisition targets and/or find the necessary funding of future acquisition targets on acceptable terms, this may result in Karo Pharma's growth declining, which may have a negative impact on the company's operations, financial position and results of operations. If the company is able to identify a suitable acquisition target, there is a risk that

competitors are also interested in the same target, which may mean that the company is not successful in acquiring the target, or on terms that are unfavorable to the company. Acquisitions may also be obstructed by competition legislation. There is also a risk that executed acquisitions are not received positively by the market. This may have a negative impact on the company's operations, financial position and results of operations.

Generally, acquisitions imply integration risks. Over and above company-specific risks, the acquired company's relationships with key individuals, customers and suppliers may be negatively affected. There is also a risk that the integration processes take more time, or prove costlier, than estimated. Additionally, the expected synergies and targets of the transaction may not be realized, wholly or partly. The integration of acquisitions can mean organizational changes, which in the short term, delay the implementation and execution of plans and objectives. Upon consummation, all these risks may have a negative impact on Karo Pharma's operations, financial position and results of operations.

Product launches

Launching a new pharmaceutical and/or other product takes time and can involve significant investments in marketing, product inventories before launch and other types of expense. There is a risk that launches of new products on existing or new markets are unsuccessful. If Karo Pharma's launches of forthcoming products are unsuccessful, this may exert a negative impact on operations, financial position and results of operations.

Some of the company's products are available on prescription only, and sold exclusively through pharmacy chains. There is a risk that physicians decide not to prescribe the company's pharmaceuticals to their patients, which could imply declining sales for the company's prescription pharmaceuticals. Regardless of whether a physician prescribes one of the company's pharmaceuticals, each pharmacy chain is free to offer patients whichever corresponding compound they prefer. If one or several pharmacy chains discontinue offering patients Karo Pharma's pharmaceuticals, this may exert a material negative impact on operations, financial position and results of operations.

Competitive market

A large number of companies that provide healthcare products, or compounds and therapies, or are active in research and development of compounds and therapies, may compete with products from Karo Pharma or its potential collaborative partners. Some of these companies may have significantly greater financial and/or other resources than Karo Pharma, and accordingly, enjoy better potential to achieve success in contact with regulatory authorities, for example, and in marketing, sales and distribution resources, as well as in research and development. More intense competition may imply a risk that Karo Pharma is unable to maintain its current margins on its products, which may exert a negative impact on operations, financial position and results of operations.

There is also a risk that candidate drugs or products developed by collaborative partners do not achieve preference above currently extant or new products. Some of Karo Pharma's products are procured, or confer entitlement to compensation for end-customers from, the paying third party. Changes to such structures may imply negative commercial and financial effects for Karo Pharma. Intense com-

petition may impact Karo Pharma's operations, financial position and results of operations negatively.

Rapid changes in the pharmaceutical industry

One of the distinguishing features of the sector where Karo Pharma is active is its changeability and rapid rate of development. This means that products and improve therapeutic methods are continuously emerging.

There is a risk that Karo Pharma does not develop at the same rate, or its products do not satisfy the standards the market is applying. If Karo Pharma is unable to satisfy the market's new standards, there is a risk that operations, financial position and results of operations are negatively impacted.

Key individuals and recruitment

The company's business strategy, which involves a focus on sales, unlike previously, where the emphasis was on research and development, has resulted in Karo Pharma now being more dependent on employees with specialist marketing and sales skills. There is a risk that the company is unable to adapt its organization correspondingly, which may result in increased expenses, and management's focus moving from operating activities. This may have a negative impact on operations, financial position and results of operations.

Karo Pharma is heavily dependent on a number of key individuals, particularly individuals in management, who possess substantial experience, and considerable specialist knowledge, of the development of pharmaceutical companies, as well as the acquisition and integration of new businesses. The potential departure of one or more of these individuals may have negative financial and commercial effects.

The ability to hire and retain qualified professionals is extremely important to ensuring the skills level of the organization. There is a risk that Karo Pharma is not successful in attracting and retaining qualified professionals on acceptable terms, or at all, which may have a negative impact on operations, financial position and results of operations.

Finance

Acquisitions have been financed with bank loans. There is a risk that in future, Karo Pharma is unable to generate sufficient cash flow to meet the expenses associated with these loans. There is also a risk that the terms of loans alter, or that Karo Pharma breaches current covenants and obligations in loan agreements.

An inability to satisfy the covenants in loan agreements may imply that Karo Pharma is compelled to repay part, or all, of the outstanding debt. If one or more of these risks is actualized, operations, financial position and results of operations may be materially negatively impacted.

Need for additional finance

Karo Pharma may need to approach the capital markets to arrange financing through loans or similar arrangements. There is a risk that it is unable to access new capital when the need arises, that it cannot be secured on favorable terms, or such raised capital is not sufficient to finance operations as planned. If Karo Pharma is unsuccessful in raising further capital, this may have implications including the company foregoing potential acquisitions or other opportunities on the market, which may have a negative impact on operations, financial position and results of operations. An inability to



STATUTORY ADMINISTRATION REPORT

raise capital on favorable terms, may also have a negative impact on financial position and results of operations.

Supplier and collaborative agreements
The group's products consist of raw materials and input goods from several different suppliers. To ensure its sales, the group is dependent on deliveries from third parties being consistent with agreed volumes, quality and delivery requirements. Incorrect or missed deliveries from suppliers may mean production being delayed, which in the short term, may reduce sales.

Karo Pharma's operations are partially dependent on agreements with medical device companies, which conferred Karo Pharma with entitlement to market and sell medical device products on the Nordic markets, then sales agencies. There is always a risk that these agreements are cancelled or disputes arise relating to these agreements. Where contract terminated, Karo Pharma risks losing on future revenue and earnings, which may impact operations, financial position and results of operations negatively.

Some of Karo Pharma's customers are county health authorities and pharmacy chains. Agreements with these customers on the delivery of these products involve public tendering procedures, which as a rule, are conducted every second or third year. If Karo Pharma is not successful in these tendering rounds, the company will lose sales in the relevant period. Such lost sales may impact operations, financial position and results of operations negatively.

Product quality

Karo Pharma applies standards consistent with those within the EU to ensure the safety and quality of all products the company markets. The Good Manufacturing Practice standard (GMP) applies to all pharmaceutical products, and its requirements are identical wherever production is conducted. Quality and safety guidelines are also in place for non-pharmaceutical products, and Karo Pharma holds ISO13485 certification.

Patient safety

All product usage is associated with the risk of adverse events of various forms, and of varying severity. Karo Pharma has an in-house function that works to ensure safe usage of its products. All potential adverse events are reported to the pharmaceutical regulator, pursuant to the regulatory standards applicable to product classifications.

Logistics

Incorrect or delayed deliveries, or non-delivery from the group's suppliers may then mean the group's shipments being inadequate or incorrect. The group is also exposed to exchange rate fluctuations. There can be no guarantee that the group's operations are not subject to regulatory restrictions, or that the group receives the necessary future regulatory approvals. There is a risk that the group's capability to develop products reduces, or products cannot be launched on schedule. These risks may involve reduced sales and negatively impact the group's results of operations.

IT

The company is exposed to risks related to IT. This may involve unauthorized access to the company's data systems, email and network connections. In exposed circumstances, virus and spam attacks can impact the company's whole operations.

46

Financial Statements

Risk of production disruptions

Production consists of a chain of processes, in which downtime or disruptions on any link may have consequences for its ability to manufacture the company's products to the extent required. Such downtime may have a negative impact on operations, financial position and results of operations.

Product liability/insurance

Karo Pharma's operations involve a risk of product liability. There is a risk of claims relating to damages arising as a result of using the company's products so substantial that they are not covered by insurance. A damages claim not covered by insurance may impact operations, financial position and results of operations negatively. Additionally, claims even if covered by insurance, may result in an increase of the premiums the group pays pursuant to its insurance arrangements. There is also risk that in future, the group is unable to arrange or retain the necessary insurance cover on acceptable terms. Significant increases to insurance premiums or insurance arranged on unfavorable terms may have a negative impact on operations, financial position and results of operations.

Intellectual property

Karo Pharma has acquired intellectual property developed by other companies. There is a risk that one of these brands is affected by reputational damage, which may have a negative impact on the sales potential of the pharmaceutical involved.

Karo Pharma's potential for success is partly dependent on its ability to arrange and defend patent protection for potential and/or existing products, and also put patent protection for these products in place.

There is a risk that Karo Pharma or its collaborative partner develop products that cannot be patented, that granted patents cannot be retained, that future discoveries do not result in patents, or that granted patents do not provide sufficient protection for Karo Pharma's rights. There is also risk that patents do not confer a competitive advantage to the company's products, or that competitors are able to circumvent patents. If Karo Pharma is compelled to defend its rights against a competitor, this may generate significant costs, which in turn may have a negative impact on operations, financial position and results of operations.

If, in their research, the company and its collaborative partners utilize compounds or methods that are patented or have patent applications filed by third parties, the holders of these patents could assert that Karo Pharma or its collaborative partner have breached those patents. A third party's patent or patent application, could prevent one of Karo Pharma's licensees from using a licensed compound freely. The expense of such dispute may have a material negative impact on operations, financial position and results of operations.

There is a risk that granted patents do not provide lasting protection, that infringements or other invalidity claims against granted patents may be made after the patents are granted. Karo Pharma and its subsidiaries own brand registrations for some of its brands. There is always a risk that disputes may arise regarding infringement of brand rights or other intellectual property, or that brand protection is not obtained. Additionally, Karo Pharma is dependent on know-how, and the possibility that competitors develop corresponding know-how or that Karo Pharma is successful in protecting its know-how effectively, which may have a negative impact on operations, financial position and results of operations, cannot be ruled out.

STATUTORY ADMINISTRATION REPORT

or healthcare segment, or more generally. Significant investment may be required also be required for other reasons. This may impact Karo Pharma's operations, financial position and results of operations negatively.

Agreements with collaborative partners
Karo Pharma may collaborate with other pharmaceutical companies in marketing and development work. The absence of collaborative agreements or inadequate fulfillment of counterpart obligations pursuant to collaborative agreements, or work whose quality does not match the desired position and results of operations.

Regulatory considerations and product standards

Research and development work, as well as the production and marketing of pharmaceuticals, is subject to the control of several regulators. Prior to launch, a pharmaceutical developed by Karo Pharma, its collaborative partners or under license from Karo Pharma, must undergo an extensive process to secure regulatory approval. There is a risk that regulators do not approve pharmaceuticals developed by Karo Pharma, its collaborative partners or under license from the company. There is a risk that the approval process results in a requirement for further trials and additional documentation of a pharmaceutical compound, and expenses and delays on the project, or discontinuation of the project due to unmanageably high development expenses. This may have a material negative impact on operations, financial position and results of operations.

Even if regulatory approval for the launch of the pharmaceutical is obtained, there is a risk that administration on patients is such undesirable effects that the product has to be withdrawn from the market, with lost revenues as a consequence.

If Karo Pharma's products or operations are covered by additional or altered measures or restrictions from regulatory authorities, this may have negative commercial and financial effect for Karo Pharma, which may have a negative impact on operations, financial position and results of operations.

Regulatory and healthcare reform

Future reforms of healthcare systems may occur in those countries where the company and its collaborative partners intend to market pharmaceuticals. Such reforms may affect the sales potential of these products and the ability to secure new collaborative partners.

Regulatory expenses and resources

The pharmaceutical industry that the company operates in is subject to extensive regulation. To succeed in regulatory compliance, Karo Pharma must have the necessary permits and comply with the regulations that its operations are governed by. Such regulatory compliance is resource intensive, financially and operationally, and there is a risk that Karo Pharma is not successful in maintaining the standard necessary for acceptable cost, or at all. If the company is unsuccessful, this may have a material negative impact on operations, financial position and results of operations.

Risks relating to the share

New share issues and sales of securities
Karo Pharma may need to issue additional shares or other securities in future, which may have a negative impact on the

Currency, interest rates and credit risks
Karo Pharma's operations are exposed to exchange rate risks because some of Karo Pharma's purchasing and sales of products is denominated in foreign currencies. Exchange rates can fluctuate significantly, which may impact the company's operations, financial position and results of operations negatively. A portion of the group's operating expenses arise in certain occurrences, while its revenues are generated in others. Altered exchange rates risk having a negative impact on operations, financial position and results of operations.

Because the company's financing currently partly consists of, and may in future consist of, interest-bearing liabilities, the company's net earnings would be negatively affected by changes in general interest rate levels. Altered interest rate levels may have a negative impact on operations, financial position and results of operations.

Credit risk arises through cash and cash equivalents and credit exposure to customers, including outstanding receivables and contracted transactions. There is a risk that the company's risk assessment of a customer's creditworthiness, and credit risk management, otherwise, is insufficient, which may have a negative impact on operations, financial position and results of operations.

Tax-related risks

The company conducts, and in future may conduct, its operations in Sweden and other countries. The company intends for its operations to be conducted in accordance with relevant interpretations of tax legislation, tax treaties and other regulations in each relevant jurisdiction, and the standard tax regulations in such agencies apply. Tax regulation is complex and subject to differing interpretations, and accordingly, there is a risk that Karo Pharma's interpretation and application of applicable laws, regulation, legal practice or other practice has not been, or in future may not be, correct.

Additionally, such laws, regulation and practice may also imply that Karo Pharma's current interpretation and application is considered incorrect. In cases where Karo Pharma's interpretation and/or application of tax legislation, tax treaties and other similar tax regulation is incorrect, or if tax agencies succeed in making negative tax adjustments, or the aforementioned laws and regulations are reformed and with retroactive effect, the company's current and historical treatment of tax issues may come under question. If tax agencies make successful claims, this may result in increased tax expenses, tax surcharges and interest, which may have a material negative impact on operations, financial position and results of operations.

Goodwill and product rights

Goodwill is recognized at cost, as determined at the acquisition date of the business, after deducting for any accumulated impairment. Goodwill is allocated to cash-generating units expected to benefit from the synergy effects of the business combination. Impairment tests are conducted at least yearly, or when there are indications of impairment. Impairment tests are conducted at the level goodwill is monitored in the company's internal control. Karo Pharma's two product groups, Rx and OTC, have been identified as cash-generating units. Goodwill is reported as an intangible asset with an indefinite useful life.

Significant impairment may arise in the future for different reasons, such as unfavorable market conditions, which either apply to the company specifically, the whole pharmaceutical

47

Financial Statements

STATUTORY ADMINISTRATION REPORT

market price of outstanding shares. The issue of new shares may also mean existing shares are diluted if they do not utilize, or cannot utilize, preferential rights, or shareholders' meetings resolve to depart from such preferential rights.

Additionally, significant sales of shares from major shareholders or a general perception that a share issue may occur, may affect the market price of Karo Pharma's shares negatively.

Dividends

Decisions on future dividends are taken by shareholders at the AGM. Potential future dividends, and the amount of such dividends, is dependent on factors including Karo Pharma's future operations, future prospects, results of operations, financial position, unappropriated earnings, cash flow, Working capital requirements, and general financial and legal restrictions.

There are many risks that may impact Karo Pharma's operations negatively, thus resulting in Karo Pharma not generating earnings that enable a dividend on shares in the future.

Share price performance

Securities trading is always associated with risk and risk-taking, because an investment in shares can increase and decrease in value, whether an investor is returned all, or even part, of invested capital is uncertain. The pricing of shares may be subject to fluctuations due to altered perceptions on the capital markets regarding the shares or similar securities, due to different circumstances and events, such as reforms of applicable legislation and other regulation that affect the company's operations, or changes to the company's results of operations and business development. From time to time, stock markets can exhibit significant fluctuations in terms of pricing and volume that may not be related to the company's operations or future prospects. Additionally, the company's results of operations and future prospects may fall below the expectations of the capital markets, financial analysts or investors. One or more of these factors may have a negative impact on the share price, in turn causing losses for shareholders. The risk of fluctuations in share prices is greater for holders with low turnover.

Listing standards

The company's shares are listed for trading on Nasdaq Stockholm. The company's shares may be delisted if Karo Pharma does not satisfy the standards applying to shares listed for trading on Nasdaq Stockholm. A delisting would make it more difficult for shareholders to sell their shares in Karo Pharma.

Share liquidity

Karo Pharma cannot predict the extent to which investor interest will result in the development and maintenance of active and liquid trading in the share. If active and liquid trading cannot be maintained, this may imply difficulties in selling shares at a price, and at a time considered appropriate, or at all.

Proposed appropriation of earnings

The following funds are at the disposal of the Annual General Meeting, 2021:

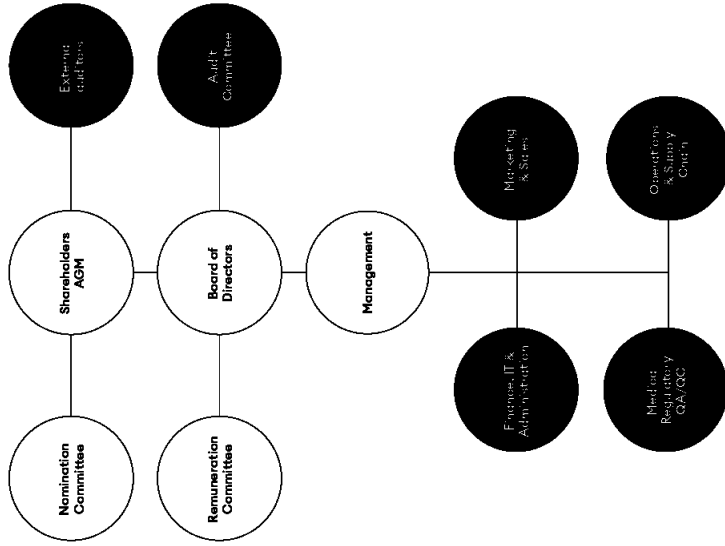
- Share premium reserve SEK 4,896,404,000
 - Retained earnings SEK 575,104,000
 - Earnings for the year SEK 33,645,000
- Total unappropriated earnings SEK 5,595,166,000

The Board of Directors proposes that the funds that the disposal of the meeting of SEK 5,595,166,000 are carried forward.

FIVE-YEAR SUMMARY

The tables below present financial information in summary for the financial years 2016-2020. As of January 1, 2019, the Group applies IFRS 16 Leases. The comparative figures for 2016-2018 have not been restated as the Group applied the future-oriented method in the implementation of IFRS 16.

