

## YEAR-END REPORT 2015

### THE FULL YEAR AND THE FOURTH QUARTER

- o Net sales increased to MSEK 69.1 (30.1), whereof the fourth quarter MSEK 57.4 (8.1)
- o Net loss was MSEK -78.2 (-59.3), whereof the fourth quarter MSEK -24.7 (-21.8)
- o Loss per share was SEK -1.57 (-1.60), whereof the fourth quarter SEK -0.49 (-0.59)
- o Cash flow from operating activities was MSEK 73.8 (-46.3), whereof the fourth quarter MSEK 120.5 (-10.7)
- o Cash and cash equivalents at the end of the period totalled MSEK 76.4 (51.6)
- o Acquisition of the companies Tanomed AB, Apropharm AS/DNE Sverige AB, Swereco Group and MedCore AB and the brand Allevo.

### SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

- o The Board of Directors proposes a rights issue of approx. MSEK 250. Underwriting agreements have been obtained for 100 per cent of the issue, of which Chairman Anders Lönner underwrites over 97 per cent.
- o The Board of Directors proposes that the parent company changes name to Karo Pharma AB

### CONFERENCE CALL / AUDIOCAST TODAY AT 10.00 A.M. CET

A presentation of the report (in Swedish) will take place today at 10 a.m. The presentation and slides are available through the corporate website [www.karobio.se](http://www.karobio.se) or by telephone +468 56 642 701. Questions may be submitted over the internet or by the telephone.

## COMMENTS ON OPERATIONS

### HIGH ACQUISITION GROWTH

During 2015, the Board of Directors has changed the corporate strategy to an increased commercial focus and distinctive risk management through investments in projects close to the market and products that can generate a positive cash flow in the near future.

Since the beginning of 2015, Pfizer manages the development of the RORgamma project. Karo Bio is entitled to compensation of approximately MUSD 200 when the project reaches specific development and sales milestones in addition to royalties from sales of future pharmaceuticals.

The commercial discussions regarding the projects ERbeta cancer and ERbeta MS have not yet resulted in adequate offers. The process to find potential partners for a licensing agreement continues.

The Board of Directors has a stated goal of creating a profitable company and thereby increased shareholder value. Operations, besides the three current development projects, will be expanded through aggressive investments in new acquisitions of; (i) innovative projects with low development risk and short time to market, and: (ii) established opera-

tions with products that have a stable earnings potential. The goal is to already 2016, turn Karo Bio into a profitable company with positive cash flow and an attractive product portfolio.

The new direction aims to create a balance between preclinical research projects, innovative business projects close to market and established operations with stable earnings potential. New products are expected to be added to the company primarily through acquisitions of companies and product rights and though collaborations with other pharmaceutical and development companies.

During 2015, the company has acquired two business projects and four established operations, which together generated net sales of approximately MSEK 325 with an annual operating profit of approximately MSEK 50. The ambition is to add projects further during 2016. In health care, there are a great many interesting acquisition opportunities, both in Sweden and abroad, that would fit Karo Bio's new direction.

This aggressive strategy may result in some financial commitments, but will generate increased shareholder value longer term.

### KEY FINANCIAL DATA

(MSEK)	Oct – Dec		Full year	
	2015	2014	2015	2014
Net sales	57.4	8.1	69.1	30.1
Cost of sales	-35.3	-	-40.5	-
Operating expenses	-46.5	-29.9	-103.5	-89.5
- of which R&D expenses	-5.4	-24.2	-35.0	-68.6
Net loss before tax	-24.8	-21.8	-75.3	-59.3
Loss per share (SEK)	-0.49	-0.59	-1.57	-1.60
Cash flow from operating activities	120.5	-10.7	73.8	-46.3
Cash and cash equivalents at the period end	76.4	51.6	76.4	51.6

*Net sales in 2015 mainly consisted of sales of products in acquired companies during September – December, while corresponding numbers from 2014 mainly consist of income from commissioned research.*

## NET SALES AND EARNINGS

Net sales during 2015 increased to MSEK 69.1 (30.1), whereof the fourth MSEK 57.4 (8.1). Since September 2015, net sales comprise mainly of product sales in acquired companies.

Cost of goods sold were MSEK 40.5 (-), whereof the fourth quarter MSEK 35.3 (-). The gross margin during the quarter was 38.5 percent. Distribution costs was MSEK 26.7 (-), whereof the fourth quarter MSEK 25.7 (-).

Research and development, which previously constituted for the majority of costs, decreased to MSEK 35.0 (68.6), whereof the fourth quarter MSEK 5.4 (24.2).

Total operating costs was MSEK 103.5 (89.5), whereof the fourth quarter MSEK 46.5 (29.9).

