



# Offer to the shareholders of Karo Pharma Aktiebolag

**S|E|B**

## IMPORTANT INFORMATION

### General

Fund VIII Swe Bidco AB, under name change to Karo Intressenter AB, corporate number 559160-9416 ("Karo Intressenter") has made a public offer for all the outstanding shares in Karo Pharma Aktiebolag, corporate number 556309-3359 ("Karo Pharma" or the "Company") in accordance with the conditions set out in this offer document (the "Offer" and the "Offer Document", respectively). Any mentioning of "Karo Intressenter" or the "Offeror" in this Offer Document refers to Karo Intressenter or the group in which Karo Intressenter is the parent company. Any mentioning of "Karo Pharma" or the "Group" in this Offer Document refers to Karo Pharma Aktiebolag or the group in which Karo Pharma is the parent company. This Offer Document has been prepared as a result of the Offer.

The information in this Offer Document is intended to be accurate, although not complete, only as of the date of the Offer Document. No warrant or guarantee is given that the information has been or will be accurate at any other time. Where applicable, Karo Intressenter will prepare supplements to the Offer Document in accordance with applicable laws and regulations, including the Swedish Financial Instruments Trading Act (Sw. *lagen om handel med finansiella instrument*) and Nasdaq Stockholm's Takeover Rules. The information in the Offer Document is provided solely with respect to the Offer and is not permitted to be used for any other purpose.

The information regarding Karo Pharma on pages 15-42 in the Offer Document is based on information published by Karo Pharma and has been reviewed by the Board of Directors of Karo Pharma. Karo Intressenter does not guarantee that the information included herein with respect to Karo Pharma is accurate or complete and does not take any responsibility for such information being accurate or complete.

Skandinaviska Enskilda Banken AB (publ) ("SEB") as financial advisor is acting exclusively for Karo Intressenter and no one else in connection with the Offer and will not be responsible to anyone other than Karo Intressenter. SEB has not undertaken any obligation to verify the information contained herein and disclaims any liability with respect to such information.

Apart from what is expressly stated, no information in the Offer Document has been audited or reviewed by Karo Pharma's or Karo Intressenter's auditors.

### Applicable law, disputes and translations

The Offer, as well as the agreements entered into between Karo Intressenter and the shareholders of Karo Pharma as a result of the Offer, shall be governed and construed in accordance with substantive Swedish law. Nasdaq Stockholm's Takeover Rules (the "Takeover Rules") and the Swedish Securities Council's (Sw. *Aktiemarknadsnämnden*) rulings and statements on the interpretation and application of the Takeover Rules, including, where applicable, the Swedish Securities Council's rulings and statements on the interpretation and application of the formerly applicable Rules on Public Offers for the Acquisitions of Shares issued by the Swedish Industry and Commerce Stock Exchange Committee (Sw. *Näringslivets Börskommitté*), are applicable to the Offer. Karo Intressenter has, in accordance with the Swedish Takeover Act (Sw. *lagen (2006:451) om offentliga uppköperbjudanden på aktiemarknaden*) (the "Takeover Act"), on 26 October 2018 contractually undertaken towards Nasdaq Stockholm to comply with said rules, rulings and statements and to submit to any sanctions that can be imposed on Karo Intressenter by Nasdaq Stockholm in the event of a breach of the Takeover Rules. Karo Intressenter has on 29 October 2018 informed the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*) ("SFSA") about the Offer and the abovementioned undertakings towards Nasdaq Stockholm. Any dispute regarding the Offer, or which arises in connection therewith, shall be exclusively settled by Swedish courts, and the City Court of Stockholm (Sw. *Stockholms tingsrätt*) shall be the court of first instance.

The Offer Document is available in Swedish and in English. The Swedish language version of the Offer Document has been approved and registered by the SFSA in accordance with the regulations in Chapter 2 of the Swedish Takeover Act (Sw. *lagen (2006:451) om offentliga uppköperbjudanden*) and Chapter 2a of the Swedish Financial Instruments Trading Act (Sw. *lagen (1991:980) om handel med finansiella instrument*). The registration with the SFSA does not imply that the SFSA guarantees that the factual information in the Offer Document is correct or complete. In the event of any discrepancy in content between the two language versions, the Swedish version shall prevail.