	GROUP				
	2020	2019	2018	2017	2016
Income Statement					
Revenues	2,882.9	1,901.2	1,415.1	657.6	847.3
Cost of goods sold	-1,287.5	-917.2	-574.3	-315.7	-189.5
Selling expenses	-955.2	-400.3	-443.0	-198.6	-112.8
Administrative expenses	-395.9	-188.4	-78.5	-43.7	-28.7
Research and development expenses	-	-	-0.6	-	-
EBIT	230.3	172.1	414.3	79.9	29.6
Earnings/loss after tax	82.9	6.9	657.4	14.3	95.6
Balance Sheet					
Total non-current assets	10,786.5	9,723.5	5,972.6	3,017.3	1,482.1
Other current assets	1,140.7	926.3	513.5	26.0	149.4
Cash and cash equivalents	570.4	248.8	398.6	838.6	121.3
Total current assets	1,731.0	1,175.1	912.1	1,124.6	290.7
Total assets	12,517.5	10,898.5	6,884.6	4,168.8	1,772.8
Equity	5,638.5	5,641.9	3,411.0	1,566.5	717.0
Non-current liabilities	1,657.5	1,720.5	1,980.6	1,542.2	599.3
Current liabilities	5,221.5	3,536.1	1,293.1	1,013.2	456.6
Total liabilities and equity	12,517.5	10,898.5	6,884.6	4,168.8	1,772.8
Cash Flow Statement					
Cash flow from operating activities	392.2	106.6	318.0	33.5	-36.1
Cash flow from investing activities	-1,544.3	-2,441.7	-2,627.1	-1,265.8	-954.9
Cash flow from financing activities	1,548.5	2,184.6	1,931.2	1,931.1	1,076.4
Cash flow for the year	328.4	-150.2	-442.9	718.8	44.4
Key indicators					
Equity/assets ratio, %	45.0	51.8	52.5	38.3	40.4
Average number of employees	243.0	129.1	90.0	90.8	69
Data per share					
Earnings per share (SEK)	0.37	0.05	4.63	0.17	1.42
- average number of shares	0.36	0.04	4.00	0.18	1.50
- number of shares at end of year					
Operating cash flow per share (SEK)	1.48	0.61	2.24	0.40	-0.75
- average number of shares	1.46	0.47	1.94	0.41	-0.70
- number of shares at end of year	25.05	25.07	21.97	19.31	11.22
Equity per share at end of year	52.50	40.52	37.05	33.50	28.10
Share price at end of year					
Number of shares (000)					
Average number of outstanding shares	222,608	174,477	141,886	84,217	67,440
Average number of outstanding shares after full dilution	222,608	174,477	141,886	84,217	67,440
Number of shares at end of year	225,033	225,033	164,333	82,166	63,907
Number of shares after full dilution	225,033	225,033	164,333	82,166	63,907



Significant external and internal regulations and policies impacting corporate governance

- | | |
|---|--|
| <p>Significant internal regulations and policies</p> <ul style="list-style-type: none"> • Articles of Association • Board of Directors' Rules of Procedure • Instructions for the CEO including instructions on financial reporting • Instructions for each Board committee • Corporate Communication Policy • Insider Policy • Risk Management Policy • Accounting Handbook • Code of Conduct and business ethics provisions | <p>Significant external regulations</p> <ul style="list-style-type: none"> • Swedish Companies Act • Swedish Accounting Act • Swedish Annual Accounts Act • Nasdaq Stockholm's Rulebook for Issuers • Swedish Code of Corporate Governance |
|---|--|



CORPORATE GOVERNANCE REPORT

Introduction

Karo Pharma AB is a Swedish public limited company, quoted on Nasdaq Stockholm AB (Nasdaq, Stockholm). Karo Pharma's corporate governance is based on Swedish regulations and the Swedish legislation, primarily the Swedish Companies Act, but also its listing agreement with Nasdaq Stockholm. The Articles of Association and other relevant regulations. Apart from what is reported below, Karo Pharma is not reporting any instances of non-compliance from the Code for the financial year 2020.

The Board of Directors of Karo Pharma hereby present the Corporate Governance Report for 2019 pursuant to the Code (see the Swedish Corporate Governance Board's website www.corporategovernanceboard.se). Karo Pharma has been applying the Code since 1 July 2008.

The group consists of the parent company Karo Pharma AB and its direct wholly owned subsidiaries Karo Pharma Sverige AB, Karo Pharma Norge AS, Karo Pharma Oy, Karo Pharma ApS, Karo Pharma AG, BioPharma AB, Karo Pharma UK Ltd., and Trimb Holding AB. Karo Pharma Norge AS has one direct wholly owned subsidiary, and Trimb Holding AB has a total of 11 direct or indirect wholly owned subsidiaries.

Instances of non-compliance with the Code

Karo Pharma complies with the Code's "follow or explain" principle, and there is one instance of non-compliance to report for 2020.

Based on its size and composition, the Board of Directors considers that the duties of a remuneration committee and audit committee are best performed by the whole Board, and accordingly, had decided not to create any dedicated committees, which is a departure from code rule 91 that the Board should constitute a remuneration committee.

Shareholders

Karo Pharma AB's shares have been quoted on Nasdaq Stockholm since 1998. There were 7,940,719/919 shareholders as of 31 December 2020. According to the share register maintained by Euroclear Sweden AB as of 31 December 2019, 76.7% (69.4) of the shares were registered with Karo Investor AB. The ten largest shareholders held 84.1% (81.4) of the total number of shares. No breaches of the listing agreement or generally accepted stock market practices pursuant to resolution by the Stock Exchange's Disciplinary Committee or the Swedish Securities Council occurred in the financial year.

Information on Karo Pharma's shares

Total new share issue registered in October 2019, the total number of shares was 225,033,204. Each share carries one vote and equal entitlement to the company's distributable earnings.

As of 31 December 2020, there were 225,033,204 Karo Pharma shares, of which 1,939,689 held in treasury.

Annual General Meeting

The company's chief decision-making body is its Annual General Meeting (AGM), where shareholders exercise their

diversity on the Board. The objective is for the Board to consist of members of different genders and varying educational and professional backgrounds.

The overall duty of the Board of Directors is to manage the company's affairs on behalf of the shareholders as well as possible. The Board should continuously evaluate the company's operations and progress, its financial situation, and evaluate executive management.

The Board of Directors considers issues regarding the group's strategic direction and organization, business plans, financial plans and budgets, as well as deciding on material agreements, major investments and obligations, as well as its finances, corporate communication, insider and risk management policies.

The Board operates according to Rules of Procedure which are adopted yearly, and formalize the frequency and agenda of Board meetings, the distribution of material for Board meetings, and matters to be submitted to the Board for information or decision. The Rules of Procedure also formalize the segregation of duties between the Board and its committees, where applicable. The Board has also adopted instructions for the CEO which formalize the segregation of duties between the Board, the Chairman and CEO, and defines the CEO's authority.

The Chairman consults with the CEO at Board meetings. Before each Board meeting, the Board members receive a written agenda and comprehensive supporting documentation. The Chairman leads the work of the Board, represents the company on ownership issues, and is responsible for pursuing the work of the Board.

Pursuant to the Articles of Association, the Board should consist of a minimum of three and a maximum of ten Board members elected by shareholders' meetings without deputies. The Board is quorate when more than half of the total number of Board members are in attendance.

Work of the Board in 2020

The Board held 12 scheduled meetings where minutes were taken in 2020. The Board was quorate at all meetings. Board decisions are taken after open discussion, led by the Chairman. Major issues considered by the Board in 2020 included acquisitions.

Board committees

Considering its size and composition, the Board has concluded that the duties of remuneration and audit committees are performed best by the whole Board, and accordingly, has decided not to appoint any dedicated committees, which is a departure from the Code rule that the Board should constitute a remuneration committee.

Board of Directors	Period in 2020	Elected	Board fees	Attendance of meetings	Independent of management	Independent of shareholders
Håkan Åström	2017	2017	300	11/12	Yes	Yes
Bo Jesper Hansen	2019	2019	600	11/12	Yes	Yes
Erika Henniksson	2019	2019	300	12/12	Yes	No
Vesa Koskinen	2019	2019	300	12/12	Yes	No
Eve Skovvat Sores	2019	2019	119	6/6	Yes	Yes
Flemming Ornsköv	2020	2020	300	12/12	Yes	Yes
Kristofer Tonarom	From 25 May	2020	181	9/9	Yes	Yes
Ute Kemmerich-Kell	From 25 May	2020	181	7/9	Yes	Yes



CORPORATE GOVERNANCE REPORT

Accordingly, the whole Board fulfills the duties incumbent on audit and remuneration committees pursuant to the Swedish Companies Act and the Code.

Remuneration committee

The whole Board performs the duties of the remuneration committee. The duties ensue from the instructions adopted by the Board each year, and are part of the Board of Directors' Rules of Procedure. These include submitting proposed remuneration guidelines for senior executives, submitting proposals to the Board of Directors regarding the CEO's salary and other employment terms, determining salaries and employment terms of other members of management, and preparing proposals for incentive programs and other forms of bonus or similar compensations for employees. The CEO may make presentations on issues relating to the duties of the remuneration committee, but does not participate in consideration of his own salary and employment terms.

The Board presents guidelines for determining salaries and other benefits to the CEO and other members of management, for approval by shareholders, at the AGM.

For more information on employment terms of senior executives and remuneration to the Board of Directors, see the Statutory Administration Report in the Annual Report for 2020.

Audit committee

The whole Board performs the duties of the audit committee. These duties ensue from instructions that are adopted by the Board yearly and are part of the Rules of Procedure of the Board. They include supporting the Board in monitoring and quality-assuring financial reporting and effectiveness of the company's internal control systems and risk management.

The Board of Directors meets the company's auditors, evaluates audit work, auditor independence and approves any additional services the company may purchase from external auditors.

CEO and management

Management includes the CEO, CFO, COO, VP Operations, VP Commercial Pharma, VP Marketing, VP Scientific Affairs, VP Business Development, and Head of People & Organization. Management meets to discuss the group's results of operations and financial position, the progress of operations otherwise, strategy issues and monitoring budgets and forecasts.

The CEO is responsible for the company's ongoing administration in accordance with the Board's instructions and guidelines.

The CEO executes management's decisions in the organization, based on the strategy and business objectives set by the Board. Each functional manager is responsible for ensuring that decisions are executed, and following up on execution. Management is responsible for preparing proposals for and executing the group's overall strategies, and deals with matters such as acquisitions and divestments. Information on the members of management's ages, main occupations, professional experience, personal and related parties' holdings in the company, are stated on pages 58-59.

CORPORATE GOVERNANCE REPORT

All communication must comply with Nasdaq Stockholm's Rulebook for Issuers. Financial information should give a comprehensive and clear view of the company, its operations, strategy and financial performance.

The Board of Directors adopts the annual accounts, accounting reports and interim reports. All financial statements are published on the website (www.karopharma.com), after their initial publication pursuant to stock exchange rules.

The Annual Report is available from the company's website, and is delivered in hard copy format to those parties that request it.

Monitoring

The Board's monitoring of internal controls over financial reporting is through channels including monitoring the CFO and external auditors' work and reports.

This work includes ensuring that actions are taken regarding shortcomings and proposed measures that have emerged from the external audit.

Monitoring is conducted by focusing on how Karo Pharma complies with its regulations and the existence of effective and expedient processes for risk management, business governance and internal control processes.

Each year, the external auditor follows up on selected portions of internal controls within the auspices of the statutory audit. The auditor reports the outcome of his review to the Board of Directors and management. Where appropriate, material observations are reported directly to the Board. As part of the audit in 2020, the auditor followed up on sections of internal controls over selected key processes, and communicated this to management and the Board of Directors.

Risk assessment

A review is conducted at least once per year to identify and evaluate Karo Pharma's risk outlook. This work also involves judging which preventative measures should be taken to reduce, and prevent, the group's risks. This work should include ensuring that the group has appropriate insurance cover, and preparing decision-support data for potential amendments to policies, guidelines and insurance cover.

Karo Pharma's systems for identifying, reporting and responding to risks is an integrated part of regular reporting to management and the board, and is an important foundation for evaluating the risk of misstatements in financial reporting.

As part of this process, income statement and balance sheet items subject to an increased risk of misstatement are identified. For Karo Pharma, there are risks related to acquisitions regarding events including the utilization of product portfolios and synergies. Additionally, Karo Pharma operates on a competitive market, with the risk of price pressure and volume losses. Karo Pharma reports significant values of goodwill and product rights, where impairment can arise in the future for various reasons. Otherwise, the reader is referred to the Statutory Administration Report.

Control activities

The primary purpose of control activities is to prevent and discover misstatements in financial reporting at an early stage so that they can be managed and rectified. Control activities are conducted at overall and more detailed levels, and are manual and automated in nature. Access to IT systems is limited in accordance with authorization and access rights.

The accounting function compiles monthly financial reports, which state earnings and cash flows for the past period, while analyzing and commenting on budget variances.

Monitoring is through regular meetings for reviews of these reports and analysis with line managers and project managers. In this way, significant fluctuations and variances are followed up, which minimizes the risk of misstatement in financial reporting.

Account closure and annual accounts work process is subject to additional risks of misstatement in financial reporting. This work is of a less repetitive nature, and includes more processes that involve estimation. Important control activities include having an effective reporting structure in place, where line managers and project managers report in accordance with standard reporting templates, and involves specifying and commenting on important income statement and balance sheet items.

Information and communication

Karo Pharma's information and communication pathways should contribute to complete and accurate financial reporting, which is published at the right time. This is achieved by making all relevant guidelines and instructions for internal processes available to all affected staff. Where necessary, regular updates and communication regarding amendments to accounting rules/guidelines, reporting standards and standards on communication are provided.

Corporate communication activities are formalized in a Corporate Communication Policy. Guidelines ensuring that the company satisfies stringent standards for accurate information to shareholders in the financial markets are in place for its external communication. Karo Pharma's communication should be accurate, open, prompt and simultaneous to all stakeholder groups.

Internal controls and risk management in financial reporting

Introduction

The responsibilities of the Board and CEO for internal controls are regulated by the Swedish Companies Act. The Board of Directors' responsibilities are also formalized in the Code.

The Swedish Annual Accounts Act stipulates requirements of disclosure regarding the most important elements of the company's systems for internal control and risk management in tandem with financial reporting.

Karo Pharma's process for internal controls over financial reporting is designed to obtain reasonable assurance of the quality and accuracy of reporting. This process should ensure that reporting is prepared consistent with applicable laws and ordinances, and the standards applying to listed companies in Sweden.

One prerequisite for achieving this, is that there should be a good internal control environment, that there should be reliable risk assessments, that there should be established control structures and control activities, and that information and communication, and monitoring, functions satisfactorily.

Internal audit

The Board has evaluated the need for an internal audit function, and concluded that such a function is not justified within Karo Pharma considering the scope of operations, and the Board of Directors' monitoring of internal controls is considered sufficient to ensure that internal controls are effective. The Board re-evaluates this need when changes occur, which may require re-evaluation at least yearly.

Control environment

Karo Pharma's organization has been designed to be able to react quickly to changes in the market. Accordingly, operational decisions are taken at company level. Decisions on strategy, direction, acquisitions and overall finance issues are taken by Karo Pharma's Board and group management.

The Board of Directors' work on internal controls includes internal controls over financial reporting and internal controls from an operational perspective. Risk management is an integrated part of the Board of Directors' work on internal controls, and its purpose is to ensure that operations are managed in an expedient and effective manner.

Control structures

The Board of Directors' rules of procedure and instructions for the CEO and the Board's committees ensure a clear segregation of roles and duties.

The Board of Directors has overall responsibility for internal controls. The CEO is responsible for the system of procedures, processes and controls being prepared for operating activities. This includes guidelines and job descriptions for various positions, as well as regular reporting to the Board based on adapted procedures. Policies, processes, procedures, instructions and templates for financial reporting and regular work on accounting administration and finance issues are documented in Karo Pharma's accounting handbook. Procedures and activities have been designed to deal with, and respond to, material risks related to financial reporting and that are identified in the risk analysis. Apart from the Accounting Handbook, the most material are the overall group-wide policy documents: the Finance Policy, Corporate Communication Policy, Insider Policy, and Risk Management Policy.

Board of Directors

Name: Håkan Åström
Board member
Born: 1947
Elected: 2017
Education: M.B.A., Stockholm School of Economics
Other assignments and previous experience: Chairman of the Board of Egens Therapeutics AB, Board member of Neriman & Partners Asset Management AB and MediUniverse AB, Med.Dr.H.c., Sahlgrenska Academy, Gothenburg
Previous experience: CEO and Deputy Chairman of the Karolinska Institute, CEO of Kabi Pharmacia AB, Astra Pharmaceuticals Ltd. and Pharmacia AB, Chairman of companies including SOBI (Biovitrum), Perron A/S and Orexo AB
Independent of company and management: Yes
Independent of principal shareholder: Yes
Shareholdings: 0



Name: Kristofer Tonström
Board member
Born: 1979
Elected: 2020
Education: B.Sc. (Econ.), Gothenburg University
Other assignments and previous experience: CEO of Clar, Ohlson, positions include serving as CEO of Filippa K and Omega Pharma Nordics, as well as being President of Pentigo Northern Europe. Also held 11 different positions within P&G.
Independent of company and management: Yes
Independent of principal shareholder: Yes
Shareholdings: 0



Name: Flemming Ørnskov
Board member
Born: 1958
Elected: 2019
Education: MD, University of Copenhagen, MBA, INSEAD and MPH, Harvard University
Other assignments and previous experience: CEO of Galderma SA, Chairman of the Board of Waters Corporation and Board member of Centogene N.V. Former CEO of Shire plc, and held senior positions at Bayer, Merck & Co. and Novartis.
Independent of company and management: Yes
Independent of principal shareholder: Yes
Shareholdings: 0



Name: Uta Kammermaich-Kell
Board member
Born: 1965
Elected: 2020
Education: M.Sc. (Econ.), Freiburg University
Other assignments and previous experience: Board member of Schott AG, Gethaar Versicherung AG and Röchling S.E. previously headed up P&G's Personal Healthcare international operation, and possesses long-term experience from Merck KGaA, where her services included being
Global President of OTC and Allergy, and EVP of Finance and M&A.
Independent of company and management: Yes
Independent of principal shareholder: Yes
Shareholdings: 0



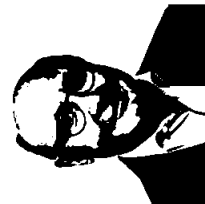
Name: Vesa Koskinen
Board member
Born: 1972
Elected: 2019
Education: M.Sc. (Econ.), Helsinki School of Economics
Other assignments and previous experience: Partner of EQT Partners and Board member of Igneous S.L., Touhula Oy and Kivriellä24 GmbH. Former positions include Board member of Musci Group Oy, Terveystalo Oyj, Rosser Group GmbH and Swiss Smile AG.
Independent of company and management: Yes
Independent of principal shareholder: No
Shareholdings: 0



Name: Erika Hemmison
Board member
Born: 1981
Elected: 2019
Education: M.B.A., Stockholm School of Economics
Other assignments and previous experience: Partner of EQT Partners and Board member of Eran and Respliom. Former Board member of AcadaMedia and Scandif Hotels Group.
Independent of company and management: Yes
Independent of principal shareholder: No
Shareholdings: 0

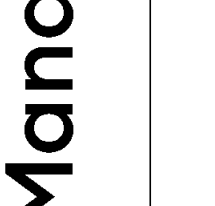


Name: Bo Jesper Hansen
Chairman of the Board
Born: 1958
Elected: 2019
Education: M.D., Ph.D., the University of Copenhagen
Other assignments and previous experience: Chairman of the Board of Laboris Inc. and Deputy Chairman of Onpazyme A/S. Previously, Bo Jesper Hansen was Executive Chairman of SOBI AB, Chairman of Topcater A/S, Karolinska Development AB, and Ablynx NV. Board member of Hyperton Therapeutics Inc. and Gambro AB, and CEO of Swedish Orphan International AB.
Independent of company and management: Yes
Independent of principal shareholder: Yes
Shareholdings: 0





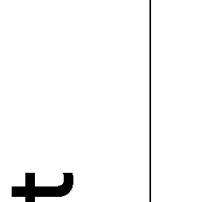
Management



Name: Christoffer Lorenzen
Title: Chief Executive Officer
Born: 1975
Employed: 2019
Education: M.Sc., Business (Marketing & Management), Copenhagen Business School.
Main experience: Executive Vice President and member of the Executive Board of Chr. Hansen Holding A/S and various roles in Sales and Marketing; Head of Corporate Strategy and M&A at H. Lundbeck A/S, Board member of Schultz Holding A/S.
Shareholdings: 0



