



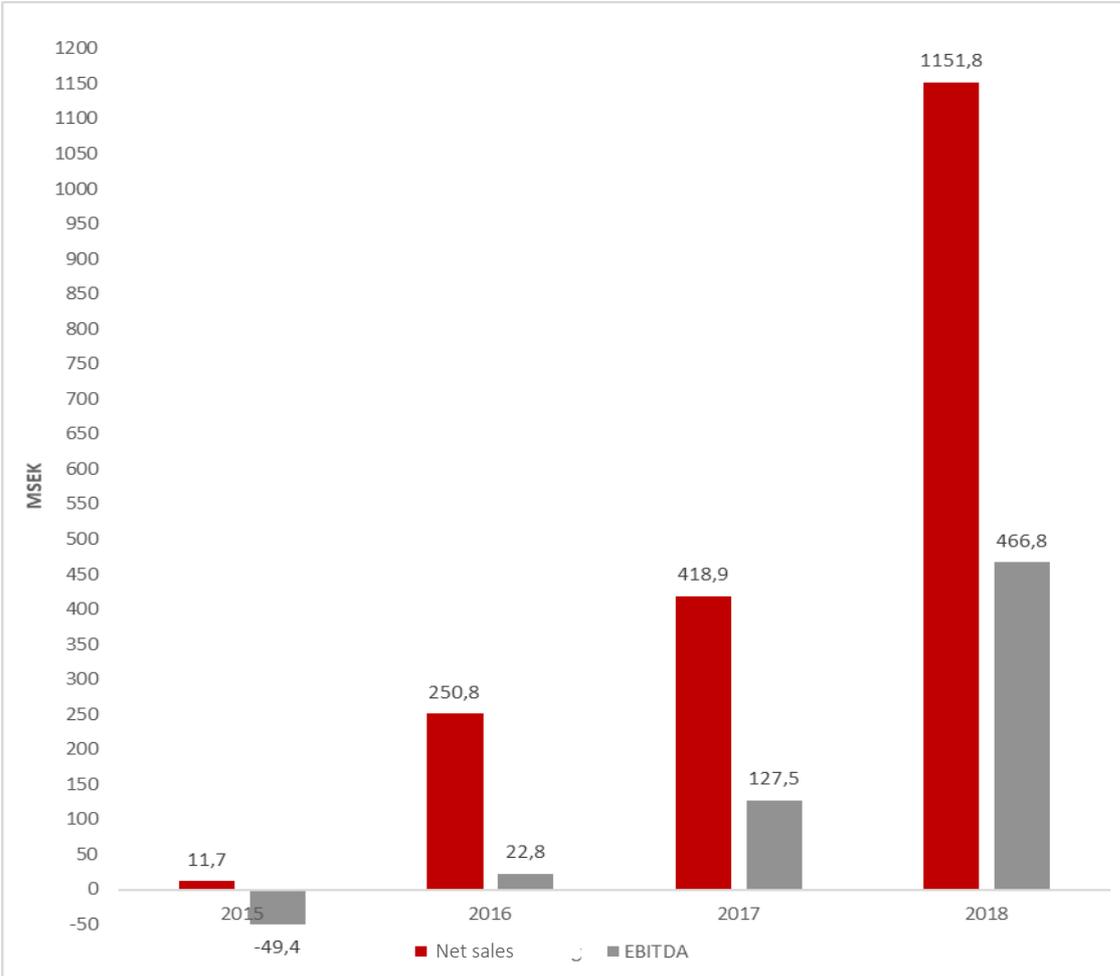
# INTERIM REPORT JANUARY–SEPTEMBER 2018

## THE PERIOD AND THE THIRD QUARTER

- EQT VIII has announced a public offer for all shares in Karo Pharma AB at SEK 36.90 per share. The Board of Directors is unanimously positive towards the offer and recommends the shareholders to accept the offer.
- Net sales amounted to MSEK 1,151.8 (418.9), of which the third quarter amounted to MSEK 395.3 (137.1). This corresponds to an increase during the period of 175%, and in the third quarter of 188%. Growth was mainly driven by acquired products.
- Organic growth during the period was +4.5%, and during the third quarter +1.1%. For the period, pharmaceuticals accounted for +5.6% of growth.
- EBITDA for the nine month period amounted to MSEK 466.8 (127.5), of which the third quarter was MSEK 145.8 (34.0), representing a margin of 40.5% (30.4%) for the period and 36.9% (24.8%) for the third quarter. EBITDA increased by 266% during the period compared with the corresponding period last year.