Other expenses including costs related to acquisitions were MSEK 24.3, whereof MSEK 16.6 during the fourth quarter. The costs were attributable to acquisitions, relocating of offices, impairment of inventory and other restructuring costs.

Operating loss and net loss was MSEK -74.9 (-59.5) and MSEK -78.2 (-59.3), whereof the fourth quarter MSEK -24.4 (-21.8) and MSEK -24.7 (-21.8). Loss per share was SEK -1.57 (-1.60), whereof the fourth quarter SEK -0.49 (-0.59).

## CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities was MSEK 73.8 (-46.3), whereof fourth quarter MSEK 120.5 (-10.7). Cash and cash equivalents amounted to MSEK 76.4 (51.6).

Total shareholders' equity amounted to MSEK 364.6 (40.9) taking into account the period's loss. Equity per share amounted to SEK 7.30 (1.11). The equity ratio at the end of the period was 56.3 (67.5) percent.

## ACQUISITIONS

In August, Karo Bio acquired Norwegian Apropharm AS and Swedish DnE Sverige AB for a consideration of approx MSEK 100. The two companies have a combined annual turnover of around MSEK 50. The product portfolio consists

mainly of pharmacy products in Norway and Sweden. Triolif, a newly registered non-prescription sore throat medication, was launched in December 2015.

In October, Karo Bio acquired Swereco Group AB for MSEK 250. Company sales are approximately MSEK 150 annually, mainly to pharmacies with branded products such as Mabs (medical compression stockings) and Dosett (pharmaceutical containers).

In October, Karo Bio also acquired MedCore AB for MSEK 18, most of which was paid with new shares. MedCore represents 25 companies and sells medical products for MSEK 50 annually.

### Acquired assets during 2015

#### *Preliminary purchase price allocation* MSEK

Purchase price	372 101
	<b>Fair value</b>
<b>Acquired assets</b>	
Product rights, customer agreements	153 900
Intangible assets	13 947
Property, plant and equipment	4 754
Accounts receivable and other assets	79 517
Accounts payable and other liabilities	-51 477
Deferred tax	-38 671
Non-current liabilities	-31 724
Cash and cash equivalents	2 390
	132 635
Non-controlling interest	-1 647
Goodwill	241 113
<b>Total</b>	<b>372 101</b>

#### *Effect of acquisitions 2015* KSEK

	Oct - Dec	Jan - Dec
Net sales	56 442	65 175
Operating profit/loss	-13 786	-14 742

#### *Effect on cash flow from acquisitions 2015* MSEK

Purchase price	227 515
Cash and cash equivalents in acquired companies	-2 390
<b>Total effect on cash flow</b>	<b>225 125</b>

The purchase price allocation is preliminary until the final allocation between goodwill and other intangible assets is definite.

In April, Karo Bio acquired a patented product that relieves and prevents colds.

In December, Karo Bio acquired the brand Allevo, with a product line in the weight loss segment, from Cederroth. The products are well established on the Nordic market with annual net sales exceeding MSEK 60.

## THE PARENT COMPANY

Net sales for the Parent Company for 2015 was MSEK 3.9 (30.1), whereof the fourth quarter MSEK 1.0 (8.1). Loss after financial items was MSEK -61.7 (-59.3), whereof the fourth quarter MSEK -10.8 (-21.7). Cash and other short-term investments of the parent company amounted to MSEK 68.7 (51.5).

## SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

### RIGHTS ISSUE

The Board proposes a rights issue to existing shareholders of approximately MSEK 250 net of transaction costs. Underwriting agreements have been obtained equivalent to 100 per cent of the issue, of which Chairman Anders Lönner underwrites over 97 per cent. In addition the Board proposes an over-allotment option of maximum MSEK 30.

Furthermore, the Board proposes a name change of the parent company to Karo Pharma AB. The purpose is to give the company a name that better reflects the business combination of projects and sales of products in the market.

In order to resolve on the proposals, the Board has convened an Extraordinary General Meeting on March 16, 2016 at 3 p.m. at Karo Bio's offices at Novum Research Park (level 8, elevator E), Hälsovägen 7, Huddinge, Sweden.

## ANNUAL GENERAL MEETING 2016

Karo Bio's Annual General Meeting will be held in Huddinge, Sweden on May 12, 2016. Information on how proposals may be submitted and how to sign up to attend the meeting will be available on the company's website [www.karobio.com](http://www.karobio.com).

## ANNUAL REPORT

Karo Bio's Annual Report for 2015 will preliminarily be published in week 13, 2016. Karo Bio has decided, for both environmental and cost reasons, to primarily distribute the Annual Report on the company website. A printed version of the Annual Report may be obtained through the Company website.

## DIVIDEND

In accordance with the dividend policy, the Board will propose the AGM that no dividend will be paid for the 2015 financial year.