Name: Jon Johnson
Title: Chief Financial Officer
Born: 1975
Employed: 2019
Education: B.Sc. (Econ.), Gothenburg School of Economics.
Main experience: Vice President of Finance, Atlas Copco Industrial Assembly Solutions, CFO of CEVT AB, Vice President of Finance, Atlas Copco Tools & Assembly Systems, Manager of Group Controlling for Atlas Copco, and various financial control and accounting roles with companies including Delaval and Adhucore.
Shareholdings: 0



Name: Karin Lindberg
Title: Head of People & Organisation
Born: 1977
Employed: 2020
Education: B.Sc., Human Resources & Organisation, Stockholm University.
Main experience: Global HR Business Process Director, Human Resources Director, Nordic HR Manager at Quadrant, HR Business Partner, Nordics, for Philips Healthcare, Recruitment Manager, HR Business Partner for Statoil.
Shareholdings: 0



Name: Magnus Nylien
Title: Chief Commercial Officer
Born: 1974
Employed: 2019
Education: B.Sc. (Econ.), Mid Sweden University, AFSU Tennessee, US
Main experience: CEO of Trimb, MD of Exelitis/Chemo, various roles within sales & marketing, as well as business & product development, since the late-1990s.
Shareholdings: 0



Name: Lisa Westerdahl
Title: VP of Commercial Pharma Operations & Corporate Communications
Born: 1974
Employed: 2018
Education: M.Sc., Chemistry, Karlstad University, Marketing and Management, IUP, US.
Main experience: Global Marketing Manager, Media and Mylan, Nordic Marketing Manager, Dentsply Sirona and Antula.
Shareholdings: 0



Name: Anna Elmblad
Title: Vice President of Strategic Marketing
Born: 1976
Employed: 2019
Education: M.Sc., Odontology, Umeå University
Main experience: Head of Marketing & BD, Trimb, Business Unit Director, Consumer Healthcare at TEVA and Allergan, and various sales & marketing roles at companies including Actavis, J&J, Pfizer and GSK.
Shareholdings: 0



Name: Carl Lindgran
Title: Vice President of Business Development
Born: 1968
Employed: 2017
Education: B.Sc. (Econ.), Lund University
Main experience: Vice President of Global Marketing Depression Portfolio, Vice President of Established Business, and Global Marketing Director, Lundbeck A/S, and various positions within Astra AB and AstraZeneca PLC.
Shareholdings: 0



Name: Sofia Pedersen
Title: Vice President of Scientific Affairs
Born: 1982
Employed: 2019
Education: M.Sc., Pharmacy, Gothenburg University
Main experience: Head of Scientific Affairs, Head of RA Pharma, and Director of RAQA, Trimb, RA Manager/Rp Bausch & Lomb, RA Specialist, Actavis, RAQA/ Medical Officer, Orion Pharma.
Shareholdings: 0



Name: Jonathan Kimber
Title: Vice President of Operations
Born: 1970
Employed: 2019
Education: M.B.A., Stockholm School of Economics
Main experience: Head of Supply, Trimb, EYP Product Range and EYP Operations, Oriflame Cosmetics, Senior Manager, Bain & Company.
Shareholdings: 0



Consolidated Income Statement

SEK'000	Note	GROUP 2020	GROUP 2019
Revenues	2,31	2,882,867	1,501,176
Cost of goods sold	4	-1,287,516	-917,165
Gross earnings		1,595,351	584,010
Other operating income and expenses	4,6	955,235	-600,244
Selling expenses		-395,889	-188,361
Administrative expenses		-13,220	-23,304
Other operating income and expenses ¹		-1,865,044	-817,228
Operating profit		230,206	172,102
Profit/loss from financial income and expenses²			
Interest income and similar profit/loss items	7	17,150	3,337
Interest expenses and similar profit/loss items	8	-190,302	-158,950
		-173,152	-155,613
Profit/loss after financial items		57,054	16,490
Tax	9	25,751	-7,649
PROFIT FOR THE YEAR		82,805	8,841
Profit for the year attributable to:			
Equity holders of the parent		82,049	8,890
Non-controlling interests		856	51
Earnings per share attributable to equity holders of the parent (SEK)			
- based on a weighted average number of outstanding shares before dilution	10	0.37	0.05
- based on a weighted average number of outstanding shares after dilution		0.37	0.05

¹ A reclassification of SEK 3,289,000 has been made from financial items to other operating income and expenses since the Year-end Report for 2020. The reclassification has no effect on net earnings.

Consolidated Statement of Comprehensive Income

SEK'000	GROUP 2020	GROUP 2019
Net earnings	82,805	8,841
Other comprehensive income for the year net of tax		
Items reclassifiable to profit or loss		
Translation differences	-117,286	41,971
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-34,481	50,812
Total comprehensive income attributable to:		
Equity holders of the parent	-35,207	50,861
Non-controlling interests	856	51

Consolidated Statement of Financial Position

SEK'000	Note	GROUP 2020	GROUP 2019
ASSETS, 31 December			
NON-CURRENT ASSETS			
Intangible assets	13		
Capitalized development expenditure		81,867	5,024
Licenses, product rights and trademarks		4,678,481	5,663,165
Goodwill		3,263,886	3,421,905
Work in progress		5,644	-
Total intangible assets		10,029,478	9,090,094
Property, plant and equipment	14		
Equipment, buildings and land		19,941	20,626
Right-of-use assets	28	50,763	5,407
Total property, plant and equipment		69,444	30,034
Financial assets			
Deferred tax asset	22	685,282	600,598
Other financial assets	16	2,226	2,745
Total non-current assets	31	10,786,481	9,723,471
CURRENT ASSETS			
Current receivables			
Inventories	17	451,509	395,276
Accounts receivable	18	596,343	481,582
Tax asset		37,338	-
Other receivables		26,400	33,876
Prepaid expenses and accrued income	19	49,067	15,319
Total current receivables		1,160,457	926,233
Cash and cash equivalents	20	570,391	245,806
Total current assets		1,730,848	1,172,039
TOTAL ASSETS		12,517,499	10,895,510
SEK'000			
EQUITY AND LIABILITIES, 31 December			
EQUITY			
Share capital	21	90,013	90,013
Other capital contributions		6,010,261	6,010,261
Profit brought forward including profit for the year		-392,584	-505,619
Retention reserves		-71,641	45,615
Non-controlling interests		2,442	1,639
Total equity		5,498,499	5,441,908
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	22	527,192	469,384
Liabilities to credit institutions	23	1,091,602	1,245,440
Lease liabilities	28	36,201	5,924
Other non-current liabilities	23	2,548	2,735
Total non-current liabilities		1,497,442	1,720,503
Current liabilities			
Liabilities to credit institutions	23	4,707,573	3,087,904
Lease liabilities	28	12,947	2,665
Accounts payable		282,142	204,522
Tax liability		3,390	11,690
Other current liabilities	24	71,546	46,236
Accrued expenses and deferred income	25	194,468	181,282
Total current liabilities		5,221,467	3,536,119
TOTAL EQUITY AND LIABILITIES		12,517,499	10,895,510



Consolidated Statement of Cash Flows

SEK'000	Note	GROUP	
		2020	2019
Operating activities			
Operating profit ¹⁾		230,306	172,102
Non-cash items			
Depreciation, amortization and impairment	5	494,444	319,785
Other ²⁾	27	-3,404	-207
		72,346	491,680
Financial income received	27	389	1,537
Financial expenses paid	27	-131,448	-135,570
Income taxes paid/recovered		-44,313	-6,093
		495,245	351,525
Cash flow from operating activities before change in working capital			
Change in working capital			
Change in inventories		91,464	59,553
Change in current operating receivables		-203,293	11,314
Change in accounts payable		60,526	86,460
Change in other current operating liabilities		87,269	-93,134
		325,223	106,644
Cash flow from operating activities			
Investing activities			
Investments in property, plant and equipment	14	-21,421	-2,451
Investments in intangible assets	13	-1,685,255	-31,896
Investments in other financial assets		-1,109	806
Investments in business combinations	11	-	-2,456,377
Sales of participations in group companies	11	150,949	-
Sale of intangible assets		12,500	50,000
Sale of property, plant and equipment		-	20
		-1,544,317	-2,441,710
Cash flow from investing activities			
Financing activities			
New share issue	27	-	2,003,114
Sale of treasury shares		31,051	-
Transaction expenses, new share issue		-	-23,999
Loans arranged		1,775,000	3,500,000
Repayment of loans		-262,415	-3,294,449
Transactions with minority interests		-118	-
		1,543,317	2,184,646
Cash flow from financing activities			
CASH FLOW FOR THE YEAR			
		328,424	-150,220
Cash and cash equivalents at beginning of year	20	249,806	395,580
Exchange difference in cash and cash equivalents		-6,839	446
Cash and cash equivalents at end of year	20	570,391	246,806

¹⁾ A reclassification of SEK 3,289,000 has been made between operating profit and non-cash items since the Year-end Report for 2020. The reclassification has no effect on cash flow for the year.

Consolidated Statement of Changes in Equity

Group	SEK'000	Share capital	Other capital contributions	Profit brought forward for the year	Translation reserves	Non-controlling interests	Total
		45,733	4,055,078	-514,309	3,443	56	3,611,002
Opening balance as of January 2019				6,390	41,971	51	50,912
Comprehensive income							
Transactions with shareholders						1,531	1,531
Transactions with non-controlling interests							
New share issue (net after transaction expenses and tax)		24,260	1,954,183	-	-	-	1,978,443
Total transactions with shareholders		24,260	1,954,183	-	-	1,531	1,978,443
Opening balance as of January 2020		90,013	6,010,261	-505,419	45,015	1,639	5,641,908
Comprehensive income				82,049	-117,256	856	-34,351
Transactions with shareholders							
Transactions with non-controlling interests				46			46
Sale of treasury shares				31,051			31,051
Total transactions with shareholders		-	-	30,986	-	-54	30,933
CLOSING BALANCE AS OF 31 DECEMBER 2020		90,013	6,010,261	-392,584	-71,641	2,442	5,638,490

Parent Company Income Statement

SEK 000	ASSETS, 31 December	Note	2020	2019
	NON-CURRENT ASSETS			
	Intangible assets			
	Capitalised development expenditure	13	80,053	2,222
	Licences, product rights and trademarks		3,487,779	2,144,493
	Goodwill		283,806	306,974
	Total intangible assets		3,853,438	2,453,690
	Property, plant and equipment			
	Equipment, buildings and land	14	8,293	1,097
	Financial assets			
	Participations in group companies	15	6,231,248	5,126,404
	Deferred tax asset	22	488,060	494,715
	Other financial assets	16	1,192,428	304,223
	Total non-current assets		10,721,167	8,362,130
	CURRENT ASSETS			
	Current receivables			
	Inventories	17	148,418	97026
	Accounts receivable	18	225,688	126,773
	Other receivables		11,857	24,715
	Receivables from group companies		289,635	1,429,439
	Prepaid expenses and accrued income	19	40,634	75,44
	Total current receivables		716,233	1,482,486
	Cash and cash equivalents	20	103,910	61,557
	Total current assets		819,443	1,744,043
	TOTAL ASSETS		11,541,010	10,126,174
	EQUITY			
	Share capital	21	90,013	90,013
	Total restricted equity		90,013	90,013
	Share premium reserve		4,896,404	4,896,404
	Retained earnings		575,104	492,157
	Net earnings		33,645	51,895
	Total non-restricted equity		5,505,153	5,440,457
	Total equity		5,595,166	5,530,470
	LIABILITIES			
	Non-current liabilities			
	Deferred tax liabilities	22	21,989	21,989
	Liabilities to group companies		13,946	13,946
	Liabilities to credit institutions	23	1,010,866	1,120,218
	Other non-current liabilities	23	26	26
	Total non-current liabilities		1,046,827	1,146,179
	Current liabilities			
	Liabilities to credit institutions	23	4,687,419	3,064,512
	Accounts payable		115,656	70,504
	Liabilities to group companies		47,202	252,435
	Other current liabilities	24	3,832	178
	Accrued expenses and deferred income	25	59,034	44,697
	Total current liabilities		4,913,143	3,432,525
	TOTAL EQUITY AND LIABILITIES		11,541,010	10,126,174

Parent Company Balance Sheet

SEK 000	ASSETS, 31 December	Note	2020	2019
	NON-CURRENT ASSETS			
	Intangible assets			
	Capitalised development expenditure	13	80,053	2,222
	Licences, product rights and trademarks		3,487,779	2,144,493
	Goodwill		283,806	306,974
	Total intangible assets		3,853,438	2,453,690
	Property, plant and equipment			
	Equipment, buildings and land	14	8,293	1,097
	Financial assets			
	Participations in group companies	15	6,231,248	5,126,404
	Deferred tax asset	22	488,060	494,715
	Other financial assets	16	1,192,428	304,223
	Total non-current assets		10,721,167	8,362,130
	CURRENT ASSETS			
	Current receivables			
	Inventories	17	148,418	97026
	Accounts receivable	18	225,688	126,773
	Other receivables		11,857	24,715
	Receivables from group companies		289,635	1,429,439
	Prepaid expenses and accrued income	19	40,634	75,44
	Total current receivables		716,233	1,482,486
	Cash and cash equivalents	20	103,910	61,557
	Total current assets		819,443	1,744,043
	TOTAL ASSETS		11,541,010	10,126,174
	EQUITY AND LIABILITIES, 31 December			
	EQUITY			
	Share capital	21	90,013	90,013
	Total restricted equity		90,013	90,013
	Share premium reserve		4,896,404	4,896,404
	Retained earnings		575,104	492,157
	Net earnings		33,645	51,895
	Total non-restricted equity		5,505,153	5,440,457
	Total equity		5,595,166	5,530,470
	LIABILITIES			
	Non-current liabilities			
	Deferred tax liabilities	22	21,989	21,989
	Liabilities to group companies		13,946	13,946
	Liabilities to credit institutions	23	1,010,866	1,120,218
	Other non-current liabilities	23	26	26
	Total non-current liabilities		1,046,827	1,146,179
	Current liabilities			
	Liabilities to credit institutions	23	4,687,419	3,064,512
	Accounts payable		115,656	70,504
	Liabilities to group companies		47,202	252,435
	Other current liabilities	24	3,832	178
	Accrued expenses and deferred income	25	59,034	44,697
	Total current liabilities		4,913,143	3,432,525
	TOTAL EQUITY AND LIABILITIES		11,541,010	10,126,174

Parent Company Statement of Comprehensive Income

SEK 000	ASSETS, 31 December	Note	2020	2019
	Net sales		1,149,209	701,052
	Cost of goods sold	4	-426,642	-324,074
	Gross earnings		722,768	376,979
	Other operating income and expenses			
	Selling expenses	4, 6	-322,564	-247,492
	Administrative expenses		-236,736	-94,246
	Other operating income and expenses	6	-46,080	-1,192
	Operating profit		-875,381	-342,929
	Profit/loss from financial income and expenses			
	Profit/loss from participations in group companies		8,995	-2,821
	Interest income and similar profit/loss items	7	66,544	26,830
	Interest expenses and similar profit/loss items	8	-182,626	-147,734
	Profit/loss after financial items		-40,200	-89,485
	Appropriations		-	157,380
	Tax	9	-6,655	-15,799
	PROFIT FOR THE YEAR		33,445	51,895
	Other comprehensive income for the year, net of tax			
	TOTAL COMPREHENSIVE INCOME FOR THE YEAR		33,445	51,895

Parent Company Statement of Comprehensive Income

SEK 000	ASSETS, 31 December	Note	2020	2019
	Net sales		1,149,209	701,052
	Cost of goods sold	4	-426,642	-324,074
	Gross earnings		722,768	376,979
	Other operating income and expenses			
	Selling expenses	4, 6	-322,564	-247,492
	Administrative expenses		-236,736	-94,246
	Other operating income and expenses	6	-46,080	-1,192
	Operating profit		-875,381	-342,929
	Profit/loss from financial income and expenses			
	Profit/loss from participations in group companies		8,995	-2,821
	Interest income and similar profit/loss items	7	66,544	26,830
	Interest expenses and similar profit/loss items	8	-182,626	-147,734
	Profit/loss after financial items		-40,200	-89,485
	Appropriations		-	157,380
	Tax	9	-6,655	-15,799
	PROFIT FOR THE YEAR		33,445	51,895
	Other comprehensive income for the year, net of tax			
	TOTAL COMPREHENSIVE INCOME FOR THE YEAR		33,445	51,895



Parent Company Cash Flow Statement

SEK'000	Note	2020	2019
Operating activities			
Operating profit		147,387	34,039
Non-cash items			
Depreciation, amortization and impairment	5	272,358	199,575
Financial income received		419,745	235,614
Financial expenses paid	27	56,367	26,434
Income taxes paid/recovered	27	-1,74,456	134,574
		-	-323
Cash flow from operating activities before change in working capital		281,454	125,131
Change in working capital			
Change in inventories		-51,392	19,596
Change in current operating receivables		27,951	-1,224,465
Change in accounts payable		49,139	-3,054
Change in other current operating liabilities		-187,238	281,618
Cash flow from operating activities		115,853	-840,308
Investing activities			
Investments in property, plant and equipment	14	-14,377	946
Investments in intangible assets	13	-1,665,125	-28,024
Investments in other financial assets	16	-13,408	30
Sales of property, plant and equipment		9,889	-2,565,243
Sales of participations in group companies		90,533	-
Shareholder contribution paid to group companies		133,666	64,938
Repayments from group companies in the year		-	-
Cash flow from investing activities		-1,440,546	-2,527,334
Financing activities			
New share issue	27	2,003,114	-
Sale of treasury shares		31,051	-
Transaction expenses, new share issue		-23,999	-
Loans arranged		1,775,000	3,500,000
Repayment of loans		-239,345	-2,226,021
Cash flow from financing activities		1,546,486	3,251,094
CASH FLOW FOR THE YEAR			
		41,884	-136,548
Cash and cash equivalents at beginning of year	20	61,557	198,004
Exchange difference in cash and cash equivalents		-	101
Cash and cash equivalents at end of year	20	103,410	61,557

Parent Company Statement of Changes in Equity

Parent company SEK'000	Share capital	Share premium reserve	Retained earnings	Net profit/ loss	Total
Opening balance as of 1 January 2019	65,733	2,942,221	-54,901	549,058	3,500,111
Comprehensive income				51,895	51,895
Transactions with shareholders					
New share issue (net of transaction expenses and tax)	24,280	1,254,183	549,058	-549,058	1,978,443
Appropriation of earnings/loss			492,157	51,895	5,336,470
Opening balance as of 1 January 2020	90,013	4,896,404	492,157	33,445	33,445
Comprehensive income					
Transactions with shareholders					
Sale of treasury shares			31,051	-	31,051
Appropriation of earnings/loss			51,895	-51,895	-
CLOSING BALANCES AS OF 31 DECEMBER 2020	90,013	4,896,404	575,104	33,445	5,595,146



NOTES ON THE FINANCIAL STATEMENTS

Note 1 – Accounting policies

GROUP

Basis of preparation of the financial statements
The critical accounting policies applied when preparing these consolidated accounts are stated below. These policies were applied consistently for all years presented unless otherwise stated.