- Gross margin for the nine month period was 59.1% (53.8%), and for the third quarter 55.8% (47.6%). Excluding milestone payments in the second quarter of 2018, gross margin during the period was 55.8%.
- Cash flow from operating activities during the nine month period amounted to MSEK 289.9 (62.3), of which the third quarter was MSEK 153.2 (-16.2)
- Earnings per share amounted to SEK 4.69 (0.62), of which the third quarter was SEK 0.34 (0.15)
- Cash and cash equivalents and other short-term investments at the end of the period amounted to MSEK 443.1 (130.4)
- During the period June 18, 2018 until July 27, 2018, the Company repurchased 2,464,990 Karo Pharma shares within the agreed repurchasing program. The repurchasing program is thus implemented and finalized.

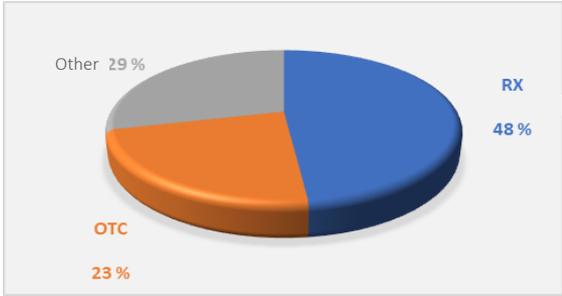
# DEVELOPMENT January – September 2015 - 2018



## KARO PHARMA'S 10 LARGEST DRUGS JAN - SEPT

Turnover per drug, top-10	
Drug	KSEK
Paracet	107 234
Selexid	88 200
Kaleorid	72 436
Ibux	68 334
Burinex	67 310
Mollipect	63 840
Locobase	57 941
Paralgin Forte	39 925
Lithionit	32 100
Centyl	28 530
<b>Total</b>	<b>625 850</b>

## TURNOVER BY CATEGORY JAN - SEPT



\* Other excluding milestones  
 Rx – Prescription drugs  
 OTC – Over the counter drugs (non-prescription)

## LETTER FROM THE EXECUTIVE CHAIRMAN

We present yet another very strong quarter for Karo Pharma.

In a separate press release, EQT VIII has announced a public offer for all Karo Pharma AB shares at 36.90 kronor per share. The Board of Directors are unanimously positive towards the public offer and recommends shareholders to accept the offer.

Karo Pharma represents a unique platform but needs to be established in further markets to develop in the best possible way. EQT has unique knowledge and financial strength to further develop the company in a positive way. For the company's employees, it is positive to form a new strong team based on Karo Pharma, with EQT.

Sales almost tripled and operating profit more than quadrupled during the quarter. The quarter was positively affected by acquired products.

The integration of the acquired products goes entirely according to plan and provides the company a platform for continued expansion.

Viruseptin<sup>®</sup>, our new product for the treatment of cold and flu, will be launched in the fourth quarter. Slicks<sup>®</sup> and Zippy<sup>®</sup> are subject to increased marketing efforts.

The pain medication Dolerin® (the combination of paracetamol and ibuprofen) will be delayed for a few months due to a replacement of contract manufacturers. Launch is now scheduled to take place in the first quarter of 2019.

The organization has been strengthened in the areas of marketing and regulatory affairs.

Synergies between acquired units are being realized. Through production agreements, we estimate to achieve cost savings of MSEK 60-80 annually to come into full effect in three years. The effort to streamline our production continues.

EBITDA and operating cash flow are improving according to plan.

Fundamentals in the company look increasingly better. For the full year 2018, we expect to achieve sales in the range of MSEK 1,600 - 1,650 and an EBITDA in the range of MSEK 625 - 650.