## GOING CONCERN

Implemented share issues and acquisitions is estimated to be sufficient to finance the current scope of operations for considerable time.

## RISKS

The Group is exposed to a number of risks and insecurities. Wrongful, delayed or missing deliveries from the Group's suppliers mean that the Group's deliveries also may be delayed, inadequate or wrong. The Group is also exposed to exchange rate fluctuations. It is not guaranteed that Group operations will not be subject to restrictions from governmental agencies or that the Group will receive necessary future authority approvals. There is a risk that the Group's ability to develop products decreases or that the products will not be launched according to set schedules. These risks may involve decreased sales and a negative effect on Group earnings.

## TRANSACTIONS WITH RELATED PARTIES

During the period, Karo Bio has obtained a short term loan at market interest rate of MSEK 67 from its Chairman Anders Lönner in conjunction with the acquisition of Allevo. Furthermore, the Chairman Anders Lönner obtained a commission payment of MSEK 7 related to the acquisitions during 2015.

## ACCOUNTING AND VALUATION PRINCIPLES

This interim report has been prepared in accordance with International Accounting Standards (IAS) 34 for interim reports and International Financial Reporting Standards IFRS as adopted by the EU. The accounting and valuation principles applied are unchanged compared to those applied in 2014.

For the parent company, this interim report has been prepared in accordance with the Swedish Annual Accounts Act and compliance with RFR 2 *Accounting for legal entities*. The accounting principles applied for the parent company differ from those applied for the Group only regarding accounting of leasing agreements.

## REPORT PRESENTATION

A presentation of the report (in Swedish) will take place today 10.00 a.m. The presentation and slides are available through the corporate website

Huddinge on February 12, 2016

CEO Maria Sjöberg

Executive Chairman Anders Lönner

FOR FURTHER INFORMATION, PLEASE CONTACT:

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## ABOUT KARO BIO

Karo Bio is a healthcare company that develops and markets products to pharmacies and directly to healthcare providers. The share is listed on Nasdaq Stockholm.

*The information in this report is such that Karo Bio is required to disclose under the Swedish Securities Market Act. The information was disclosed on February 12, 2016 at 8.30 a.m. CET.*

[www.karobio.se](http://www.karobio.se) or by telephone +46 8 566 427 01. Questions may be submitted over the internet or by telephone.

## AUDITOR'S REVIEW

This year-end report has not been subject to review by Karo Bio's auditors.

## FINANCIAL REPORTS

Extraordinary General Meeting	March 16, 2016
Annual Report 2015	Prel week 13, 2016
Annual General Meeting	May 12, 2016
Interim Report Jan-March	May 12, 2016
Interim Report Jan-June	July 15, 2016
Interim Report Jan-Sept	October 27, 2016
Year-End Report 2016	February 16, 2017

## CONSOLIDATED INCOME STATEMENT SUMMARY (KSEK)

	October - December		January - December	
	2015	2014	2015	2014
Net sales	57 434	8 062	69 098	30 060
Cost of sales	-35 325	-	-40 494	-
Gross profit	22 109	8 062	28 604	30 060
Operating expenses				
Distribution costs	-25 728	-	-26 717	-
Administration	-7 941	-5 693	-27 150	-21 014
Research and development	-5 365	-24 182	-34 957	-68 593
Other operating income/expenses	-7 430	-9	-14 642	92
	-46 464	-29 884	-103 466	-89 515
Operating profit / loss	-24 355	-21 822	-74 862	-59 455
Financial net	-431	43	-435	173
Earnings after financial items	-24 786	-21 779	-75 297	-59 282
Tax	79	-	-2 883	-
<b>NET EARNINGS</b>	<b>-24 707</b>	<b>-21 779</b>	<b>-78 180</b>	<b>-59 282</b>
Net earnings attributable to:				
Shareholders in the parent company	-24 148	-21 779	-77 621	-59 282
Non-controlling interests	-559	-	-559	-
Depreciation included in operating expenses	-2 056	-467	-3 153	-1 867
Earnings / loss per share (SEK)	-0.49	-0.59	-1.57	-1.60
Number of shares issued (000)	49 926	36 975	49 926	36 975

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (KSEK)

	October-December		January-December	
	2015	2014	2015	2014
NET EARNINGS FOR THE YEAR	-24 707	-21 779	-78 180	-59 282
Other comprehensive income for the year, net of tax				
Exchange rate differences	-52	-	-315	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-24 759</b>	<b>-21 779</b>	<b>-78 495</b>	<b>-59 282</b>
Total comprehensive income attributable to:				
Shareholders of the parent company	-24 203	-21 779	-77 939	-59 282
Non-controlling interests	-556	-	-556	-

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (KSEK)