The consolidated accounts of Karo Pharma have been prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the EU and their interpretations by the IFRS Interpretations Committee, which apply to financial years beginning 1 January 2020. The Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups is also applied.

The parent company's functional currency is Swedish kronor, which is also the group's presentation currency. All amounts are stated in SEK 100 (thousands of Swedish Kronor) unless otherwise stated.

In the annual accounts, items are reported at cost apart from certain financial instruments, which are measured at fair value.

The parent company prepares its accounts in accordance with the Swedish Annual Accounts Act and RFR 2, Accounting for Legal Entities, in the Consolidated Accounts.

Preparing financial statements consistent with IFRS requires the use of some critical estimates for accounting purposes. This also applies to the consolidated accounts. These estimates also require the use of accounting policies. These areas with a high degree of judgment, that are complex, or such areas where assumptions and estimates are of material significance to the consolidated accounts, are reviewed in more detail below.

Amended and new accounting policies for 2020
No new standards and interpretations that Karo Pharma is applying from January 2020 had any significant impact on the consolidated financial statements.

The definition of business combinations in IFRS 3 Business Combinations has changed, and applies effective 1 January 2020. The criteria for an acquisition being classified as a business combination is that it should include at least one input and a significant process, which together, make a material contribution to the capacity to create output. There is also clarification that this must be based on what has been included in its existing condition and state, rather than what could have been included in an expanded condition. This clarification means that whether an acquired asset is a business or asset acquisition. These amendments did not have any material impact on the consolidated financial statements.

Amended accounting policies, 2021 and later
A number of new standards and amendments of interpretations and existing standards continue to affect financial years beginning after 2020. None of these new standards and interpretations are expected to have any material impact on the consolidated financial statements.

Important estimates and assumptions for accounting purposes
A number of important accounting estimates are necessary when preparing financial statements. This also requires that management makes certain assumptions regarding the application of the company's accounting policies. Estimates and assumptions are evaluated continuously, and primarily based on historical experience and other factors, including expectations of future events that are considered reasonable/improbable.

Note 1 cont. – Accounting policies

Translation of foreign currency
The consolidated accounts are presented in Swedish kronor (SEK). Transactions in foreign currency are initially recognized at the rate of exchange of the functional currency ruling on the transaction date. Foreign currency monetary assets and liabilities are translated to the functional currency at closing day rates. Any exchange differences in assets and liabilities that are recognized at cost are reported at historical exchange rates, i.e. the rates of exchange ruling on each transaction date. Items measured at fair value are translated at rates of exchange rates in effect at the reporting date.

Including goodwill and other surplus and deficit values, are translated to Swedish kronor at closing day rates. Revenues and expenses in a foreign operation are translated to Swedish kronor at average rates of exchange, which are an approximation of the rates at each transaction date. Translation differences arising on the currency translation of foreign operations are recognized in other comprehensive income.

Revenue recognition

Revenue is recognized when the company has satisfied its performance obligation, which means the promised good or service has been transferred to the customer. The good or service is considered transferred when the customer has obtained control over the good or service. Revenue is recognized to the extent it is likely that the economic benefits will flow to the group and the amount can be measured reliably.

Goods

Karo Pharma's contracts with customers generally involve the delivery of specific goods against agreed compensation, without associated ancillary services, and Karo Pharma is considered to have fulfilled its performance obligation when the goods have been delivered pursuant to the agreed terms & conditions (lineterms), and control over the goods has transferred to the customer.

Sales are recognized after deduction of VAT, discounts, pharma taxes and other taxes. A provision is made for doubtful sales, and other sales. Revenues are adjusted for the value of returns, which for Karo Pharma have historically been low.

Other revenue

In addition to revenue from the sale of goods, Karo Pharma also reports certain royalty revenues, which is the consideration paid by other companies when they use Karo Pharma's intellectual property (according to contract).

Central government subsidies and other public support is recognized as other operating income in the Income Statement over the same period as the costs of these subsidies are intended to compensate for. Interest income is recognized in the period it relates to, based on the effective interest method. Interest income is recognized as financial income and not included in earnings before interest and taxes.

Taxes

Income tax consists of current and deferred tax. Income tax is recognized in the Income Statement considering items recognized in the Income Statement, and is recognized directly against equity when the tax relates to items recognized directly against equity.

Deferred tax is measured as the difference that arises between the carrying amounts and taxable values of assets and liabilities (temporary differences). Deferred tax is measured based on applicable tax rates. Pursuant to IAS 12 Income Taxes, deferred tax liabilities are recognized for all taxable temporary differences using the address sheet method.

Deferred tax assets relating to unutilized loss carry-forwards and deductible temporary differences are only recognized to the extent it is likely that they will be utilized against future taxable earnings. For more information, see notes 9 and 22. Because historically, Karo Pharma has incurred losses, deferred tax assets are recognized only when there is compelling evidence that sufficient taxable gains or temporary differences will exist.

Value added tax

Revenues and assets are recognized excluding VAT. VAT to be recovered from, or paid to, the Swedish Tax Agency, is included in the receivables and liabilities in the Balance Sheet.

Goodwill

Goodwill is initially measured at the amount by which the total purchase consideration and fair value of non-controlling interests exceed the fair value of identifiable acquired assets and liabilities taken over. If the purchase consideration is less than the fair value of the acquired entity's identifiable intangible assets, the difference is recognized as cost less any accumulated impairment. When an operation is sold, the share of goodwill will contribute to this operation is recognized in the computation of the gain or loss from the sale.

Licenses, product rights and trademarks

Acquired Licenses, product rights and trademarks are recognized as assets on the Balance Sheet. Assets acquired separately or initially recognized in an acquisition are measured at fair value on the acquisition date. Subsequently, the assets are measured at cost less accumulated depreciation and amortization, and any impairment.

The measurement of licenses, product rights and trademarks is dependent on certain assumptions. These assumptions relate to forecasts of future sales revenue, contribution margins and the cost of each product. Assumptions are also made regarding discount rates, product lifetimes and royalty rates. The carrying amount is reported for each product rights and trademarks that the company has acquired. The carrying amount is to be reassessed, which materially impacts the group's financial position and results of operations, cannot be ruled out. The group regularly tests for impairment of licenses, product rights and trademarks. On 31 December 2020, the value of product rights and licenses was SEK 6,679.7 m (5,643.2).

The useful life of the group's licenses, product rights and trademarks is assessed as finite and amortized over their useful life, and tested when there are indications of impairment. The amortization term and method for intangible assets is reviewed at least at the end of each financial year. For more information, see note 13.

Changes in expected useful lives or expected usage patterns of future economic benefits associated with the asset are considered by amending the amortization period or amortization method as required, and recognized in the Income Statement in the cost class that corresponds to the intangible asset's function.

Capitalized development expenditure

Pursuant to IAS 38 Intangible Assets, expenditure for development should be capitalized and recognized in the Balance Sheet if certain criteria are satisfied. An intangible asset based on capitalized development expenditure is only recognized when the group can demonstrate that it is technically feasible to complete the asset, that the group has the intention, ability, resources and financial support to complete the asset, and it must be likely that the asset will generate future economic benefits for the group. Finally, the group must be able to measure the expenditure relating to the asset during its development reliably.

Primarily, Karo Pharma's development expenditure consists of investments in systems that have been considered to be of significant value to the group.

Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and potential accumulated impairment. In addition to the purchase price, cost includes expenditure directly related to enable usage of the asset. Cost is depreciated on a straight-line basis over the asset's estimated useful life.

The carrying amounts of property, plant and equipment are assessed for impairment whenever events or changed circumstances indicate that the carrying amount is not recoverable. The residual value of assets and



Note 1 cont. – Accounting policies

an independent party, net sales value. Value in use consists of the present value of expected future cash flows, plus the present value of net sales value at the end of the useful life. For assets not giving rise to separate cash flow, such as right-of-use assets, value in use is determined, and thus recoverable amount, in total for the cash-generating unit to which the asset belongs. If the estimated recoverable amount is less than carrying amount, the asset is impaired to recoverable amount.

The impairment is recognized in profit/loss in the period it is established. More information on impairment tests is in note 13.

Previously recognized impairment is reversed only if change to the assumptions that were the basis for measuring recoverable amount at impairment has occurred. If so, a reversal is made with the aim of increasing the book value of the impaired asset to its recoverable amount. A reversal of previous impairment is made at an amount that is the new book value so that the new book value does not exceed what the book value would have been (after depreciation/amortization) if no impairment had occurred. Goodwill impairment is never reversed.

Financial instruments
IFRS 9 has three components: classification and measurement, impairment and hedge accounting. All financial instruments within Karo Pharma are classified and measured at amortized cost. For all the group's financial assets, the business model is held to maturity, and contractual cash flows consist only of principal and interest.

Impairment of financial assets pursuant to IFRS 9 includes a model for expected credit losses. Karo Pharma applies the simplified approach to measure expected credit losses through over whole useful lives.

Financial assets recognized in the Balance Sheet mainly include accounts receivable and other receivables, as well as cash and cash equivalents on the assets side. On the liabilities side, there are non-current and current loan liabilities, and accounts payable. A financial asset or liability is recognized in the Balance Sheet when the company becomes party to its contract terms.

Apart from cash and cash equivalents, only an insignificant portion of financial assets are interest-bearing, and accordingly there is no statement of interest expense.

Apart from cash and cash equivalents, only an insignificant portion of financial assets are interest-bearing, and accordingly there is no statement of interest expense. Maximum credit risk corresponds to the book value of financial assets. The terms of long and short-term loans are similar to those of the group's other financial assets. Interest-bearing, interest-bearing, a financial asset, or part of a financial asset, is derecognized when the rights in the agreement are realized or have expired. A financial liability, or part of a financial liability, is derecognized when settled once the contractual obligation is satisfied or otherwise ceases.

Estimation of fair value of financial assets measured at fair value
When the group measures a financial instrument at fair value, fair value is measured on the basis of a valuation hierarchy. The various levels are defined as follows:

- Level 1: quoted prices (unadjusted) on active marketplaces of identical assets or liabilities.
- Level 2: other observable data for the asset or liability other than quoted prices included in level 1, either directly (as price quotations) or indirectly (resulting from price quotation).
- Level 3: data for the asset or liability not based on observable market data.

Karo Pharma's finance policy stipulates that investment of the group's funds should be in financial instruments that are listed on active marketplaces. These financial instruments are divided into different risk categories with defined minimum standard credit ratings for each category.

The fair value of these financial instruments traded on an active marketplace is based on quoted market prices on the reporting date. A marketplace is considered active if quoted prices from a stock exchange or other body are readily and regularly available, and these prices represent and regular market transactions executed on an arm's length basis.

Note 1 cont. – Accounting policies

estimated, useful lives are tested and adjusted where necessary, at the end of each financial year.

Depreciation and amortization of non-current assets
Property, plant and equipment and intangible assets are depreciated and amortized respectively on a straight-line basis over the estimated useful lives of assets, based on the cost of assets, as follows:

Yr.	
5–20	Licenses, product rights and trademarks
5–10	Capitalized development expenditure
5–10	Conversion of premises, IT equipment, and equipment
25	Buildings and land

Right-of-use assets/leases
Karo Pharma has been applying IFRS 16 Leases since 1 January 2019. According to IFRS 16, the lessee does not differentiate between operating leases and finance leases. All leases are classified as operating leases, and a lease liability in the Balance Sheet. Lease arrangements are recognized in the Balance Sheet on the date the leased asset is available for use by the group. Amortization of the asset is reported in operating profit and interest on the lease liability in net financial income/expense. The financial expense should be allocated over the lease term, so that each accounting period is charged with an amount that corresponds to a fixed interest rate for the liability recognized in each period.

The right-of-use assets is amortized on a straight-line basis over the lease term. Lease payments are recognized partly as an expense of interest, and partly as a payment of the lease liability. The cash flow for repayment of the lease liability is included in financing activities. Payment for the interest portion is presented as other interest payments in operating activities.

Most of the group's right-of-use assets are premises leases. These lease arrangements are normally entered for fixed periods of up to 3 to 5 years, although they may have extension options, as described below. The lease contracts for these leases are negotiated separately, and contain no significant leasehold improvements, and the leases do not contain conditions or restrictions implying that they could be terminated if conditions are not satisfied, but the leased assets may not be pledged as collateral for borrowing.

Assets and liabilities arising from leases are initially recognized at present value. The lease liability has been computed at discounted future obligations for existing arrangements attributable mainly to premises leases. The periods of leases applied are consistent with actual contracts. No are leases on assets of low value (less than SEK 50,000). Payments for short-term lease contracts and leases of low value are expensed on a straight-line basis in profit or loss. Lease payments are discounted by the implicit interest rate in the arrangement. If interest cannot be measured easily, which is usually the case, the incremental borrowing rate is applied. The incremental borrowing rate is set by country, period and creditworthiness of each entity. Assets with right-of-use are measured at cost and include the following:

- the amount the lease liability was initially measured at
- lease payments paid at or prior to the start date after deducting for any benefits received in tandem with entering the lease
- initial direct expenditure
- expenditure to restore the assets of the condition specified in the terms of the lease

Impairment of intangible and tangible assets and right-of-use assets
Assets with an indefinite useful life, such as goodwill, and intangible assets that are not ready for use, are not amortized but instead subject to impairment tests at least yearly.

Assets that are depreciated or amortized are tested for impairment whenever events or changed circumstances indicate that carrying amount may not be recoverable. If so, the asset's recoverable amount is measured.

Recoverable amount is the greater of the value in use of the asset in operations and the value that would be realized if the asset was sold to

Provisions

Provisions are recognized when the group has a legally enforceable or constructive obligation resulting from an event that has occurred, and when it is likely that an outflow of resources will be necessary to fulfill that obligation, and the amount can be measured reliably. Expenses relating to provisions are recognized in profit or loss net of potential settlement.

Contingent liabilities

A contingent liability is recognized when there is a potential obligation from a past event or transaction, the outcome of which will be determined only by one or several uncertain future events, or where there is an obligation that is not recognized as a liability or provision due to it not being likely that an outflow of resources will be required.

Pension expenses and other obligations regarding benefits after terminated employment

For salaried employees in Sweden, the defined benefit pension obligations for retirement and survivors' pensions in the IP 2 plan (Supplementary Pension Plan) are recognized in the Balance Sheet. The obligations are measured according to Act 1996:1100 on the Swedish Financial Reporting Board. UFR3 Classification of ITP Plans. Vested Through Insurance with Alecia. In accordance with a statement from the Swedish Financial Reporting Board, UFR3 Classification of ITP Plans. Vested Through Insurance with Alecia, this is a defined benefit multi-employer plan. For the financial year 2020, the company did not have access to information enabling it to report its proportional share of plan obligations, plan assets and expenses, which means it was not possible to account the plan as defined benefit plan. Accordingly, the ITP 2 pension plan, which is vested through insurance with Alecia, is accounted as a defined benefit pension plan. Provisions for defined benefit pension and survivors' pensions are calculated on an individual basis depending on including salary, previously vested pension and expected remaining length of service. Expected changes in the next reporting period for ITP 2 insurance policies arranged with Alecia amount to SEK 0.3 m (2019: 0.3). The collective consolidation ratio consists of the market value of Alecia's assets as a percentage of insurance commitments computed according to Alecia's actuarial methods and assumptions, which are not consistent with IAS 19.

Normally, the collective consolidation ratio is permitted to vary between 125 and 155%. IFRS's collective consolidation ratio is below 125% or above 155%, measures should be taken to create the conditions for a consolidation ratio to return to the normal interval. If consolidation is low, one potential action is to increase the contracted pricing of new subscriptions and extension of existing benefits. If consolidation is high, one potential action may be to introduce premium reductions. Compensation on termination should be paid when employment terminates before normal retirement age, and an employee accepts voluntary termination on termination when the company has a demonstrable obligation to either terminate employment of current employees according to a detailed, formal irrevocable plan, or provision compensation on termination as a result of an offering to encourage voluntary termination.

Segment reporting

Operating segments should be reported in a manner that is consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person who has authority for allocating resources and evaluating the results of operating segments. See note 3.

Share capital

Ordinary shares are classified as shareholders' equity. Transaction expenses directly attributable to the issue of new ordinary shares or options are recognized in equity net of tax, as a deduction from issue proceeds.

PARENT COMPANY ACCOUNTING POLICIES

The parent company observes the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The application of RFR 2 means that in its annual accounts for the legal entity, the parent company applies all IFRS and statements endorsed by the EU as far as possible within the framework of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act, and considering the relationship between accounting and taxation. Their recommendation states the exemptions and supplements that should be made here to IFRS.

Currency forward contracts

Currency forward contracts are used to hedge future cash flows in foreign currencies against large exchange rate fluctuations. In accordance with the company's finance policy, in total for the cash-generating unit, there are no outstanding currency forward contracts as of December 31, 2019 or December 2020.

Inventories

Pursuant to IAS 2, goods in inventory should be valued at the lower of cost and net realizable value. Cost is measured at the acquisition cost, including all expenditure for procurement expenditure for production and other expenditure necessary to bring the goods to their current site and condition.

In connection with the implementation of a new ERP system in 2020, Karo Pharma transferred to a new inventory valuation method. In those group companies where the system has been implemented, inventory is valued on the basis of a standard costing model, which includes the cost of the inventory plus an imputed cost for delivery into warehousing, quality testing and quality approval.

In other group companies, where the ERP system has not yet been implemented, inventory is measured using the first in first out (FIFO) method, at the lower cost or market on the reporting date. For homogeneous goods groups, collective valuation is applied.

A reserve for obsolescence in inventory is made when there is objective evidence that the value of the inventory is impaired. The value of the reserve is the difference between the asset's carrying amount and the value of estimated future cash flows. The reserve amount is recognized in profit or loss.

Accounts receivable and other receivables

Accounts receivable are reported net of other reserving for expected credit losses. The expected maturity of accounts receivable is short, and accordingly, the value is recognized at nominal amount without discounting. The group applies the simplified approach for measuring expected credit losses (ECL). This approach means that expected losses through-out the term of the receivable are used as the starting point for accounts receivable. To measure ECL, accounts receivables are grouped based on the number of days' arrears.

Accounts receivable are written off when there is no reasonable expectation of repayment. Indicators that there is no reasonable expectation of repayment include: the debtor is insolvent or in liquidation, or contractual payments being over 30 days in arrears. Credit losses on accounts receivables are recognized as credit losses-net within earnings before interest and taxes. Recovery of amounts previously written off are recognized against the same Income Statement line. For information on the credit loss reserve as of 31 December 2020, see note 18.

Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet consist of cash and deposits with a maturity of less than three months from the reporting date, of 90 days or more. Other investments in securities, etc. are recognized as financial assets measured at fair value through profit or loss. See notes 20 and 30 for more information on the classification of the company's investments.

In the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents pursuant to the above definition. The Statements of Cash Flows for each year illustrate direct cash flows from investing and financing activities. Operating cash flow is based on the indirect method.

Borrowings

Borrowings are initially recognized at fair value, net of transaction expenses. Borrowing is then recognized at amortized cost and potential differences between amounts received (net of transaction expenses) and repayment amounts are recognized in profit or loss allocated over the term of the loan, by applying the effective interest method.

Financial instruments

Impairment of financial assets pursuant to IFRS 9 includes a model for expected credit losses. Karo Pharma applies the simplified approach to measure expected credit losses through over whole useful lives.