Anders Lönner  
Executive Chairman

## KEY FINANCIAL DATA

	July - September		January - September		Full year
	2018	2017	2018	2017	2017
Net sales	395.3	137.1	1 151.8	418.9	657.6
Gross earnings	220.5	65.3	680.7	225.4	341.9
Operating expenses	-122.4	-43.7	-334.5	-135.0	-262.0
Earnings before tax and non-recurring items	145.8	34.0	466.8	127.5	169.3
EBITDA margin	36.9%	24.8%	40.5%	30.4%	25.7%
Earnings before tax	74.2	15.7	243.8	61.7	20.9
Earnings per share (SEK) <sup>1</sup>	3.86	0.16	5.07	0.37	0.16
Cash flow from operating activities	153.2	-16.2	289.9	62.3	33.5
Cash	443.1	130.4	443.1	130.4	838.6

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

### SALES AND EARNINGS

Net sales for the period increased to MSEK 1,151.8 (418.9). Of the increase in turnover, MSEK 658.8 stems from operations acquired in Norway in the fourth quarter of 2017 and from the LEO operations, and MSEK 86.6 relates to the milestone payments received from Pfizer during the second quarter.

Cost of goods sold amounted to MSEK 471.1 (193.5). It generated a gross profit of MSEK 680.7 (225.4) and a gross margin of 59.1 (53.8) percent for the period.

Operating expenses including depreciation, other operating in-

come and other operating expenses amounted to MSEK 334.5 (135.0) for the period. Sales expenses amounted to MSEK 283.7 (104.9). The increase in sales costs relates primarily to the operations acquired in Norway, as well as costs associated with the LEO operation and the build-up of the in-house organization as a result of the Leo acquisition.

Operating profit amounted to MSEK 346.2 (90.5).

Earnings per share amounted to SEK 4.69 (0.62).

### CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities amounted to MSEK 289.9

(62.3). Cash amounted to MSEK 443.1 (130.4) at the end of the period. Cash flow during the period was MSEK -416.3 (9.3). The most significant changes compared to the previous year are cash flow associated with the acquisition of the LEO operations, cash flow linked to financing of the LEO acquisition during the second quarter 2018 and amortization of the bridge loans taken in conjunction with the acquisition of Weifa. Total assets on September 30 amounted to MSEK 7,029.3 (1,759.9), of which intangible assets accounted for MSEK 5,583.9 (1,399.9). The change in intangible assets compared to the previous year relates primarily to the acquisition of Weifa and the LEO operations.

During the second quarter, the LEO operations were acquired for MSEK 2,672. The acquisition was primarily financed through short-term loans, whereof a part has been amortized after the rights issue completed during the second quarter.

Equity increased to MSEK 3,651.0 (1,074.1).

The equity to assets ratio was 51.9 (61.0) percent.

#### PARENT COMPANY

The Parent Company's net sales during the period amounted to MSEK 438.3 (38.8) and for the third quarter to MSEK 172.9 (7.3). Profit after financial items for the period amounted to MSEK 63.2 (-10.9) and a loss after financial items for the third quarter amounting to -5.0 (-5.8). The parent company's liquid assets and other short-term investments amounted to MSEK 208.5 (42.4) at the end of the period.

#### OUTLOOK FOR 2018

Karo Pharma expects revenues for the full year to be in the range of MSEK 1,600 - 1,650.

EBITDA is expected to be in the range MSEK 625-650 for the full year.

#### SIGNIFICANT EVENTS AFTER PERIOD-END

EQT VIII has submitted a public offer for all shares in Karo Pharma AB at 36.90 SEK per share. The Board of Directors unanimously

supports the offer and recommends shareholders to accept the offer. (See separate press release).

#### TRANSACTIONS WITH RELATED PARTIES

For transactions with related parties, see note 2 below.

#### RISKS

The Group is exposed to a number of risks and insecurities.

#### CHANGES IN REGULATIONS AND HEALTHCARE SYSTEMS

Future changes in health care systems may be implemented in countries where the company and its partners intend to market pharmaceuticals. Such changes may affect the sales potential of these products as well as the ability to acquire new partners.

#### PATIENT SAFETY

Access to health care and medicine is a crucial issue for the industry. Karo Pharma applies strict standards to ensure the safety and quality of all products marketed by the company. The standard within the Good Manufacturing Practice, GMP is applicable to all medical products and the requirements are the same regardless of

where the production is performed. Even for non-medicinal products, there are different quality and safety guidelines.

#### SIDE EFFECTS

Any use of medicines is associated with the risk of side effects of different kinds and to a different extent. Concomitant use of multiple drugs or ingestion of food or drink may alter the effect of the drug. Karo Pharma works for the safe use of medicines through an inhouse department. All potential side effects are reported to the pharmaceutical authority. During the period there were no significant incidents in pharmacovigilance.