	31 December	
	2015	2014
Intangible assets	482 395	-
Equipment	5 701	4 050
Other financial assets	21	14
Other current assets	83 191	4 948
Cash and cash equivalents	76 435	51 609
<b>TOTAL ASSETS</b>	<b>647 743</b>	<b>60 621</b>
Shareholders' equity	364 592	40 907
Deferred tax	38 468	-
Non-current liabilities	24 566	-
Current liabilities	220 117	19 714
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>647 743</b>	<b>60 621</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (KSEK)

Attributable to shareholders of the parent company	Share capital	Other contributed capital	Accumulated losses	Non-controlling interest	Total
Amount at January 1, 2014	9 919	1 006 818	-992 898	-	23 839
Total comprehensive income for the period	-	-	-59 282	-	-59 282
Rights issue, net of transaction costs	3 606	72 744	-	-	76 350
Amount at December 31, 2014	13 525	1 079 562	-1 052 180	-	40 907
Amount at January 1, 2015	13 525	1 079 562	-1 052 180	-	40 907
Total comprehensive income for the period	-	-	-77 936	-559	-78 495
Acquisition of non-controlling interest	-	-	-	1 683	1 683
Issue of shares related to business combination	270	19 730	-	-	20 000
Issue of shares related to business combination	1 020	130 820	-	-	131 840
Issue of shares related to reverse split	4	-	-	-	4
Issue of shares related to business combination	153	16 130	-	-	16 283
Rights issue, net of transaction costs	4 998	227 372	-	-	232 370
Amount at December 31, 2015	19 970	1 473 614	-1 130 116	1 124	364 592

## CONSOLIDATED STATEMENT OF CASH FLOWS (KSEK)

	October - December		January - December	
	2015	2014	2015	2014
<b>Operating activities</b>				
Operating income/loss before financial items	-24 355	-21 822	-74 862	-59 455
Depreciation	2 056	467	3 153	1 867
Other items not affecting liquid assets	5	18	4 993	25
	-22 294	-21 337	-66 716	-57 563
Financial items received and paid	-316	172	-322	171
<b>Cash flow from operating activities before changes in working capital</b>	<b>-22 610</b>	<b>-21 165</b>	<b>-67 038</b>	<b>-57 392</b>
Changes in working capital	143 063	10 497	140 792	11 062
Cash flow from operating activities	120 453	-10 668	73 754	-46 330
<b>Investing activities</b>				
Net investment in company acquisitions	-115 633	-	-220 570	-
Net investment in intangible assets	-58 965	-	-58 965	-
Net investment in other financial instruments	-	-14	-6	-14
Net investment in equipment	16	-12	-261	-1 483
Cash flow from investing activities	-174 582	-26	-279 802	-1 497
<b>Financing activities</b>				
Net proceeds from share issues	-	-	249 919	84 748
Transaction costs share issue <sup>1)</sup>	-	-	-17 545	-8 111
Repayment of borrowings	-1 500	-	-1 500	-
Cash flow from financing activities	-1 500	-	230 874	76 637
<b>Cash flow for the period</b>	<b>-55 629</b>	<b>-10 694</b>	<b>24 826</b>	<b>28 810</b>
Cash at the beginning of the period	132 064	62 303	51 609	22 799
<b>Cash at the end of the period</b>	<b>76 435</b>	<b>51 609</b>	<b>76 435</b>	<b>51 609</b>

1) Comprises the portion of transaction related costs that has been paid in the period.



## PARENT COMPANY INCOME STATEMENT SUMMARY (KSEK)

	October - December		January - December	
	2015	2014	2015	2014
Net sales	992	8 062	3 923	30 060
Operating expenses				
Administration	-6 145	-5 692	-25 354	-21 088
Research and development	-5 364	-24 182	-34 851	-68 607
Other operating income/expenses	-50	-9	-141	92
	-11 559	-29 883	-60 346	-89 603
Operating income/loss	-10 567	-21 821	-56 423	-59 543
Financial net	-277	87	-5 263	262
Earnings after financial items	-10 844	-21 734	-61 686	-59 281
Tax	-	-	-	-
<b>NET EARNINGS</b>	<b>-10 844</b>	<b>-21 734</b>	<b>-61 686</b>	<b>-59 281</b>

## PARENT COMPANY BALANCE SHEET SUMMARY (KSEK)

	31 December	
	2015	2014
Intangible assets	73 965	-
Equipment	1 372	3 921
Other financial assets	21	14
Shares in group companies	397 788	150
Other current assets	9 301	4 867
Cash and cash equivalents	68 732	51 549
<b>TOTAL ASSETS</b>	<b>551 179</b>	<b>60 501</b>
Total restricted equity	19 970	13 525
Total non-restricted equity	359 758	27 392
Non-current liabilities	15 341	-
Current liabilities	156 110	19 584
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>551 179</b>	<b>60 501</b>