Financial assets recognized in the Balance Sheet mainly include accounts receivable and other receivables, as well as cash and cash equivalents on the assets side. On the liabilities side, there are non-current and current loan liabilities, and accounts payable. A financial asset or liability is recognized in the Balance Sheet when the company becomes party to its contract terms.

Apart from cash and cash equivalents, only an insignificant portion of financial assets are interest-bearing, and accordingly there is no statement of interest expense.

Apart from cash and cash equivalents, only an insignificant portion of financial assets are interest-bearing, and accordingly there is no statement of interest expense. Maximum credit risk corresponds to the book value of financial assets. The terms of long and short-term loans are similar to those of the group's other financial assets. Interest-bearing, interest-bearing, a financial asset, or part of a financial asset, is derecognized when the rights in the agreement are realized or have expired. A financial liability, or part of a financial liability, is derecognized when settled once the contractual obligation is satisfied or otherwise ceases.

Estimation of fair value of financial assets measured at fair value
When the group measures a financial instrument at fair value, fair value is measured on the basis of a valuation hierarchy. The various levels are defined as follows:

- Level 1: quoted prices (unadjusted) on active marketplaces of identical assets or liabilities.
- Level 2: other observable data for the asset or liability other than quoted prices included in level 1, either directly (as price quotations) or indirectly (resulting from price quotation).
- Level 3: data for the asset or liability not based on observable market data.

Karo Pharma's finance policy stipulates that investment of the group's funds should be in financial instruments that are listed on active marketplaces. These financial instruments are divided into different risk categories with defined minimum standard credit ratings for each category.

The fair value of these financial instruments traded on an active marketplace is based on quoted market prices on the reporting date. A marketplace is considered active if quoted prices from a stock exchange or other body are readily and regularly available, and these prices represent and regular market transactions executed on an arm's length basis.

Note 1 cont. – Accounting policies

Differences between the group's and parent company's accounting policies are stated below.

Amended accounting policies 2020

In January 2020, the Swedish Financial Reporting Board issued a new version of RFR 2 Accounting for Legal Entities. The amendments to RFR 2 did not have any material impact on the parent company's financial statements.

Classification and presentation

The consolidated financial statements comply with the formats of the Swedish Annual Accounts Act. This implies some differences from the consolidated accounts, with for example, the constituent items of equity having different nomenclature.

Shares and participations in subsidiaries

In the parent company, participations in subsidiaries are recognized according to the cost method. Acquisition-related expenses for subsidiaries, which are expensed in the consolidated accounts, are included as a portion of cost for participations in subsidiaries.

Contingent purchase considerations are measured on the basis of the likelihood that the consideration will be payable. Any changes to the provision/receivable are added to/subtracted from cost. In the consolidated accounts, contingent considerations are recognized at fair value, with changes in value in profit or loss. The carrying amount of participations in subsidiaries is subject to impairment test when indications of impairment arise.

Tax

The amounts provisioned to untaxed reserves are taxable temporary differences. Because of the relationship between accounting and taxation, the legal entity does not disclose the deferred tax liability related to the untaxed reserves separately. According to practice in Sweden, changes to untaxed reserves are recognized in profit or loss in individual

companies under the "appropriations" heading. In the Balance Sheet, the related tax expense is included under the heading "deferred tax liability", is reported under the "untaxed reserves" heading.

Group contributions and shareholders' contributions

Shareholders' contributions paid are reported as an increase in the value of shares and participations. An assessment of whether the value of shares and participations in question is impaired is made subsequently.

Group contributions are accounted according to the alternative rule, which states that group contributions, made and received, are recognized as appropriations.

Pensions

Defined benefit and defined contribution plans are recognized according to current Swedish accounting standards, which are based on the provisions of the Swedish Pension Obligations Vesting Act.

Leases

In the parent company, accounts, lease arrangements to the extent they occur in accordance with RFR 2, IFRS 16, is not applied by the parent company, and lease payments are allocated on a straight-line basis over the lease term. Accordingly, right-of-use assets and lease liabilities are not recognized in the Parent Company Balance Sheet.

Note 2 Revenues

Revenues in 2020 were SEK 2,882,867,000 (1,901,196,000), and were divided into 2020 revenues and 2019 revenues. The total consisted of Rx pharmaceuticals, and 65% (48) of OTC products.

Category	GROUP	
	2020	2019
RX	924,200	865,894
OTC	1,843,571	913,404
Hospital Supply*	95,096	117,898
TOTAL	2,862,867	1,901,196

* Operation sold 1 December 2019

Reconciliation of gross to net sales

SEK,000	GROUP	
	2020	2019
Gross sales	3,014,540	1,954,584
Discounts	-7,519	-26,095
Shared marketing	-71,493	-23,104
Other	-12,882	-21,190
REVENUES	2,882,867	1,901,196

Discounts, a reduction of the list price for a customer at purchase for any given reason.

Shared marketing agreement where the customer is compensated for marketing products to end-customers, and where compensation depends on sales volumes.

Contract assets and contract liabilities

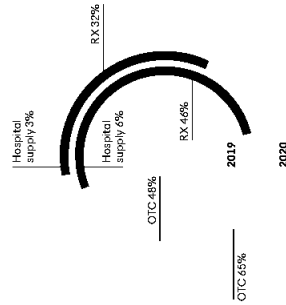
Karo Pharma reports accounts receivable when there is an unconditional right to payment for performance completed. Accrued income is recognized in respect of accrued fees and other compensation for performance completed, which had not been invoiced as of the reporting date. The amount of accrued income and other compensation recognized as deferred income in the Balance Sheet.

Accrued income

Of the opening balance for the year of SEK 2,482,000, SEK 2,482,000 was reclassified as accounts receivable in 2020. No significant impairment of recognized accrued income had occurred by year-end. SEK 29,077,000 of income recognized in 2020 is included in accrued income at year-end.

Deferred income

Of the opening balance for the year of SEK 1,862,000, SEK 1,862,000 of revenue was recognized in 2020. SEK 0 of deferred income at the beginning of the year is included in advance-invoiced contracts in 2020.



Note 3 Personnel and remuneration to the Board of Directors and senior executives

Average number of employees	2020		2019	
	No.	Women	Men	Women
Parent company	1.0	0.0	1.0	0.6
Group companies	160.0	102.0	58.0	52.2
Sweden	9.0	6.0	3.0	1.3
Denmark	4.0	3.5	2.5	1.8
Finland	27.0	18.0	9.0	4.7
Norway	4.0	2.0	2.0	0.9
Lithuania	21.0	13.0	8.0	4.0
Netherlands	10.0	2.0	6.0	0.3
Germany	2.0	2.0	0.0	-
Switzerland	3.0	2.0	1.0	-
TOTAL	243.0	152.5	90.5	81.6

As of 31 December 2020, there were 192 (193) employees. For the comparative year, the average number of employees of the Tint group, acquired in 2019, has been computed for the period 12 September-31 December 2019.



Note 3 cont. – Personnel and remuneration to the Board of Directors and senior executives

SEK 000	2020		2019	
	Salaries and other benefits	Social security contributions and pension expenses	Salaries and other benefits	Social security contributions and pension expenses
Board of Directors and CEO				
Board of Directors	2,281	717	2,306	402
CEO	7,719	4,161	16,205	7,272
Other employees				
Parent company	3,231	1,335	16,577	5,163
Sweden				
Group companies				
Sweden	101,054	41,051	57,673	25,598
Denmark	11,485	1,191	6,466	674
Finland	6,834	1,224	3,216	733
Norway	27,301	5,413	23,593	6,084
Lithuania	1,132	174	412	46
Netherlands	17,796	3,331	7,277	2,077
Germany	10,078	1,531	872	90
Switzerland	3,126	647	-	-
UK	2,129	231	-	-
TOTAL	194,166	61,005	136,577	48,139

Compensation and other benefits to senior executives in 2020

Board fees/ remuneration salary	Variable remuneration	Other benefits	Social security contributions	Pension expenses, incl. special expenses	Total
300	94	94	394		
181	57	57	238		
300	94	94	394		
181	57	57	238		
300	94	94	394		
117	37	37	156		
2,281	717	717	2,998		
4,719	3,000	7	2,428	11,887	
12,656	4,010	453	3,273	3,238	
17,375	7,010	460	3,273	5,671	
19,656	7,010	460	3,273	5,671	

Bo Jesper Hansen, Chairman of the Board
 Erika Henriksen^{a)}
 Uta Kemmerich-Kell
 Vesa Koskinen^{b)}
 Kristofer Tonström
 Håkan Åström
 Flemming Ørnaskov
 Eva Spikvæt Scora

Christoffer Lorenzen, Chief Executive Officer
 Other senior executives^{c)}

Total senior executives

TOTAL

^{a)} Erika Henriksen and Vesa Koskinen, Board members from EOT, have reported that they intend to donate each of their Board fees to aid organizations, or other

^{b)} In 2020, the average number of members of management apart from the CEO was nine, of which four were women.

^{c)} Other compensation is compensation via consulting fees to one senior executive in the year. The other senior executives receive compensation by salary.

More detail on the Board of Directors and group management is on pages 56-59.

Note 3 cont. – Personnel and remuneration to the Board of Directors and senior executives

SEK 000	2020		2019	
	Compensation and other benefits	Variable remuneration	Other benefits	Other compensation
Board of Directors				
Marianne Hamilton	to 13 Feb	24	-	6
Thomas Hedler	to 13 Feb	24	-	6
Pär Anders Johansson	to 13 Feb	24	-	6
Håkan Åström	300	300	255	174
Bo Jesper Hansen	from 14 Feb	504	-	156
Christoffer Lorenzen	14 Feb - 15 May	0	-	0
Erika Henriksen ^{a)}	from 14 Feb	239	-	75
Vesa Koskinen ^{b)}	from 14 Feb	239	-	75
Åsa Riksbærg ^{c)}	14 Feb - 10 Dec	222	-	70
Eva Spikvæt Scora	from 16 May	189	-	59
Flemming Ørnaskov	from 1 Oct	76	-	0
1,892	-	255	540	2,707
Senior executives				
Peter Blom, Chief Executive Officer ^{d)}	to 3 Apr	810	23	4,648
Ulf Mattsson, IT Chief Executive Officer ^{e)}	4 Apr - 30 Jun	1,762	-	1,762
Christoffer Lorenzen, Chief Executive Officer	from 1 Jul	3,360	2	7,600
3,170	1,400	25	13,410	5,164
Other senior executives^{f)}				
8,458	2,706	207	3,350	3,573
13,628	4,106	232	17,216	9,258
20,978	4,790	491	20,978	491

^{a)} From 14 May, the Board members from EOT waived their fees in favor of Operation Smile.

^{b)} Peter Blom, CEO, has a 12-month notice period, with additional provision to pension as severance compensation.

^{c)} There were 6 other senior executives in the fourth quarter 2019.

^{d)} Peter Blom, CEO, has a 12-month notice period, with additional provision to pension as severance compensation.

^{e)} There were 6 other senior executives in the fourth quarter 2019.

^{f)} There were 6 other senior executives in the fourth quarter 2019.

Remuneration of the Board of Directors

The AGM on 26 May 2020 resolved that the Board of Directors should have seven members with no deputies, by re-electing Bo Jesper Hansen, Erika Henriksen, Vesa Koskinen, Flemming Ørnaskov and Håkan Åström, and electing Kristofer Tonström and Uta Kemmerich-Kell. The AGM also re-elected Bo Jesper Hansen as Chairman. More detail on the Board of Directors can be found on page 56.

Board fees are payable to the Chairman of the Board and members of the Board, in accordance with AGM resolution. According to AGM resolution 2020, the yearly Board fees was set at SEK 2,400,000. Of this total, SEK 600,000 (600,000) is the fee to the Chairman of the Board, and SEK 300,000 (300,000) to each of the other Board members. The Board members that work for EOT-Erika Henriksen and Vesa Koskinen-Have reported that they intend to donate their Board fees to aid organizations or other charities to counter the effects of the corona pandemic. All Board members have reported that they intend to donate each of their Board fees to aid organizations, or other

penetration will be available that rewards clearly target-related performance in straight forward and transparent structures, and should be based on the achievement of predetermined operational targets. Variable compensation may be a maximum of 125% of the CEO's basic salary, and 100% of other senior executives' basic salaries.

Other benefits may include non-monetary benefits such as company cars, travel allowances, a maximum of 25% of the basic salary for the CEO, and other senior executives.

Additionally, senior executives enjoy pension benefits in pension plans comparable to ITP, similar to other employees. Pensionable salary is basic salary.

More detail on the group management is on pages 58-59.

Agreements on severance pay

A maximum 12-month notice period applies to termination from Karo Pharma AB, and a maximum 12-month notice period applies to termination from Karo Pharma's senior executives' side. On termination of employment from Karo Pharma's side, the CEO and other senior executives may be eligible for severance pay of up to a maximum of 12 months' basic salary. No severance pay should be payable on termination on the employee's side.

For more detail on applicable guidelines for remuneration of senior executives, see page 39-41.



NOTES

Note 4 Operating expenses by cost class
Operating expenses are divided by cost class as follows:

SEK 000	Note	GROUP		PARENT COMPANY	
		2020	2019	2020	2019
	Depreciation/amortization/impairment	-494,644	-319,755	-272,358	-199,575
	Payroll expenses	-266,300	-165,019	-8,332	-11,004
	Rent, electricity and heating	-51,178	-111,973	-12,395	-3,377
	External expenses	-585,001	-291,873	-266,214	-127,751
	Other operating income and expenses	-13,920	-23,304	16,090	-1,192
		-1,365,044	-811,928	-575,381	-342,929
	Cost of goods sold, SEK 000	2020	2019	2020	2019
	Goods for resale	-1,287,516	-917,165	-426,642	-324,074
		-1,287,516	-917,165	-426,642	-324,074

Note 5 Depreciation, amortization and impairment
Depreciation/amortization/impairment are divided between Karo Pharma's functions and asset classes as follows:

SEK 000	Function	GROUP		PARENT COMPANY	
		2020	2019	2020	2019
	Selling expenses	-491,459	-301,842	-271,746	-185,903
	Administrative expenses	-3,185	-17,913	-412	-15,772
		-494,644	-319,755	-272,358	-199,575
	Asset class				
	Capitalized development expenses	-5,595	-673	-4,275	-307
	Licenses, product rights and trademarks	-472,457	-311,246	-244,203	-176,079
	Goodwill	-	-	-23,168	-23,168
	Equipment, buildings & land	-3,946	-2,553	-612	-21
	Right-of-use assets	-12,646	-5,053	-	-
		-494,644	-319,755	-272,358	-199,575

Note 6 Other operating income and expenses

SEK 000	GROUP		PARENT COMPANY		
	2020	2019	2020	2019	
	Exchange gains/losses, net	-22,026	315	-16,825	-1,343
	Acquisition expenses	-	-30,566	-	-
	Manojol subsidies	3,289	40	-	-
	Profit/loss from sale of participations in group companies	5,855	6,998	745	151
	Other income and compensation	-1,038	-91	-	-
	Capital gain/loss on sale of non-current assets	-13,970	-23,304	-16,090	-1,192

Note 7 Interest income and other profit/loss items

SEK 000	GROUP		PARENT COMPANY		
	2020	2019	2020	2019	
	Interest income, capital gain and dividends from investments in securities, etc.	359	1,705	44,953	719
	Interest income, group companies	16,791	1,629	21,591	26,112
	Exchange rate effects	17,150	3,337	66,544	26,590

NOTES

Note 8 Interest expenses and similar profit/loss items

SEK 000	GROUP		PARENT COMPANY		
	2020	2019	2020	2019	
	Interest expenses, group companies	-190,302	-153,831	-192,300	-144,441
	Exchange rate effects	-	-5,019	-	-2,520
		-190,302	-158,850	-192,300	-147,794

Note 9 Income tax

SEK 000	GROUP		PARENT COMPANY		
	2020	2019	2020	2019	
	Reported earnings before tax	57,154	16,590	40,300	67,695
	Temporary differences	-12,291	214	-8,624	-214
	Effect of foreign tax rates	-3,765	64	-2,379	-343
	Effect of changed tax rates, Norway	399	0,7	283	0,7
	Effect of changed tax rates, Sweden	5,816	10,2	-404	-
	Effect of deductible, non-excessed items	-15,205	-26,4	-7,603	-45,8
	Effect of other non-deductible items	19,001	38,2	5,900	35,6
	Effect of non-taxable income	-2,711	-4,7	-10,137	-41,1
	Effect of interest deduction limitation rules	22,555	39,5	1,909	11,5
	Effect of tax assets not assigned value	4,373	7,7	7,396	-44,5
	Other tax effects	-11	-80	-0,5	-29
		25,751	46,1	-7,449	-46,1
				-6,655	-16,5
				-16,5	-17,99
				-23,3	-23,3

The tax expense consists of the following components:

SEK 000	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
	Current tax:			
	On earnings for the year	-3,663	-10,416	-
	Adjustment of previous year's tax	5,316	-41	-
	Total current tax	2,153	-10,457	-
	Deferred tax:			
	Change in temporary differences	38,649	2,516	-21,989
	Increase in deductible loss carry-forwards	13,136	16,595	6,190
	Use of deductible loss carry-forwards	-35,667	-11,371	-
	Total deferred tax	23,557	2,808	-15,799
	TOTAL REPORTED TAX	25,751	-7,649	-6,655

As of 31 December 2020, there were deductible loss carry-forwards of approximately SEK 3,275 m (3,488 m) in the group and SEK 2,369 m (2,402 m) in the parent company. Deferred tax assets attributable to deductible loss carry-forwards are only recognized to the extent it is likely that they will be utilized. The change in the accounted accrued deferred tax on loss carry-forwards in the year is attributable to the parent company and the subsidiaries of the Trimbo group, because after the acquisition, earnings capacity is good, and these accumulated loss carry-forwards are considered usable. See also the note 22 Deferred tax.

NOTES

Note 10 Earnings per share

Earnings per share are computed for earnings attributable to equity holders of shares. The number of shares for each year before the rights issues has been assumed for the bonus issue element of these rights issues, pursuant to IAS 33.

	2020	2019
Number of outstanding shares (000)	222,568	161,848
At beginning of year	222,608	174,477
Average	223,094	222,548
At end of year		
Earnings per share	2020	2019
Earnings attributable to equity holders of the parent	82,049	6,890
Weighted average number of outstanding shares (000)	222,608	174,477
Basic earnings per share, SEK	0.37	0.05
Diluted earnings per share, SEK	0.37	0.05

NOTES

Note 11 cont. - Acquisitions and divestments

2019
On 12 September, Karo Pharma completed the acquisition of all the shares in the Swedish company Svereco AB, a subsidiary of Svereco AB (ID no. 553038-4148). This transaction is expected to make a positive contribution to Karo Pharma's market position, and create a stable platform for Karo Pharma's continued growth. Trimb's prominent in self-care pharmaceuticals and healthcare products. In recent years, the company has successfully accumulated a pan-Nordic business, and has a growing presence across northern Europe. Trimb is a good fit with Karo Pharma in terms of geographical presence, sales channels and product offering. Trimb was founded in 2012, and is a leading consumer healthcare business based in Sweden, with about 70 employees. Trimb's product portfolio includes over-the-counter products, such as topical treatments for skin care, foot care, oral care and intimate health. Over the past five years, Trimb has executed several strategic acquisitions, and taken a number of initiatives to drive its organic growth.