Wrongful, delayed or missing deliveries from Group suppliers may result in Group deliveries also being delayed, inadequate or faulty. The Group is also exposed to exchange rate fluctuations. It cannot be guaranteed that Group operations will not be subject to restrictions by governmental agencies or that the Group will receive necessary future authority approvals. There is a risk that the

Group's ability to develop products diminishes or that the products will not be launched according to set schedules. These risks

may involve lower sales and negatively impact Group earnings.

FINANCIAL CALENDAR

Year-end report 2018

Feb 14, 2019

#### BOARD'S ASSURANCE

The Board of Directors and the CEO ensure that the interim report gives a true and fair view of the company's and the Group's operations, position and results, and describes significant risks and uncertainties that the company and the companies that are part of the Group face.

Stockholm on 29 October 2018

Anders Lönner  
Chairman of the Board

Marianne Hamilton  
Board Member

Thomas Hedner  
Board Member

Per-Anders Johansson  
Board Member

Håkan Åström  
Board Member

Peter Blom  
CEO

FOR FURTHER INFORMATION, PLEASE CONTACT

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Mats-Olof Wallin, CFO +46 760 026 010 or [mats-olof.wallin@karopharma.se](mailto:mats-olof.wallin@karopharma.se)

## ABOUT KARO PHARMA

Karo Pharma is a specialty pharma company that develops and markets products to pharmacies and directly to healthcare providers. The share is listed on Nasdaq Stockholm in the Mid Cap segment.

*The information in this report is such that Karo Pharma is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, on October 29, 2018 at 8.00 a.m. CET.*

<b>CONFERENCE CALL / AUDIOCAST</b>
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This report will not be presented in a conference call / audiocast.
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## **Auditors review report**

Karo Pharma AB (publ) company registration number 556309-3359

### **Introduction**

We have performed a limited review of the interim financial information (interim report) of Karo Pharma AB as per 30 September 2018 and the nine-month period ended on that date. The Board and the CEO are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### **Focus and scope of the review**

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Company's Elected Auditor. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical review and undertaking other review procedures. A review has a different focus and is substantially less in scope than the focus and scope of an audit in accordance with the International Standards on Auditing and generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain a level of assurance such that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

### **Conclusion**

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

Stockholm October 29, 2018

PricewaterhouseCoopers AB

Mikael Winkvist

Authorised Public Accountant

## CONSOLIDATED INCOME STATEMENT SUMMARY (KSEK)

	July - September		January - September		Full year 2017
	2018	2017	2018	2017	
Net sales	395 325	137 094	1 151 836	418 890	657 606
Cost of sales	-174 784	-71 826	-471 098	-193 465	-315 703
Gross profit	220 542	65 268	680 738	225 425	341 904
Operating costs					
Distribution costs	-103 453	-34 322	-283 733	-104 880	-198 609
Administration	-18 852	-11 833	-51 360	-27 154	-43 650
Research and development	0	-208	-615	-2 853	-4 355
Other operating income/expenses	-65	2 663	1 200	-60	-15 385
Total operating costs	-122 370	-43 700	-334 508	-134 947	-261 999
Operating profit	98 171	21 568	346 229	90 478	79 904
Financial net	-23 931	-5 897	-102 448	-28 764	-59 054
Profit before tax	74 241	15 671	243 781	61 714	20 851
Tax	-7 423	-3 833	397 201	-11 973	-6 346
NET PROFIT	66 818	11 838	640 982	49 741	14 505
Net earnings attributable to:					
Shareholders in the parent company	66 819	11 843	640 985	49 757	14 516
Non-controlling interests	-1	-15	-3	-	-11
Earnings per share (SEK) <sup>1</sup>	3.86	0.16	5.07	0.37	0.16
Number of shares issued (000)	164 333	82 166	164 333	82 166	82 166

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (KSEK)