### Forward-looking statements

To the extent this Offer Document contains forward-looking statements, such statements do not represent facts and are subject to risks and uncertainties. Forward-looking statements express intentions, opinions or current expectations and are characterised by words such as "will", "expect", "believe", "estimate", "intend", "aim", "assume" or similar expressions. The forward-looking statements contains, among other things, statements about the consequences for Karo Pharma's future operations as a result of the realisation of the Offer. This information reflects Karo Intressenter's current plans, estimates and forecasts which are based on the information currently available to Karo Intressenter and these expectations rest upon assumptions that are subject to risks and uncertainties that are difficult to predict and usually cannot be influenced by Karo Intressenter. It should be kept in mind that the actual events or consequences may differ materially from those contained in or expressed by such forward-looking statements.

All forward-looking statements are based on existing conditions as of the date of the Offer Document. Karo Intressenter has no obligation (and expressly disclaims any such obligation) to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by laws and regulations applicable to the Offer.

### Information for shareholders outside Sweden and for banks, brokers, dealers and other nominees holding shares for persons with residence outside Sweden

In order for persons to view the Offer Document or to participate in the Offer, the person must not reside in Australia, Canada, Hong Kong, Japan, New Zealand, South Africa or United States of America and must otherwise participate in the Offer in accordance with the conditions set out in the Offer Document.

The Offer, pursuant to the terms and conditions presented in this offer document, is not being made to persons whose participation in the Offer requires that any additional offer document is prepared or that any other measures are taken in addition to those required under Swedish law. This Offer Document is not being published in or distributed to or into and must not be mailed or otherwise distributed or sent in or into any country in which the distribution or offering would require any such additional measures to be taken or would be in conflict with any law or regulation in such countries. Karo Intressenter will not accept or allow any such distribution. If any person residing in Australia, Canada, Hong Kong, Japan, New Zealand, South Africa or United States of America or an agent, nominee or any other intermediary acting on behalf of a principal in Australia, Canada, Hong Kong, Japan, New Zealand, South Africa or United States of America tries to accept the Offer as a result of having directly or indirectly violated these restrictions, the acceptance may be disregarded.

The Offer is not an offer to acquire or sell securities in Australia, Canada, Hong Kong, Japan, New Zealand, South Africa or United States of America or any other jurisdiction in which such an offer would be in conflict with applicable laws or regulations. The Offer is not being made, directly or indirectly, by the use of mail or any other means of communication (which includes, but is not limited to, facsimile transmission, electronic mail, telex, telephone, the internet or other forms of electronic transmission) in or into Australia, Canada, Hong Kong, Japan, New Zealand, South Africa or United States of America, and the Offer cannot be accepted and shares may not be tendered in the Offer by any such use or means of communication in or from Australia, Canada, Hong Kong, Japan, New Zealand, South Africa or United States of America. Accordingly, this Offer Document and any documentation related to the Offer will not be mailed or otherwise distributed to or in Australia, Canada, Hong Kong, Japan, New Zealand, South Africa or United States of America. Karo Intressenter will not deliver any consideration from the Offer into Australia, Canada, Hong Kong, Japan, New Zealand, South Africa or United States of America. The Offer Document will not be sent, and may not be sent, to shareholders with registered addresses in Australia, Canada, Hong Kong, Japan, New Zealand, South Africa or United States of America. Banks, brokers, dealers and other nominees holding shares for persons residing in Australia, Canada, Hong Kong, Japan, New Zealand, South Africa or United States of America may not forward the Offer Document or other related documents to such persons. Any acceptance given by an intermediary acting on behalf of a principal located in United States of America may be disregarded. In this Offer Document United States of America refers to the United States of America, its territories, each of the states of United States of America and the District of Columbia.

# Table of contents

Offer to the shareholders of Karo Pharma	2
Terms and conditions	4
Background and reasons for the Offer	7
Recommendation from the Board of Directors of Karo Pharma	8
Fairness opinion from Deloitte	12
Description of Karo Intressenter and the financing of the Offer	14
Description of Karo Pharma	15
Summary of financial information	16
Share capital and ownership structure	19
Articles of association of Karo Pharma	22
Board of Directors, Management and Auditors in Karo Pharma	23
Karo Pharma's interim report for the nine months ended 30 September 2018	25
Statement from the Board of Directors of Karo Pharma	43
Swedish tax considerations	44
Addresses	45