Karo Pharma estimates that this transaction offers potential to the company in sales and cost synergies. The objective is to achieve yearly synergies of SEK 10 million from the acquisition. The total purchase price was SEK 242.3 m. EBIT was SEK -56.9 m, and the loss before tax was SEK -57.8 m. The group took transaction expenses related to the acquisition of SEK 30.6 m, recognized in the Consolidated Income Statement under the other operating income and expenses item, and are part of cash flow from operating activities in the Cash Flow Statement. Hydrokorsion Trimb and all associated intangible rights and assets, including loans and premises, were sold to Karo Pharma. The acquisition was part of the completion of Trimb Holding AB's acquisition.

Acquisition of subsidiaries

	Fair value in acquired company
	SEK 000
Assets	
Intangible assets	2,561,170
Property, plant and equipment	3,946
Deferred tax assets	419
Other financial assets	3,005
Inventories/work in progress	143,405
Accounts receivable	181,002
Tax assets	6,793
Other current assets	67,897
Cash and bank balances	76,300
Liabilities	
Provisions for tax	-267,308
Non-current liabilities	-1,187,230
Accounts payable	-145,930
Tax liabilities	-3,004
Current liabilities	-256,958
Acquired net assets	1,192,417
Goodwill	1,342,260
Total acquisition value	2,534,677
Cash flow from acquisition of subsidiaries	
Cash purchase consideration	-2,534,677
Cash and cash equivalents in acquired companies	76,300
Total cash flow from business combinations	-2,458,377

Note 11 Acquisitions and divestments

2020
On 1 December 2020, Karo Pharma AB divested its hospital supply operation, Svereco AB, to J2L Holding AB. Karo Pharma's commercial focus is on everyday health, with brands in OTC pharmaceuticals, self-care products and Rx pharmaceuticals sold in pharmacies and food stores. Consequently, the Hospital Supply business unit, which supplies products for rehabilitation, intensive care, diabetes treatment and surgery under the Svereco brand and several other license brands directly to hospitals and regional authorities, was non-core business.

Until its divestment, the Hospital Supply business unit generated revenue of SEK 95 m in 2020, J2L acquired all the shares of Svereco for SEK 150 m on a cash and debt-free basis. The realized net gain after the investment was SEK 5m. The effect on cash flow was SEK 151 m.

The effect of the Hospital Supply operation on the consolidated financial statements for 2020 and 2019 is summarized below.

	2020	2019
SEK 000		
Income	95,096	117,898
Expenses	-81,402	-94,142
EARNINGS BEFORE TAX	13,694	23,756
Cash flow summary	2020	2019
Cash flow from operating activities	4,658	8,056
Cash flow from investing activities	-1,408	0
Cash flow from financing activities	0	0
CASH FLOW	3,050	8,056



NOTES

Note 12 Asset acquisitions and divestments

On 2 March, a product portfolio was acquired from Leo Pharma, including the necessary rights and permits, and existing inventory, for EUR 90 million. The acquired portfolio is expected to generate yearly sales of some SEK 300 m.
 On 8 May, Karo Pharma also acquired the remaining European rights to the Pevary® product portfolio from Clig OmbH International, a Janusson Pharmaceuticals company in the Johnson & Johnson group, for EUR 38 m. The acquisition was completed on 1 May 2020. This transaction consolidates ownership of the Pevary® product family, consisting of Pevary®, Oxylo-Peavyr® and Pevasone® in Europe, in the Karo Pharma portfolio. It is expected to generate yearly sales of some SEK 200 m.

On 1 April 2020, Karo Pharma acquired Hygix SA, a Swiss distribution company with a portfolio of products for the Swiss market, for approx. SEK 13.5 m. This Multi-Mark® brands on the Swiss market, for approx. SEK 13.5 m. This acquisition brings Karo Pharma control over direct sales of these brands, and Karo Pharma expects the two brands to achieve yearly sales of SEK 14 m in Switzerland.
 On 1 July 2020, Karo Pharma sold the three brands Digoxin®, Efgren® and Suisard® to Evolan, because assuring their production had proved problematic.
 From a patient and societal perspective, Karo Pharma made the assessment that it was better to sell, rather than to continue the sale of products. The total sales of these three brands in 2019 was SEK 70 m.

Note 13 Goodwill, products, trademarks, licenses and similar rights

SEK 000	GROUP				PARENT COMPANY			
	2020	2019	2020	2019	2020	2019	2020	2019
Opening cost	6,209,318	6,397	3,421,105	3,976,864	2,243	1,873,187	5,764,274	5,764,274
Goodwill	-	-	-	-	-	-	-	-
Capitalized development expenses	-	-	-	-	-	-	-	-
Capitalized product rights and development	-	-	-	-	-	-	-	-
Capitalized trademarks	-	-	-	-	-	-	-	-
Capitalized licenses	-	-	-	-	-	-	-	-
Capitalized other	-	-	-	-	-	-	-	-
Work-in-progress	-	-	-	-	-	-	-	-
Total	6,209,318	6,397	3,421,105	3,976,864	2,243	1,873,187	5,764,274	5,764,274
Goodwill	-	-	-	-	-	-	-	-
Capitalized development expenses	-	-	-	-	-	-	-	-
Capitalized product rights and development	1,637,672	42,322	-	2,375,141	1,431	1,526,658	3,903,430	3,903,430
Capitalized trademarks	-	-	-	-	-	-	-	-
Capitalized licenses	-	-	-	-	-	-	-	-
Capitalized other	-	-	-	-	-	-	-	-
Work-in-progress	-	-	-	-	-	-	-	-
Total	1,637,672	42,322	-	2,375,141	1,431	1,526,658	3,903,430	3,903,430
Purchases in the year	-	-	-	-	-	-	-	-
Sale/retirement	-74,506	-3,865	-	29,452	2,444	-	31,806	31,806
Sale of operations	-38,010	-	-	-78,311	-	-	-18,000	-18,000
Reclassifications	-34,608	42,253	-	8,145	-255	-	-	-
Translation difference	115,312	-413	-75,638	21,116	24	21,660	43,000	43,000
Closing accumulated cost	7,644,584	87,254	3,243,886	6,289,318	6,397	3,421,905	9,717,420	9,717,420
Amortization for the year	-426,153	-1,373	-	-329,105	-500	-	-329,605	-329,605
Impairment for the year	-472,457	-5,595	-	-251,471	-508	-	-251,979	-251,979
Sale/retirement	41,421	3,382	-	-44,775	-365	-	-45,140	-45,140
Sale of operations	12,340	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
Translation difference	58,956	261	-	-802	-	-	-802	-802
Closing accumulated amortization	-985,973	-5,388	-	-626,153	-1,373	-	-627,506	-627,506
CLOSING RESIDUAL VALUE	6,678,681	81,867	3,243,886	5,663,165	5,024	3,421,905	9,090,094	9,090,094

SEK 000	GROUP				PARENT COMPANY			
	2020	2019	2020	2019	2020	2019	2020	2019
Opening cost	2,502,267	2,290	347,518	2,496,435	728	347,518	2,846,481	2,846,481
Purchases in the year	1,622,804	42,222	-	26,057	1,947	-	26,034	26,034
Sale/retirement	-33,215	-	-	-15,000	-	-	-18,000	-18,000
Reclassifications	-	-	-	-255	-	-	-	-
Closing accumulated cost	4,091,856	85,034	347,518	2,509,267	2,930	347,518	2,859,715	2,859,715
Amortization for the year	-364,773	-708	-40,544	-203,694	-401	-17,376	-221,471	-221,471
Impairment for the year	-245,303	-4,278	-23,168	-161,079	-307	-23,168	-184,584	-184,584
Closing accumulated amortization	-609,077	-4,983	-68,712	-364,773	-708	-40,544	-406,025	-406,025
CLOSING RESIDUAL VALUE	3,482,779	80,053	288,806	3,853,638	2,222	306,974	2,453,690	2,453,690

Note 13 cont. - Goodwill, products, licenses and similar rights

Cash-generating units
 In 2020, Karo Pharma's cash-generating units changed as a result of the acquisition of product portfolios from Leo Pharma, Hygix SA, and the Multi-Mark® brands on the Swiss market, for approx. SEK 13.5 m. This acquisition brings Karo Pharma control over direct sales of these brands, and Karo Pharma expects the two brands to achieve yearly sales of SEK 14 m in Switzerland.
 On 1 July 2020, Karo Pharma sold the three brands Digoxin®, Efgren® and Suisard® to Evolan, because assuring their production had proved problematic.
 From a patient and societal perspective, Karo Pharma made the assessment that it was better to sell, rather than to continue the sale of products. The total sales of these three brands in 2019 was SEK 70 m.

Goodwill per cash-generating unit, group	2020		2019	
	Rx	OTC	Rx	OTC
2020	2020	2019	2020	2019
Rx	3,060,670	3,121,581	2,453,338	1,470,555
OTC	-	-	4,225,343	4,164,653
Hospital Supply (separation sold 1 December 2020)	-	62,381	-	21,977
Total goodwill, group	3,243,886	3,421,905	6,678,681	5,645,165

Product right	Cash-generating unit		Book value		Remaining amortization period
	Rx & OTC	Rx & OTC	Rx & OTC	Rx & OTC	
Acquisition of product portfolio from Leo Pharma, April 2018	-	-	1,897,718	-	13 yr.
Acquisition of product portfolio from Leo Pharma, March 2020	-	-	64,111	-	14 yr.
Acquisition of product portfolio from J&J May 2020	-	-	694,709	-	14 yr.
Acquisition of product portfolio from Trims, September 2020	-	-	2,293,209	-	18 yr.
Other	-	-	1,631,194	-	13-20 yr.
Total value, licenses and product rights			6,476,481		

Material assumptions for measuring value in use
 The group conducts impairment tests on product rights and goodwill yearly. Impairment tests are conducted on each cash-generating unit. The recoverable amount of these cash-generating units has been determined by computing value in use, which requires certain assumptions. The computations proceed from cash flow forecasts based on budgets approved by management. The cash flow forecasts are based on growth rates as a parameter, which include assumptions on price growth and sales volumes. The gross margin parameter is also included, which incorporates assumptions regarding sales and the increase in the cost of goods, as well as the discount rate parameter.

Cash flow after the five-year term has been extrapolated with the aid of an average estimated growth rate of 2% (0% for the product portfolio per year). Applying a weighted average cost of capital (WACC) before tax of 8.5% (8.5), the recoverable amounts of the tested units exceed the carrying amounts of the tested units. Given a change in the growth rate from 2% to 0% per year, recoverable amount would still exceed carrying amounts of the tested units. The carrying amounts of the tested units are not expected to be impaired. That reasonable changes in other parameters would not imply the carrying amount exceeding the recoverable amount. The company's long-term ability to generate future business is an important factor for justifying accounted goodwill.



NOTES

Note 14 Equipment, buildings and land, etc.

SEK 000	GROUP			PARENT COMPANY		
	2020	2019	Total	2020	2019	Total
	Equipment	Buildings and land	Construction in progress and advances	Equipment	Buildings and land	Construction in progress and advances
	23,409	9,692	1,640	17,163	9,692	1,636
	9,865	76	11,480	3,646	1,130	2,691
	-3,153	-9,758	-	-538	-	-588
	-2,390	-	-2,148	1,325	-	-1,325
	-714	-	-230	92	-	-
	21,823	5,742	27,565	23,409	9,462	1,440
	Opening depreciation	-12,738	-14,105	-10,930	-957	-11,887
	Sales and retirements	2,461	2,461	377	-	377
	Depreciation for the year	2,950	1,764	-	-410	-2,542
	Reclassifications	2,662	-3,946	-2,172	-	-
	Translation difference	290	-	290	-13	-
	Closing accumulated depreciation	-9,824	-4,824	-12,738	-1,367	-
	CLOSING RESIDUAL VALUE	13,299	5,742	10,671	8,315	1,440
	PARENT COMPANY					
	Equipment	Buildings and land	Construction in progress and advances	Equipment	Buildings and land	Construction in progress and advances
	11,064	1,061	1,061	11,176	96	96
	8,869	5,908	-	-	965	965
	-	-6,569	-	-114	-	-
	18,933	1,061	1,061	11,064	1,061	12,125
	Opening depreciation	-11,028	-	-11,121	-	-11,211
	Sales and retirements	-	-	114	-	114
	Depreciation for the year	-612	-	-21	-	-
	Closing accumulated depreciation	-11,640	-	-11,028	-	-11,028
	CLOSING RESIDUAL VALUE	8,293	5,742	36	1,061	1,097

NOTES

Note 15 Participations in group companies

SEK 000	GROUP			PARENT COMPANY		
	2020	2019	Total	2020	2019	Total
	Opening cost	5,166,709	2,645,982	5,166,709	2,645,982	5,166,709
	Purchase	13,608	2,607,277	13,608	2,607,277	13,608
	Sale	-92,641	-	-92,641	-	-92,641
	Shareholders' contribution paid	90,253	-	90,253	-	90,253
	Closing accumulated cost	5,241,099	5,166,709	5,241,099	5,166,709	5,241,099
	Opening impairment	-38,484	-	-38,484	-	-38,484
	Impairment for the year	-	-2,821	-	-2,821	-2,821
	Sale	29,054	-	29,054	-	29,054
	Closing accumulated impairment	-9,260	-38,484	-9,260	-38,484	-38,484
	CLOSING BOOK VALUE	5,231,748	5,128,404	5,231,748	5,128,404	5,231,748
	Name	Registered office	Corp. ID no.	participating interest	No. of participations	Book value
	Karo Pharma AG (forporate name changed from Hqs SA)	Stenhausen, Switzerland	CHE-109884-033	100%	10,010	13,545
	Karo Pharma UK Ltd	Gullford	11784569	100%	1,000	43
	Karo Pharma Sweden AB	Stockholm, Sweden	556767-3784	100%	15,011	388,746
	Bio Phausic AB	Stockholm, Sweden	556485-0153	100%	342,641,194	928,973
	Karo Pharma Norge AS	Oslo, Norway	983,733,506	100%	36,472,069	1,185,985
	Karo Pharma ApS	Copenhagen, Denmark	39-503,778	100%	2,000	281
	Karo Pharma Oy	Abo, Finland	2915559-1	100%	10,000	104
	Trimbi-Holding AB	Stockholm, Sweden	559018-4148	100%	2,544,839	2,565,243
	TOTAL BOOK VALUE IN GROUP COMPANIES					5,231,748
	Indirect holdings					
	Name	Registered office	Corp. ID no.	participating interest	No. of participations	Equity
	Karo Pharma AS	Oslo, Norway	917,296,200	100%	6,798,000	125,209
	Trimbi-Healthcare AS	Stockholm, Sweden	556695-0795	100%	318,737	574,830
	Trimbi Norway AS	Oslo, Norway	921,594,194	100%	3,000	2,283
	CCS Skincare Brands AB	Solna, Sweden	559,170-0052	100%	50,000	1,237
	Independent Beauty AB	Stockholm, Sweden	559,128-8973	80%	50,000	12,208
	Frisen AS	Kangas, Sweden	558284-412	100%	300	4,285
	YonMedic BV	Amsterdam	55,902,394	100%	10,868	47,392
	Boclin BV	Delft	27,292,261	100%	180	115,817
	Boclin AS	Bangkok	0105553081865	99%	20,000	47,223
	UAB Trimbi	Kaunas	303209,187	100%	100	1,125
	Karo Pharma GmbH	Krailing	HRB 250663	100%	1	848
	TOTAL BOOK VALUE IN GROUP COMPANIES					61,170
	PARENT COMPANY					
	Guarantees and deposits	2,011	1,157	51	50	50
	Receivables, group companies	-	-	1,193,977	304,173	304,173
	Non-current receivables, other	215	1,568	-	-	-
	CLOSING ACCUMULATED COST	2,226	2,745	1,193,978	304,223	304,223

NOTES

Note 16 Other financial assets

SEK 000	GROUP			PARENT COMPANY		
	2020	2019	Total	2020	2019	Total
	Guarantees and deposits	2,011	1,157	51	50	50
	Receivables, group companies	-	-	1,193,977	304,173	304,173
	Non-current receivables, other	215	1,568	-	-	-
	CLOSING ACCUMULATED COST	2,226	2,745	1,193,978	304,223	304,223

NOTES

Note 17 Inventories

SEK 000	GROUP			PARENT COMPANY		
	2020	2019	Total	2020	2019	Total
	Finished goods	441,714	389,372	139,478	91,274	91,274
	Input goods	9,795	8,740	8,740	5,751	5,751
	CLOSING BOOK VALUE	451,509	398,276	148,118	97,026	97,026

An SEK 14,154,000 (6,822,000) reserve for obsolescence is included in the group's value of inventory. No material change to obsolescence, and no material impairment, occurred during the current or previous financial years. Only an insignificant portion of inventory is measured at net sales value.



NOTES

Note 18 | Accounts receivable

SEK,000	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Net overdue	415,302	473,564	157,205	94,376
Overdue 1-90 days	155,315	62,724	40,793	24,078
Overdue 91-180 days	11,517	2,791	2,084	2,257
Overdue 181-90 days	4,423	2,709	1,549	2,019
Overdue 90 days	9,151	-	5,421	-
Credit loss reserve	2,415	-	875	-
CLOSING BOOK VALUE	595,343	481,562	225,688	124,773

Karo Pharma applies the simplified method for calculation of expected credit losses, which means that expected credit losses are computed as a percentage on the basis of a number of different time categories. The fair value of accounts receivable is consistent with carrying amounts. The credit quality of unsecured receivables is considered good. The year's change in the credit loss reserve and the impact on operating profit amount to SEK -2,415 (0) thousand. The interest income on accounts receivable was SEK 0 (0) thousand in the year.

Note 19 | Prepaid expenses and accrued income

SEK,000	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Prepaid insurance	763	639	262	-
Prepaid bank charges	733	5,102	733	5,102
Prepaid leases and other T-related expenses	5,509	2,117	4,776	-
Goods in transit	-	747	-	747
Accrued income	29,017	2,462	27,844	1,546
Other items	13,045	4,232	7,017	147
	49,047	15,619	40,434	7,544

Note 20 | Cash and cash equivalents

SEK,000	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Amount as of 31 December, SEK,000	570,391	248,306	103,410	61,557
Cash and bank balances	570,391	248,306	103,410	61,557

Note 21 | Equity

Total no. of shares	2020		2019	
	As of 1 January	As of 31 December	As of 1 January	As of 31 December
New share issue	60,700,422	60,700,422	2,444,990	2,444,990
AS OF 31 DECEMBER	225,033,204	225,033,204	1,939,689	2,444,990

No. of outstanding shares ¹⁾	2020		2019	
	As of 1 January	As of 31 December	As of 1 January	As of 31 December
Total number of shares	225,033,204	225,033,204	90,013,282	65,733,113
Shares in treasury	-1,939,689	-2,444,990	-	-24,260,149
TOTAL	223,093,515	222,588,214	90,013,282	90,013,282

¹⁾ Based on ASM authorization, Karo Pharma sold 525,301 treasury shares in 2020 to increase the company's financial flexibility. Total compensation for sold treasury shares was SEK 31,061,000 in the year. The transfers were on Nasdaq Stockholm. There were 1,939,689 (2,444,990) remaining shares in treasury as of 31 December 2020, which is 0.9% (1.1%) of the share capital.

NOTES

Note 21 cont. - Equity

Management of capital
The group's objective in terms of managing its capital structure is to secure the group's ability to continue operations, so that it can continue to generate returns for shareholders and benefits for other stakeholders, and maintain an optimal capital structure to limit the cost of capital.