	July - September		January - September		Full year 2017
	2018	2017	2018	2017	
NET PROFIT FOR THE PERIOD	66 818	11 838	640 982	49 741	14 505
Other comprehensive income for the period, net of tax					
Exchange rate differences	-15 685	56	90 927	-356	-20 638
TOTAL COMPREHENSIVE INCOME	51 133	11 894	731 909	49 385	-6 133
Total comprehensive income attributable to:					
Shareholders in the parent company	51 135	11 908	731 911	49 402	-6 122
Non-controlling interests	-1	-15	-3	-	-11

## CONSOLIDATED REPORT OVER FINANCIAL POSITION

	30 September 2018	2017	31 December 2017
<b>Assets</b>			
Intangible assets	5 583 937	1 399 882	2 923 110
Equipment	15 642	12 845	14 498
Other financial assets	560 829	216	79 686
Other current assets	425 736	216 555	285 969
Cash and cash equivalents	443 112	130 387	838 586
<b>TOTAL ASSETS</b>	<b>7 029 256</b>	<b>1 759 885</b>	<b>4 141 848</b>
<b>Shareholders' equity and liabilities</b>			
Equity	3 650 975	1 074 103	1 586 515
Deferred tax	155 449	53 464	89 537
Long term debt	1 980 226	466 779	1 452 623
Current liabilities	1 242 606	165 539	1 013 172
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>7 029 256</b>	<b>1 759 885</b>	<b>4 141 848</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (KSEK)

<b>Attributable to shareholders of the parent company</b>	<b>Share capital</b>	<b>Ongoing rights issue</b>	<b>Other contributed capital</b>	<b>Retained earnings/ accumulated losses</b>	<b>Non- controlling interest</b>	<b>Total equity</b>
Amount at 1 January 2017	25 563	0	1 726 100	-1 034 773	122	717 012
Total comprehensive income			-	-6 051	-82	-6 133
Dividend				-41 083	-	-41 083
Rights issue, net proceeds	7 303		341 487	-	-	348 790
Rights issue paid in, not registered equity net of transactions costs		8 501	559 428			567 929
Amount at 31 December 2017	32 866	8 501	2 627 015	-1 081 907	40	1 586 515
Amount at 1 January 2018	32 866	8 501	2 627 015	-1 081 907	40	1 586 515
Total earnings				731 911		731 911
Dividend				-32 867	-	-32 867
Repurchasing of own shares				-76 951		-76 951
Rights issue, net proceeds	32 867	-8 501	1 418 003	-	-	1 442 369
Rights issue paid in, not registered equity net of transaction costs						0
Amount at 30 September 2018	65 733	0	4 045 018	-459 813	40	3 650 978

## CONSOLIDATED STATEMENT OF CASH FLOWS (KSEK)

	July - September		January - September		Full year
	2018	2017	2018	2017	2017
<b>Operating activities</b>					
Operating income/loss before financial items	98 171	21 567	346 229	90 477	79 904
Depreciation	47 636	12 414	120 575	37 029	60 561
Other items not affecting liquid assets	-2	0	0	0	0
	145 805	33 981	466 805	127 506	140 465
<b>Financial items received and paid</b>					
Financial items received and paid	-49 960	-6 780	-105 449	-20 201	-47 986
Income tax paid	-478	-837	-2 090	-5 037	-2 292
Cash flow from operating activities before changes in working capital	95 368	26 364	359 266	102 268	90 186
Changes in working capital	57 787	-42 526	-69 394	-39 962	0
Cash flow from operating activities	153 155	-16 162	289 871	62 306	90 186
<b>Investing activities</b>					
Net investment in company acquisitions	0	-3 008	0	-5 033	-1 255 689
Net investment in intangible assets	-76	-27	-2 674 620	-292	-4 075
Net investment in other financial instruments	0	0	0	17 671	17 671
Net investment in equipment	-390	-702	-2 216	-2 068	-3 721
Cash flow from investing activities	-466	-3 737	-2 676 836	10 278	-1 245 815
<b>Financing activities</b>					
Net proceeds from share issues	-57 346	0	1 415 691	374 014	990 309
Transaction costs share issue <sup>1)</sup>	0	0	-98 340	-25 223	-25 523
Dividend	0	0	-32 867	-41 083	-41 083
Warrants	0	0	0	0	0
Borrowings	0	0	4 243 507	0	1 750 368
Repayment of loans	0	0	-3 557 281	-371 000	-743 017
Transactions with minorities	0	0	0	0	0
Cash flow from financing activities	-57 346	0	1 970 710	-63 292	1 931 054
Cash flow for the period	95 342	-19 899	-416 255	9 292	775 426
Cash at the beginning of the period	333 562	150 190	838 586	121 346	121 346
Currency exchange in cash	14 207	96	20 780	-251	-1 519
Cash at the end of the period	443 111	130 387	443 111	130 387	895 253