## The Offer in brief

<b>Consideration:</b>	For each outstanding share in Karo Pharma, SEK 36.90 is offered (the " <b>Offer Price</b> ")
<b>Acceptance period:</b>	13 November – 10 December 2018
<b>Expected settlement date:</b>	On or around 18 December 2018

# Offer to the shareholders of Karo Pharma

## The Offer

On 29 October 2018, EQT VIII<sup>1)</sup> ("EQT VIII"), through Karo Intressenter AB<sup>2)</sup> ("Karo Intressenter"), announced a public cash offer to the shareholders in Karo Pharma to transfer all outstanding shares in Karo Pharma to Karo Intressenter. The Karo Pharma shares are listed on Nasdaq Stockholm Mid Cap segment under the ticker "KARO".

The Offeror offers the shareholders in Karo Pharma SEK 36.90 in cash per share in the Company. No commission will be charged in connection with the Offer.

The total number of shares in Karo Pharma is 164,332,782, of which 161,867,792 shares are outstanding (the Company holds 2,464,990 own shares). The Offer comprises all outstanding shares<sup>3)</sup> in Karo Pharma. The total Offer value based on all outstanding shares in Karo Pharma amounts to SEK 5,973 million.<sup>4)</sup>

## Consideration

All shareholders in Karo Pharma are offered SEK 36.90 in cash per share in the Company.

## Valuation

At the announcement of the Offer, the total market value of all outstanding shares in Karo Pharma amounted to SEK 5,973 million<sup>5)</sup>. Based on an estimated net debt of SEK 2,595 million for 2018, the total enterprise value of Karo Pharma therefore amounts SEK 8,568 million<sup>6)</sup>. Based on the Company's own estimate of a total turnover in the interval SEK 1,600 – 1,650 million for the fiscal year 2018 and an EBITDA<sup>7)</sup> in the interval SEK 625–650 million<sup>8)</sup>, the Offer corresponds to a valuation multiple of 5.2x to 5.4x the turnover and 13.2x to 13.7x EBITDA for 2018. This can be compared to other relevant transactions in the sector (see table below), which, on average, have been executed at multiples of approximately 4.0x the turnover and 12.7x EBITDA<sup>9)</sup>.

## Comparable transactions in the pharmaceutical sector<sup>1)</sup>

Target company	Buyer	Date <sup>2)</sup>	Enterprise value (SEK billion) <sup>3), 4)</sup>	Valuation multiples <sup>4)</sup>	
				Enterprise value/ Turnover	Enterprise value/ EBITDA
Recordati S.p.A.	CVC Capital Partners	Jun-18	64.1	4.8x	13.5x
Zentiva N.V.	Advent International	Jun-18	19.7	2.6x	12.3x <sup>5)</sup>
Stada Arzneimittel AG	Cinven Partners LLP & Bain Capital	Jul-17	50.3	2.4x	13.2x
Ethypharm S.A.	PAI Partners	Jun-16	6.7	3.9x	12.1x <sup>5)</sup>
Meda AB	Mylan N.V.	Feb-16	83.6	4.3x	12.9x
AMCo	Concordia Healthcare Corp	Sep-15	29.5	7.3x	13.7x
Nycomed	Takeda Pharmaceutical Company Ltd	May-11	86.2	3.0x	11.3x
<b>Mean value</b>				<b>4.0x</b>	<b>12.7x</b>

1) The underlying data is based on publicly available information as well as reports and material from authorities. In some cases the data is based on information from the media, in these latter cases it is specifically indicated that such is the case in notes. EBITDA has, to the extent it is available, been based on so-called adjusted EBITDA that excludes items of one-time character. Net debt and EBITDA (including adjusted EBITDA) are key ratios that are not calculated in accordance with IFRS. Different companies might therefore use different definitions of such key ratios, which might affect the comparability.

2) The date of announcement of the transaction. In connection with public offers this is typically the day of announcement of the offer document, whilst it in connection with private transactions refers to when an acquisition agreement has been signed.

3) Enterprise value has been recalculated from local currencies to Swedish Krona based on the exchange rate as per the date of the transaction in question.

4) Enterprise value is defined as the market value of all outstanding shares plus the latest reported net debt. The valuation multiples refer to enterprise value divided by turnover and EBITDA, respectively, for the latest full fiscal year.

5) EBITDA based on information from the media.