SEK,000	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Total borrowing	5,847,723	4,335,613	5,847,723	4,335,613
Less: cash and cash equivalents	-570,391	-248,306	-570,391	-248,306
Less: investments in securities, etc.	-2,224	-	-2,224	-
Net debt	5,275,108	4,087,307	5,275,108	4,087,307
Total equity	5,648,490	5,641,908	488,060	494,715
Total capital	12,917,499	10,896,530	488,060	494,715
Debt/equity ratio	42%	39%	42%	39%

Note 22 | Deferred tax

Amounts relating to deferred tax assets and liabilities in the Balance Sheet are as follows:

SEK,000	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Deferred tax assets:				
Deferred tax assets estimated to be utilized	685,282	717,711	488,060	494,715
Offset	-	-117,113	-	-
ACCOUNTED DEFERRED TAX ASSET	685,282	600,598	488,060	494,715
Deferred tax liabilities:				
Deferred tax liabilities on temporary differences	-527,192	-586,497	-21,989	-21,989
Offset	-	117,113	-	-
ACCOUNTED DEFERRED TAX LIABILITY	-527,192	-469,384	-21,989	-21,989

Deferred tax assets and tax liabilities recognized in the Balance Sheet are as follows:

SEK,000	GROUP 2020		GROUP 2019		PARENT COMPANY 2020		PARENT COMPANY 2019	
	Receivable	Net	Receivable	Net	Receivable	Net	Receivable	Net
Intangible/Non-liable	-	-	-	-	-	-	-	-
non-current assets	-524,885	-524,885	-584,191	-584,191	-21,989	-21,989	-21,989	-21,989
Unpaid reserves	-2,306	-2,306	-2,306	-2,306	-	-	-	-
Loss carry-forwards	685,282	685,282	717,310	717,310	488,060	488,060	494,715	494,715
Other	-	-	-401	-401	-	-	-	-
TAX ASSETS AND LIABILITIES, NET	685,282	-527,192	158,071	131,214	488,060	-21,989	466,071	494,715

NOTES

Note 22 cont. - Deferred tax

The change relating to deferred tax for the group is as follows

SEK 000	Intangible assets	Unsettled reserves	Loss carry forwards	Other	Total
As of 31 December 2019	594,191	2,306	71,230	401	1,311,214
Sale of operations	-	-	-	276	3,976
Translation difference	5,284	-	1,032	-	6,316
Tax recognized in comprehensive income	15,162	-	-	-	15,162
Recognition in income statement	38,860	-	-	-	38,860
AS OF 31 DECEMBER 2020	687,497	2,306	72,262	677	1,362,742

SEK 000	Intangible assets	Unsettled reserves	Loss carry forwards	Other	Total
As of 31 December 2018	-239,207	-7,898	632,446	920	386,471
Acquisition of operations	-	-	52,765	419	53,184
Translation difference	-3,451	-	5,564	-	2,113
Tax recognized in comprehensive income	-	-	6,711	-	6,711
Recognition in income statement	-21,470	5,652	19,634	-938	2,808
AS OF 31 DECEMBER 2019	-584,128	-2,306	717,310	401	131,214

The change relating to deferred tax for the parent company is as follows

SEK 000	Intangible assets	Unsettled Reserves	Loss carry forwards	Other	Total
As of 31 December 2019	-21,289	-	494,715	-	473,426
Recognition in income statement	-	-	-4,655	-	-4,655
AS OF 31 DECEMBER 2020	-21,289	-	490,060	-	468,771

SEK 000	Intangible assets	Unsettled Reserves	Loss carry forwards	Other	Total
As of 31 December 2018	-	-	481,814	-	481,814
Tax recognized in comprehensive income	-	-	6,711	-	6,711
Recognition in income statement	-21,289	-	6,190	-	-15,099
AS OF 31 DECEMBER 2019	-21,289	-	494,715	-	473,426

The group has deductible deficits totalling SEK 3,274,902,000 (3,654,665,000), which corresponds to a value for tax purposes of a total of SEK 685,548,000 (718,529,000). The group has deferred tax assets relating to loss carry-forwards not recognized in its Balance Sheet of SEK 267,000 (1,299,000). The deferred tax assets on loss carry-forwards recognized in the Balance Sheet of SEK 685,282,000 (717,000,000) are those the company estimates that it will be able to utilize in the foreseeable future. In its assessment of the possibility of utilizing loss carry-for-

wards, consideration had been taken to factors limiting Karo Pharma's scope to utilize loss carry-forwards. A significant factor for Karo Pharma is that there is no opportunity to use loss carry-forwards between different jurisdictions, and limitation rules such as restrictions regarding group contributions. See also note 9, loss carry-forwards. The group's existing loss carry-forwards have no time limitation.

NOTES

Note 23 Financial liabilities

SEK 000	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Amounts as of 31 December	4,715,920	3,090,429	4,487,219	3,046,512
Within one year	1,130,351	1,251,116	1,010,712	1,126,243
Between two and five years	-	-	-	-
Later than five years	3,585,569	1,839,313	3,476,507	1,920,269
Liabilities to credit institutions	5,850,271	4,341,548	5,499,191	4,192,755
Lease liabilities	5,779,175	4,330,264	5,698,105	4,192,729
Deposit	86	26	26	26
Provisions	2,592	2,709	-	-
Overdraft limit	5,850,271	4,341,548	5,698,131	4,192,755
- of which unused portion	200,000	200,000	200,000	200,000

The group has five loans with different maturities and interest terms. For the term loans, the maturity date is June 30, 2020. The overdraft limit is SEK 200,000. The third, a SEK 875 m loan, accrues 2.09% interest, and the fourth short-term loan, a SEK 750 m loan, that accrues 2% interest. The fifth loan is a five-year loan divided into two currencies, SEK 649 m and NOK 468 m, with the SEK portion accruing STIBOR 3.9% and the NOK portion accruing NIBOR 4.02%, which was entered in April 2018. In addition to these loans, Karo Pharma also had an SEK 200 m overdraft facility as of 31 December 2020, and an NOK 750 m, both of which were unused at year-end.

The terms of the above loans require the company to satisfy specific covenants, see below. In 2020, Karo Pharma satisfied its covenants - net debt in relation to EBITDA - cash flow from operating activities in relation to financial expenses (interest coverage ratio).

Note 24 Other current liabilities

SEK 000	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Maturity structure, liabilities to credit institutions per year, principal and interest	3,177,846	-	3,153,695	-
2021	4,821,851	91,916	4,766,894	67,667
2022	147,081	90,985	113,377	66,934
2023	981,190	1,154,289	948,094	1,110,138
2024	31,557	24,151	-	-
2025	25,243	-	-	-
	6,004,882	4,519,190	5,848,056	4,398,434

Collateral of SEK 5,292 m (5,290) has been pledged for liabilities to credit institutions. Collateral for borrowing primarily consists of shares in subsidiaries. The fair value of the group's liabilities to credit institutions is consistent with carrying amount because the interest on this borrowing is on a par with current market interest rates.

The fair value of borrowing accruing variable interest is SEK 4,005 m (4,519), compared to carrying amount of SEK 5,872 m (4,572).

Note 24 Other current liabilities

SEK 000	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Value added tax, withholding tax, etc.	71,546	48,236	3,832	178
	71,546	48,236	3,832	178

Note 25 | Accrued expenses and deferred income

SEK 000	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Accrued personnel-related items	43,034	32,253	624	307
Deferred, not invoiced	48,311	19,533	7,490	8,916
Accrued interest expenses	9,502	8,814	9,432	9,726
Accrued interest for product expansion	10,459	8,725	3,838	4,607
Accrued expenses for organizational development	2,016	954	2,016	954
Accrued auditing services	2,909	2,243	1,800	1,238
Accrued accounting services	701	1,049	1,284	565
Accrued shipping & distribution expenses	4,966	2,764	1,284	565
Accrued expenses for market support and kickbacks	26,281	22,349	7,143	-
Accrued royalties	15,634	3,409	9,257	-
Deferred income	-	1,842	-	-
New share issue expenses	-	5,678	-	5,678
Other items	26,667	62,239	6,802	9,386
	194,468	181,262	89,034	44,897

Note 26 | Pledged assets

SEK 000	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Pledged assets for liabilities to credit institutions	5,197,704	5,195,712	5,217,956	5,127,434
Shares in subsidiaries	94,280	94,250	-	-
Corporate mortgages	-	-	-	-

Note 27 | Supplementary information, Cash Flow Statement

SEK 000	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Items not affecting liquidity, other:				
Capital gain non-current assets	1,113	140	-	-
Other items	-4,517	-347	-	-
	-3,404	-207		
Interest received	389	1,537	36,367	26,414
Interest paid	-146,686	-105,220	-139,696	-104,224
Loan arrangement fee paid	-34,762	-30,350	-34,762	-30,350
	248,804	2,746	2,746	-4,007,262
SEK 000				
Group - reconciliation of net debt				
Net debt as of January 2020	2,746	-4,330,564	-8,449	-4,007,262
Cash flow:				
- Loans arranged/repaid	-	-1,526,020	13,435	-1,512,585
- Payments made and received, other	328,424	1,101	-	329,525
Non-cash items:				
- Additional lease arrangements	-	-	-53,796	-55,996
- Exchange differences	-6,839	-70	64,875	58,528
- Allocated loan arrangement expenses	-	-	-9,064	-9,064
- Other non-cash items	-	-1,550	-	-252
NET DEBT AS OF 31 DECEMBER 2020	570,391	-2,226	-5,799,175	-5,275,106

Note 27 cont. - Supplementary information, Cash Flow Statement

SEK 000	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Group - reconciliation of net debt				
Net debt as of January 2019	-2,903,246	-2,104,401	0	-2,804,530
Cash flow:				
- Loans arranged/repaid	-	-	4,570	-205,531
- Payments made and received, other	-150,220	806	-	-146,414
Non-cash items:				
- Additional lease arrangements	446	-36	-11,542	-22,460
- Exchange differences	-	-	12,666	-230
- Allocated loan arrangement expenses	1,839	-1,206,563	1,547	-1,205,870
- Other non-cash items	248,806	2,746	-8,549	-4,087,262
NET DEBT AS OF 31 DECEMBER 2019	-2,903,246	-4,330,564	-8,449	-4,007,262
SEK 000				
Group - reconciliation of net debt				
Net debt as of January 2020	-4,192,780	-1,548,381	-12,746	-3,839,896
Cash flow:				
- Loans arranged/repaid	-	-	12,746	-1,469,321
- Payments made and received, other	41,854	-	-	41,854
Non-cash items:				
- Exchange differences	-29,992	51,584	-	21,592
- Allocated loan arrangement expenses	998,883	-8,378	-	-8,378
- Other non-cash items	103,410	-	-	998,883
NET DEBT AS OF 31 DECEMBER 2020	-4,192,780	-5,698,105	-	-4,455,246
SEK 000				
Group - reconciliation of net debt				
Net debt as of January 2019	-2,906,115	-1,271,979	-12,409	-2,362,133
Cash flow:				
- Loans arranged/repaid	-	-	30	-1,338,917
- Payments made and received, other	-136,548	101	-	-136,518
Non-cash items:				
- Exchange differences	-	-	-27,995	-18,350
- Allocated loan arrangement expenses	304,223	13,359	-	13,359
- Other non-cash items	61,557	-	-12,746	-337
NET DEBT AS OF 31 DECEMBER 2019	-2,906,115	-4,192,780	-12,409	-3,839,896

NOTES

Note 28 Leases

The following amounts are recognized in the Consolidated Balance Sheet related to leases.

SEK 000	GROUP	
	31 December 2020	31 December 2019
Right-of-use assets		
Premises	49,495	7,351
Vehicles	928	2,056
Total	50,423	9,407
Lease liabilities		
Non-current	36,201	5,924
Current	12,347	2,685
	48,548	8,609

For information on the maturity structure of lease liabilities, see note 30.

Right-of-use assets additional in 2020 amounted to SEK 54,237,000 related to leases.

SEK 000	GROUP	
	2020	2019
Amounts recognized in Consolidated Income Statement		
Amortization of right-of-use assets		
- Premises	11,312	4,185
- Vehicles	1,233	868
Total amortization	12,546	5,053
Interest expenses for lease liability	2,475	597
Expenses related to short-term leases	1,449	1,652
Total expenses related to leases	16,470	7,302

Total cash flow related to leases was SEK 15,197,000 (2019: 20,000). Future obligations related to short-term leases (excluding the measurement of right-of-use assets and lease liability), amount to SEK 439,000 (S: 283,000) as of 31 December 2020.

Operating leases
Effective 1 January 2019, leases are recognized in accordance with the FRS 16 Leases. The parent company does not use IFRS 16, and lease payments are allocated on a straight-line basis over the lease term. Accordingly, right-of-use assets and lease liabilities are not reported in the Parent Company Balance Sheet. The parent company's operating leases mainly consist of rented premises.

SEK 000	PARENT COMPANY	
	2020	2019
Operating lease payments for the year are for:		
Premises rent	8,804	2,543
Other lease payments	9,334	2,543

SEK 000	PARENT COMPANY	
	31 December 2020	31 December 2019
Future minimum operating lease payments payable:		
Within one year	11,731	8,950
Later than one year but within five years	36,468	44,344
Later than five years	0	2,771
	48,199	56,065

NOTES

Note 29 Audit fees

SEK 000	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
EY				
Auditing	7,618	2,471	3,414	2,471
Auditing in addition to audit assignment	544	-	184	-
Tax consultancy	2,528	81	214	81
Other	1,537	20,929	1,139	20,929
Total EY	12,249	23,481	7,238	23,481
PWC				
Auditing	-	1,405	-	1,405
Other	-	3,079	-	3,079
Total PwC	-	4,484	-	4,484
Other audit firms				
Auditing	-	1,253	-	-
Total other audit firms	-	1,253	-	-
TOTAL FEES TO AUDITORS	12,249	29,218	7,238	27,965

Note 30 Financial instruments, risks and sensitivity analysis

Financial instrument per category	31 December 2020 (SEK 000)		31 December 2019 (SEK 000)	
	Assets in Balance Sheet	Liabilities in Balance Sheet	Assets in Balance Sheet	Liabilities in Balance Sheet
Accounts receivable and other receivables	623,743	-	570,931	-
Cash and cash equivalents	570,931	-	1,193,135	-
Total	1,194,674	-	1,764,066	-
Financial assets - amortized cost	623,743	-	570,931	-
Financial liabilities - amortized cost	-	-	-	-
Accounts payable and other liabilities (excl. non-financial liabilities)	-	5,799,175	-	5,799,175
Lease liabilities	-	48,548	-	48,548
Accounts payable and other liabilities (excl. non-financial liabilities)	-	303,689	-	303,689
Total	-	6,151,412	-	6,151,412
Financial assets - amortized cost	623,743	-	570,931	-
Financial liabilities - amortized cost	-	6,151,412	-	6,151,412
Total	623,743	6,151,412	570,931	6,151,412

The amounts stated in the table are the contracted, undiscounted cash flows of the liabilities. Accounts payable and other liabilities that become due within 12 months of the reporting date correspond to the carrying amount of these items because the discount effect is insignificant.



NOTES

Note 30 cont. – Financial instruments, risks and sensitivity analysis

Maturity analysis and credit risk

	Less than 12 months	Between 1 and 2 years	Between 3 and 5 years	Total contracted cash flows	Carrying amount liabilities
31 December 2020 (SEK 000)					
Accounts payable and other liabilities (excl. non-financial liabilities)	303,689	-	-	303,689	303,689
Loans, credit institutions	4,807,104	1,102,414	40,943	5,950,461	5,779,175
Lease liabilities	14,747	25,817	13,857	54,421	48,548
	5,125,540	1,128,231	54,800	6,308,571	6,151,412
	Overdue 0-3 months	Overdue 3-6 months	Overdue 6-12 months		
31 December 2020 (SEK 000)					
Accounts receivable	418,302	171,305	9,151	-	598,758
Credit loss reserve	-	-2,415	-	-	-2,415
	418,302	171,305	6,736	-	596,343

The fair value of accounts receivable is consistent with carrying amounts. The credit quality of unsecured receivables is considered good.

Sensitivity analysis

Effect on consolidated sales and EBIT before hedging transactions, if the Swedish Krona appreciated by 10%.

Currency (SEK m)	Income	EBIT
DKK	-29.6	-14.7
EUR	-98.6	-49.0
NOK	-58.9	-22.9
USD	-12.1	-7.7
Other	-13.8	19.2

Financial risks

In the business enterprises, Karo Pharma is exposed to various risks which change over time. Relevant risks in Karo Pharma's case are divided between business risks and financial risks. Karo Pharma's Finance Policy stipulates the segregation of duties for financing operations, which financial risks the company is willing to assume, and the guidelines on how such risks should be reduced and managed. Financial risk management is centralized, and is the CFO's responsibility. The Policy, which is subject to annual review and approval by Karo Pharma's Board of Directors, has been designed to control and manage the following risks:

- Currency risk
- Financing risk
- Liquidity risk
- Interest risk
- Credit risk

Currency risk

Fluctuations in exchange rates affect Karo Pharma's earnings and revenues. Karo Pharma's revenues are denominated in Swedish Krona, and expenses are affected when revenues and expenses are denominated in different currencies – transaction risk

- Earnings are affected when assets and liabilities are denominated in different currencies – translation risk

Operational risks

Karo Pharma is active in an international sector. Approximately 26% (approx. 50) of the group's revenues are denominated in Swedish Krona, and the remainder of Karo Pharma's expenses are denominated in euro (EUR), Norwegian kroner (NOK), Danish kroner (DKK), UK sterling (GBP) and US dollars (USD). This results in exposure to currency fluctuations, a combination of translation and transaction risks. Karo Pharma's presentation currency is Swedish Krona.

The above table illustrates the effect on Karo Pharma's revenues and EBIT if the Swedish Krona appreciated by 10%. This considers both translation and transaction risks. The total effect on EBIT would be SEK 579,000 (SEK 579,000) in 2020. EBIT in 2020 and 2019 were not affected by any maturing forward contracts.

NOTES

Note 30 cont. – Financial instruments and risks, sensitivity analysis

securities to be unable to supply the security or make payments as agreed.

The Policy deals with credit risk by formalizing which parties Karo Pharma may execute transactions with, and the necessary credit ratings for investments. There is no material concentration of credit risk. Credit risk in accounts receivable is very low because customers are regular, and primarily consist of major pharmacy chains.

Note 31 Segment information

Based on the information considered by the company's management and that is used to make strategic decisions, Karo Pharma's operations consist of a single operating segment, the development and sale of products to pharmacies and retailers. When evaluating operations, and in strategic discussions and decisions, no breakdown of operations into additional operating segments is currently conducted. The development of Karo Pharma's pharmaceutical projects is an integrated process in Karo Pharma's operations.

	2020	2019
SEK 000		
Revenues		
Sweden	848,840	600,744
Norway	587,884	549,413
Denmark	205,685	204,165
Finland	118,931	79,270
France	147,899	126,169
Rest of Europe	711,258	223,215
USA	12,897	3,057
Rest of world	1,68,773	93,044
	2,892,867	1,901,196
Non-current assets		
Sweden	8,370,472	7,112,649
Norway	1,440,566	1,617,925
Europe	975,372	992,697
Rest of world	41	-
	10,786,461	9,723,471

Note 32 Transactions with related parties

Apart from transactions in the form of compensation and salaries to the Board of Directors and senior executives, no transactions with related parties occurred in the current or previous financial year.