<sup>1)</sup> Comprises the portion of transaction costs paid during the period

## PARENT COMPANY INCOME STATEMENT SUMMARY (KSEK)

	July - September		January - September		Full year
	2018	2017	2018	2017	2017
Net sales	172 894	7 252	438 277	38 839	39 269
Cost of sales	-71 346	0	-146 099	-10	152
Gross profit	101 548	7 252	292 178	38 829	39 420
Operating costs					
Sales costs	-76 764	-2 424	-111 792	-4 487	-5 518
Administration	-9 474	-4 735	-24 519	-12 671	-19 158
Research and development	0	-207	-615	-2 852	-4 355
Other operating income/expenses	-85	855	1 870	-401	-594
Total operating costs	-86 323	-6 511	-135 055	-20 411	-29 624
Operating profit	15 226	741	157 123	18 418	9 796
Financial net	-20 176	-6 517	-93 931	-29 295	-55 033
Profit/loss before tax	-4 950	-5 776	63 192	-10 877	-45 237
Group contributions paid	0	0	0	0	65 537
Tax	592	0	418 254	0	-62
NET PROFIT/LOSS	-4 358	-5 776	481 446	-10 877	20 238

\* Sales costs consist of amortization on trademarks which were reported separately during the corresponding period last year.

## PARENT COMPANY BALANCE SHEET SUMMARY (KSEK)

	30 September		31 December
	2018	2017	2017
<b>Assets</b>			
Intangible assets	2 658 786	1 399 882	76 279
Equipment	0	12 845	16
Deferred tax receivables	493 254	0	75 000
Other financial assets	380 068	216	350 388
Shares in group companies	2 647 153	0	2 646 768
Other current assets	146 065	216 555	127 073
Cash	208 499	130 387	695 191
<b>TOTAL ASSETS</b>	<b>6 533 825</b>	<b>1 759 886</b>	<b>3 970 715</b>
<b>Shareholders' equity and liabilities</b>			
Equity	3 421 439	1 074 103	1 607 442
Current liabilities	1 991 375	466 780	1 464 152
Long term debt	1 121 011	165 539	899 121
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>6 533 825</b>	<b>1 759 886</b>	<b>3 970 715</b>

## Note 1

### ACCOUNTING AND VALUATION PRINCIPLES

This interim report has been prepared in accordance with International Accounting Standards 34 for interim reports and international accounting standards IFRS as adopted by the EU. The accounting and valuation principles that have been used are unchanged compared to those applied in 2017, except for those listed in this Note under new accounting principles for 2018.

For the parent company, this interim report has been prepared in accordance with the Annual Accounts Act and RFR 2 *Accounting for Legal Entities*. The accounting policies applied to the Parent Company differ from those applied to the Group solely on the accounting of leasing agreements.

### NEW ACCOUNTING PRINCIPLES FOR 2018

As of January 1, 2018, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments came into force. IFRS 15 regulates how accounting of revenue shall be done and IFRS 9 deals with the classification, valuation and accounting of financial instruments. Karo Pharma has during the fourth quarter 2017 completed the analysis of the effects of implementing these two standards. There are no changes of significant size that affects earnings or financial position.

	Jan -June		FY
	2018	2017	2017
RX drugs	261.7	103.2	232.0
OTC drugs	141.6	5.4	66.0
Other	353.1	173.2	359.6
Total net sales	756.5	281.8	657.6

\*The category Other include a milestone payment in 2018 totaling MSEK 86.6.

## Note 2

### TRANSACTIONS WITH RELATED PARTIES

In connection with Karo Pharma's acquisition of the company Medcore, two smaller products were licensed by a company held by Chairman Anders Lönner for more than 10 years. Karo Pharma receives 15% in commission on sales which is the same compensation that Medcore received.

Chairman Anders Lönner and Board members Per-Anders Johansson and Håkan Åström as well as the Nomination Committee and the shareholder Leif Edlund, who together hold approximately 17.8% of the capital and votes in the Company, committed to subscribe for their respective pro rata share in the proposed rights issue. The remaining part of the rights issue

was underwritten by Anders Lönner, Leif Edlund and Håkan Åström, who received a 2.5% remuneration on their respective underwriting commitment. Total underwriting and subscription fees paid amounted to MSEK 27.0.

A company owned by Anders Lönner, Beampoint has transferred a trademark (Viruseptin) to Karo Pharma for a sum corresponding to the registration fee.

### **Note 3**

#### ACQUISITIONS

On April 4, 2018, Karo Pharma acquired an operation from Leo Pharma (the LEO operations). The acquisition is an asset purchase transaction and includes a product portfolio of well-known drug brands as well as a platform for further development in Scandinavia as well as elsewhere in Europe and around the world.

The consideration amounted to MSEK 2,673. The assets acquired relate to product rights and goodwill. Acquired Goodwill is attributable to the platform for continued operations in Scandinavia and Europe that the acquisition of the LEO operations entails.

As the acquisition of the LEO portfolio is of a commercial takeover character, it also adds an obligation for the Company to acquire the inventory of the LEO product portfolio. This cost is estimated at approximately MSEK 100 and is expected to be paid in the second half of 2018.

The acquisition relates only to assets belonging to the former owner as part of an integrated business and has no separate historical financial information and not a separate operation with associated assets, liabilities and obligations. Consequently, a pro forma income statement as if the acquisition had taken place on January 1 and which gives a fair image cannot be established. Furthermore, this means that a preliminary acquisition analysis cannot be prepared.

Acquisition-related costs in Karo Pharma AB amount to approximately MSEK 0.5.

The consideration amounts to MSEK 2,673. Since no liquid funds were acquired, cash flow was consistent with the purchase price.

The acquisition analysis of the acquisition of the LEO operations has not yet been established. The company is currently evaluating the future potential and life of the acquired products. Once this analysis is completed, the acquisition analysis will be determined, thereby determining the distribution between product rights and goodwill.

Karo Pharma will gradually take over the management of the products. During a transitional period, LEO Pharma manages the product portfolio on Karo Pharma's behalf against reimbursement at market terms. Under the agreement, the transitional period may be 24 months.

As a result of the acquisition, costs are expected to occur in quarter two to quarter four 2018 for setting up new subsidiaries and expansion of the existing sales organization (approx. MSEK 50) and costs associated with integration and expansion of Karo Pharma's regulatory organization (approx. MSEK 20).

## Note 4

### DEFINITIONS

In the report, a number of financial performance measures are referred to which are not defined by IFRS. These measures are used to help investors, management and other stakeholders to analyze the company's operations. These measures may differ from measures with similar names at other companies.

Below are a number of financial performance measures and how these are used to analyze the company's goals.

For further definitions, see the Annual Report 2017 under the heading definitions.

Financial performance measure	Definition	Purpose
Average number of shares	Weighted average number of shares	
Earnings per share	Earnings per average number of shares	
Equity ratio	Equity as a percentage of Total assets	The equity ratio is relevant for investors and other stakeholders who want to assess the company's financial stability and ability to manage long term.
Gross margin	Gross earnings as a percentage of Net sales.	Gross earnings is used to show the company's margin before the impact of costs such as sales and administration costs and R & D.
Adjusted EBITDA	Operating earnings before depreciation excluding items affecting comparability	The financial performance measure shows the underlying earnings from operations, adjusted for effect of depreciation and items that affect comparisons over time. It provides a picture of earnings generated from ongoing operations.
Adjusted EBITDA margin	Adjusted EBITDA in relation to Net sales	The ratio is used to measure the profitability of ongoing operations.

Reconciliation adjusted EBITDA	July-Sept		Jan-Sept		2017
	2018	2017	2018	2017	
Operating profit	98 171	21 568	346 229	90 478	79 904
Depreciation	47 636	12 415	120 575	37 029	61 744
Other depreciation and amortization	0	0	0	0	0
Items affecting comparability	0	0	0	0	27 615
Adjusted EBITDA	145 807	33 982	466 805	127 507	169 264

Items affecting comparability are:

- Transaction costs linked to the acquisition of product rights, trademarks, licenses or companies.
- Costs related to restructuring and reorganization, e.g. in the case of acquisitions