Note 33 Significant events after the end of the financial year 2020

Over these assets, which paves the way for long-term optimization of these brands and their value chains.

From 1 February 2021, Karo Pharma will realize direct savings of SEK 500 million per year, but also incur costs of SEK 200 million.

This transaction transfers rights of ownership of the brand portfolio consisting of Flux®, Decubal®, Lactocare®, Apobase®, Daliycare® and Fluidite® from Teva to Karo Pharma. These brands generated sales of some SEK 350 million globally in 2020. Most is sourced from the Nord markets, including Scandinavia, where these brands are already distributed and marketed by Karo Pharma, under a seven-year license agreement entered in spring 2019.

This transaction brings some SEK 40 m of sales from new markets outside Scandinavia, of which approx. 60% is generated in Finland. The transaction simplifies Karo Pharma's business model, bringing control facilities in addition to those already in place.



SIGNATURES

The Board of Directors and Chief Executive Officer certify that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU, and give a true and fair view of the group's financial position and results of operations. The Annual Accounts have been prepared in accordance with generally accepted accounting practice and give a true and fair view of the parent company's financial position and results of operations.

The Statutory Administration Report of the group and parent company gives a true and fair view of the progress of the group's and parent company's operations, financial position and results of operations, and reviews the material risks and uncertainty factors that are facing the parent company and companies in the group. The Income Statements and Balance Sheets will be presented to the AGM on 27 April 2021 for adoption.

Stockholm, Sweden, 29 March 2021

Bo Jesper Hansen
Chairman of the Board

Erika Henriksson
Board member

Vesa Koskinen
Board member

Uta Kammerich-Keil
Board member

Kristofer Tonström
Board member

Håkan Åström
Board member

Flemming Ørnstov
Board member

Christoffer Lorenzen
Chief Executive Officer

Our Audit Report was presented on 29 March 2021

Jonathan Hansson
Authorized Public Accountant
Ernst & Young AB

AUDITOR'S REPORT

AUDITOR'S REPORT

To the general meeting of the shareholders of Karo Pharma Aktiebolag, corporate identity number 566309-3359

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Karo Pharma Aktiebolag except for the corporate governance statement on pages 52-55 and the statutory sustainability report on pages 42-44 for the year 2020. The annual accounts and consolidated accounts of the company are included on pages 38-94 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

Our opinions do not cover the corporate governance statement on pages 52-55 and the statutory sustainability report on pages 42-44. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the income statement and the statement over financial position for the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (637/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5, have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU with the exception of a service with a very limited scope that has been reported to the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter, we describe our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters, provide the basis for our audit opinion on the accompanying financial statements.



AUDITOR'S REPORT

Valuation of intangible assets including goodwill

Description	How our audit addressed this key audit matter
<p>Per 31 December 2020 the intangible assets including goodwill (below referred to as the assets) amounted to 10029 MSEK, which is 80% of Karo Pharma group's below referred to as the Company's total assets. The Company performs an impairment test of goodwill on an annual basis and as a result of the impairment test, events or changes in circumstances could lead to a decrease in the value of the assets. The impairment test is a complex amount. Testing of impairment for the assets involve a number of significant assumptions and assessments, among other assessing the recoverable value through identifying cash generating units, estimating expected future cash flows including the growth rate and calculating weighted average cost of capital ("WACC"), used to discount future cash flows. The Company's process for assessing impairment requirements also includes the use of management's and the board of director's business plans and forecasts. For additional information refer to the Group's accounting principles in note 15 and for information about goodwill, product rights and licences in note 13.</p> <p>We focused on this area as the value of the assets are significant and the impairment test is sensitive to changes in assumptions. Therefore, we considered this a key audit matter in our audit.</p>	<p>Our audit was conducted together with our valuation specialists and included but was not limited to the following audit procedures:</p> <ul style="list-style-type: none"> obtained an understanding of the Company's process for identifying indicators of impairment including management's business plans and forecasts, assessed the appropriateness of the assumptions used when performing the impairment test including the sensitivity analysis and review of the assessments made by the Company when testing the impairment with our focus on assumptions for which the result of impairment testing is most sensitive. <p>We have also assessed the disclosures in the annual report.</p>

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-37 and 99-102. The remuneration report for the financial year 2020 also constitutes other information. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's and the

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Karo Pharma Aktiebolag for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the

AUDITOR'S REPORT

members of the Board of Directors and the Managing Director to be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise, are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment



AUDITOR'S REPORT

ment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 52-55 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's standard RevR 16 *The auditor's examination of the corporate governance statement*. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions. A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 of the sec-

ond paragraph points 2-5 of the Annual Accounts Act and chapter 7 section 31 of the second paragraph of the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the consolidated accounts and are in accordance with the consolidated accounts.

Annual Accounts Act.

The auditor's opinion regarding the statutory sustainability report. The Board of Directors is responsible for the statutory sustainability report on pages 42-44, and that it is prepared in accordance with the Annual Accounts Act.

My (Our) examination has been conducted in accordance with FAR's auditing standard RevR 12 *The auditor's opinion regarding the statutory sustainability report*. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Ernst & Young AB, Box 7860, 103 99 Stockholm with Jonathan Hansson as auditor in charge, was appointed auditor of Karo Pharma Aktiebolag AB by the general meeting of the shareholders on the 25 May 2020 and has been the company's auditor since the 24 June 2019.

Stockholm March 29, 2021
Ernst & Young AB

Jonathan Hansson
Authorized Public Accountant

DEFINITIONS OF KEY INDICATORS

Definitions of key indicators

Key indicators	Definition	Purpose
Average number of shares	Weighted average number of shares outstanding in the period.	
Earnings per share	Net earnings per average number of outstanding shares	
Equity/assets ratio	Equity as a percentage of total assets	The equity/assets ratio is relevant to investors and other stakeholders that want to assist the company's financial stability and viability for the longer term
Gross margin	Gross earnings in relation to revenues	Gross margin is used to illustrate the company's margin before taxes, other taxes, depreciation and amortization, research & development expenses, and other administrative expenses.
Operating profit (EBIT)	Earnings/loss, including all operating incomes and expenses, i.e. earnings excluding financial items and income tax.	
Adjusted EBITDA	Earnings before interest, taxes, depreciation and amortization excluding expenses affecting comparability	This key indicator illustrates the underlying earnings of operations adjusted for the effect of depreciation and amortization of items that affect comparisons over time. This key indicator gives a view of the earnings generated from operating activities
Adjusted EBITDA margin	Adjusted EBITDA in relation to net revenues	This key indicator is used to measure operational profitability

	GROUP
Reconciliation of adjusted EBITDA (SEK 000)	2019 2020
EBIT	290,306 172,102
Depreciation and amortization	494,644 312,755
Other depreciation, amortization and impairment	0 0
Items affecting comparability ^{a)}	59,063 107,200
ADJUSTED EBITDA	784,764 692,057

^{a)} Items affecting comparability are mainly sourced from external expenses for consulting and services related to acquisitions and divestments, as well as expenses related to the integration and reorganization of acquired entities/brands.



PRODUCT INFORMATION

Scheriproct® 0.19%/0.5% rectal ointment

Scheriproct® 1.3 mg/1 mg suppositories

Active compounds: prednisolone, cinchocaine, Ig rectal ointment, contains: prednisolone caproate 1.9 mg, cinchocaine hydrochloride 5 mg. 1 suppositories contain: prednisolone caproate 1.3 mg, cinchocaine hydrochloride 1 mg.

Indications: for treating haemorrhoids, the associated itching and irritation, and surface fissures in the rectum.

ATC-code: C05AA04. **Usual dosage for adults:** Rectal ointment: Apply one thin layer, usually twice daily. For rapid pain relief, up to 4 applications can be made in the anus per day. For severe pain, one suppository can be applied 2-3 times during the first day. The suppositories should be inserted with the straight end first. If suppositories have become soft, due to heat, they can be immersed in cold water before removing the cover. If no improvement has occurred after 2-3 weeks' treatment with Scheriproct, contact your doctor. However, treatment should last no longer than 4 weeks. Warnings and cautions: remember to contact your doctor for a clinical examination and ensure correct diagnosis and elimination of potential malignancy (if this has not already been done). Interactions with other pharmaceuticals and other interactions: Scheriproct should be used with caution in combination with other local anaesthetics, and in patients treated with anti-arrhythmics. Simultaneous treatment with CYP3A4 inhibitors, including pharmaceuticals containing cobicistat, can be expected to increase the risk of systemic adverse events.

This combination should be avoided providing the benefit does not counterbalance the increased risk of systemic adverse events from corticosteroids, and if so, patients should be monitored for systemic adverse events from corticosteroids. **Pregnancy and breast-feeding:** Scheriproct should not be used during pregnancy, unless your doctor has carefully considered this. Scheriproct transfers into breast-milk, but the risk of any effect on the child is unlikely during breast-feeding. However, consult your doctor for more than temporary use of Scheriproct during breast-feeding.

Adverse events: seldom (fewer than one in 1,000 patients): allergic reactions, contact eczema. **Counterindications:** oversensitivity to the active compounds or any excipient.

Packaging information: rectal ointment: 30 gram tube EF. Suppositories 12 pack EF. The pharmaceutical is available over the counter. **Read the enclosed packaging before use.** Holder of approval for sale: Karo Pharma AB Box 1684 103 24 Stockholm Sweden. Registration number of approval for sale 7652 (Scheriproct rectal ointment), 7653 (Scheriproct suppositories). Date of first/renewed approval 29 July 1965/30 May 2009. Date of review of product/resume, 24 November 2020.

ANNUAL GENERAL MEETING

The Annual General Meeting of Karo Pharma AB (publ) will be held on Wednesday 21 April 2021. The invitation to the AGM will be published on Karo Pharma's website, www.karopharma.com. Because of the coronavirus, the Board of Directors has decided that the AGM will be held without the physical attendance of shareholders, proxies and external parties, and that shareholders will be able to vote by post only prior to the Meeting. Information on the resolutions of the AGM will be published on Wednesday 21 April 2021. As soon as the outcome of the postal voting has been definitively completed.

Parties wishing to participate in the AGM through postal voting should firstly be included as a shareholder in the share register maintained by Euroclear Sweden AB as of Tuesday, 13 April 2021, and secondly notify the company by 20 April 2021 by submitting their postal votes in accordance with the instructions on the website so that Karo Pharma AB has received the postal vote by that date at the latest.

For entitlement to participate at the Meeting, shareholders with nominee-registered shareholdings, apart from notifying the company of their participation at the Meeting by submitting their postal vote, must re-register their shares in their own name, so the shareholder is recorded in the share register as of the record date as of 13 April 2021. Search re-registration may be temporary (voting registration), with the nominee request in accordance with the nominee's procedure such time in advance as the nominee specifies. Voting registration completed by nominees by Thursday, 15 April 2021 at the latest will be considered when preparing the share register.

Other financial information

Interim Report Jan-Mar 21 April 2021
Interim Report Jan-Jun 22 July 2021
Interim Report Jan-Sep 28 October 2021

Financial reports, press releases, invitations to shareholders' meetings and other information is available at Karo Pharma's website www.karopharma.com from publication.

Karo Pharma's financial reports and press releases are available for subscription and download from its website. Karo Pharma prefers electronic distribution for its financial reports. The Annual Report will be mailed to those shareholders and other stakeholders that specifically request it. Printed interim reports will be mailed on request.

For more information, please contact:
Jon Johansson, CFO, tel: +46 (0)73 507 8841,
or e-mail: info@karopharma.com.

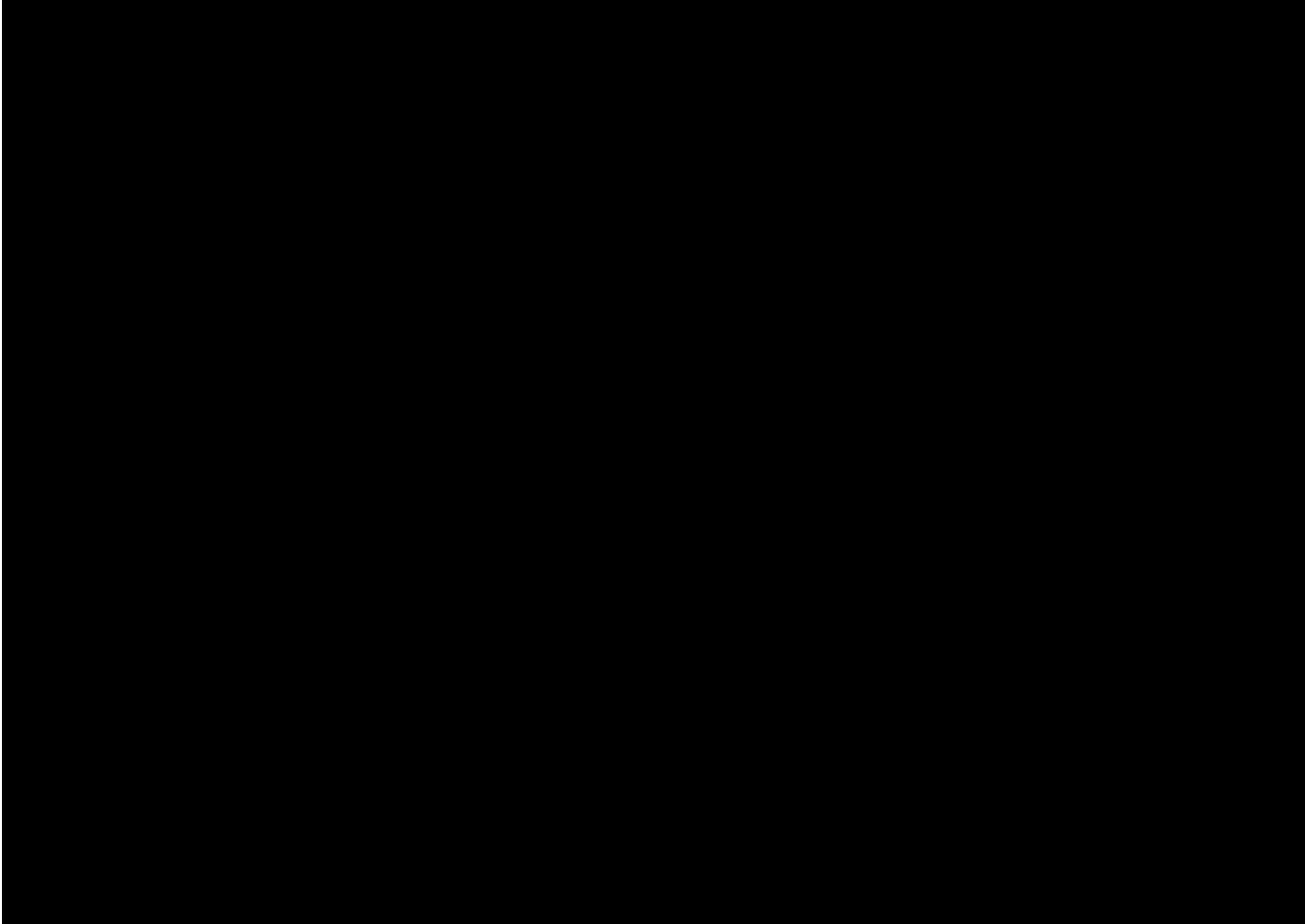
INVITATION TO AGM

100

Financial Statements

101

Financial Statements



Editor:
Karo Pharma AB

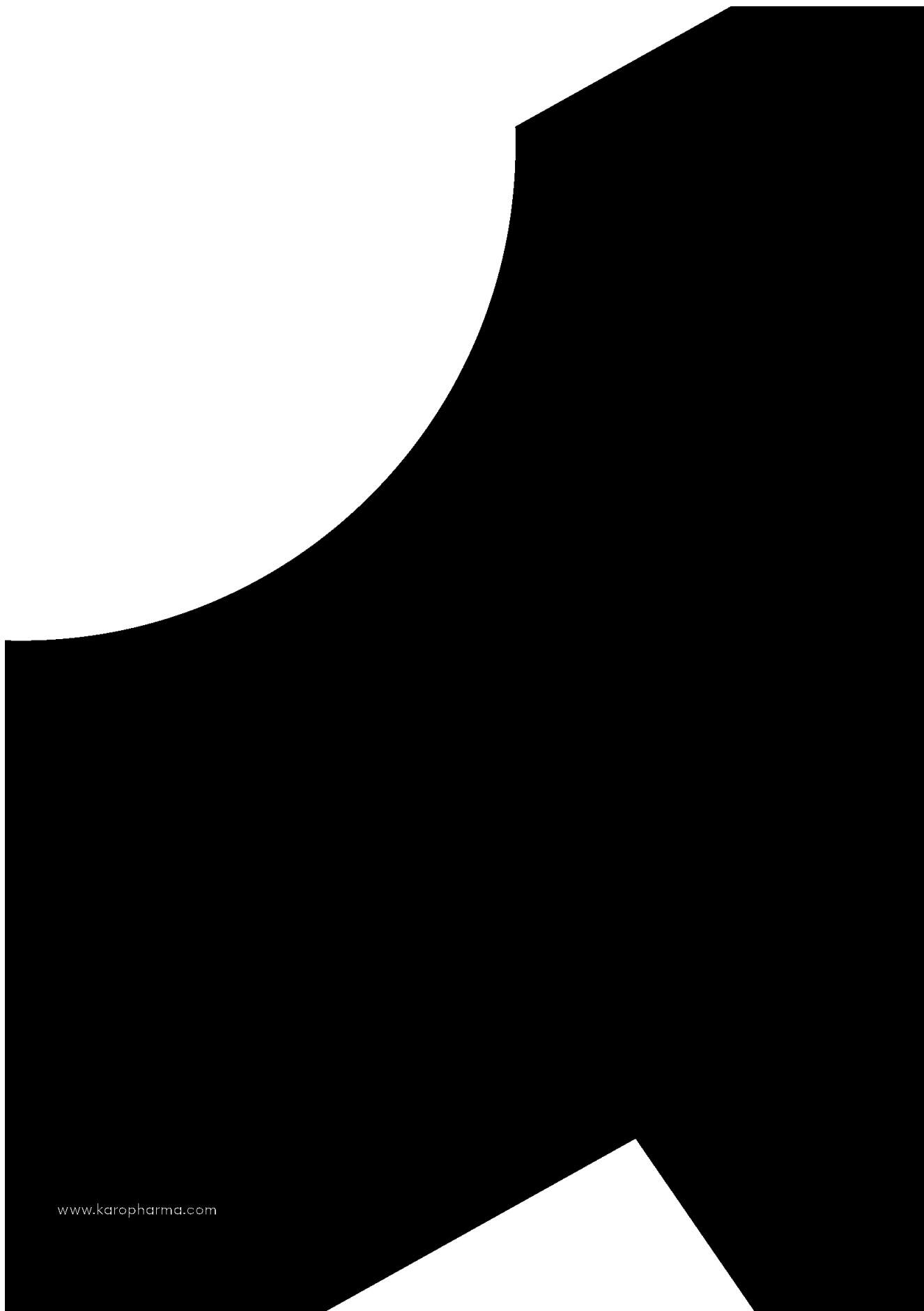
Design & production:
Studio C

Photos:
Filter Management /
Studio C

Copy:
Simple Revolution

Karo Pharma AB
Box 12684
103 24 Stockholm
Sweden

Visitors:
Klara Norra Kyrkogata 33
111 22 Stockholm
Sweden
+46 (0)8 330 2310
info@karopharma.com



www.karopharma.com