1) The fund known as EQT VIII, comprising of EQT VIII SCSp acting by its alternative investment fund manager (*gestionnaire*), EQT Fund Management S.à r.l. EQT Fund Management S.à r.l. is a private limited liability company (*société à responsabilité limitée*), incorporated and existing under Luxembourg law, having its registered office at 26A, Boulevard Royal, L-2449 Luxembourg, registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés, Luxembourg*) under number B 167.972, acting as manager (*gérant*) of EQT VIII SCSp, a Luxembourg special limited partnership (*société en commandite spéciale*) with its registered office at 26A, Boulevard Royal, L-2449 Luxembourg and registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés, Luxembourg*) under number B 217.293.

2) A newly formed company indirectly wholly owned by EQT VIII, under name change from Fund VIII Swe Bidco AB.

3) The number of outstanding shares in Karo Pharma amount to 161,867,792 shares. Outstanding shares are calculated as the total number of shares in Karo Pharma amounting to 164,332,782 shares less shares held by the Company, amounting to 2,464,990 shares.

4) If, prior to settlement of the Offer, Karo Pharma pays dividend or makes any other value transfer to shareholders, the Offer as set out above will be reduced accordingly.

5) The total number of shares in Karo Pharma amounts to 164,332,782, out of which 161,867,792 are outstanding (the Company holds 2,464,990 of its own shares).

6) Enterprise value is defined as the value of outstanding shares (see note above) plus net debt. The information on Karo Pharma's estimated net debt for 2018 has been taken from Bloomberg.

7) EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization) is a measure of a company's operating profit before interest, taxes, depreciations, amortizations and goodwill amortizations.

8) In Karo Pharma's interim report for the nine months ended 30 September 2018, it was communicated that the Company expects to reach a turnover in the interval SEK 1,600 – 1,650 million and an EBITDA in the interval SEK 625 – 650 million for the fiscal year 2018.

9) Net debt and EBITDA are key ratios that are not calculated in accordance with IFRS. Different companies might therefore use different definitions of such key ratios, which might affect the comparability.

### Premium

The Offer represents a premium of:

- 25.3 per cent for the shares in Karo Pharma in relation to the latest closing price on Nasdaq Stockholm on 26 October 2018, which is the last day of trading prior to the announcement of the Offer;
- 17.2 per cent for the shares in Karo Pharma in relation to the volume weighted average price of the share during a period of 30 trading days prior to the announcement of the Offer; and
- 17.3 per cent for the shares in Karo Pharma in relation to the volume weighted price for the shares on Nasdaq Stockholm during a period of 180 trading days prior to the announcement of the Offer.

### Conflicts of interest

The Chairman of the Board of Directors of Karo Pharma, Anders Lönner, and the member of the Board of Directors Per Anders Johansson, through Nomic Aktiebolag (corporate number 556235-7110), have, after the announcement of the Offer, through separate agreements entered into on 7 November 2018, undertaken to accept the Offer (see “—Undertakings to accept the Offer”). Subsequent to their undertakings to accept the Offer, neither Anders Lönner nor Per-Anders Johansson have participated in the Board of Directors’ continued administration of the Offer.

### Karo Intressenter’s shareholding in Karo Pharma

As of the date of the Offer Document, EQT VIII holds, through Karo Intressenter, in total 20,880,874 shares in Karo Pharma, corresponding to 12.9 per cent of the total number of outstanding shares and votes in Karo Pharma. Karo Intressenter acquired all its shares in Karo Pharma after the announcement of the Offer, at a maximum price of SEK 36.90 per share. Karo Intressenter’s current shareholding in Karo Pharma, together with the shares covered by the irrevocable undertakings to accept the Offer (see section “—Undertakings to accept the Offer” below), comprises in aggregate to 42,823,014 shares, corresponding to approximately 26.5 per cent of the total number of outstanding shares and votes in Karo Pharma as per the day of the Offer Document.

During the acceptance period of the Offer, the Offeror might acquire, or enter into agreements to acquire, additional shares in Karo Pharma at a price that does not exceed the Offer Price. All such acquisitions or agreements will be in accordance with the Takeover Rules and Swedish law and will be disclosed in accordance with applicable rules.

### Undertakings to accept the Offer

The Chairman of the Board of Directors of Karo Pharma, Anders Lönner, and the member of the Board of Directors Per Anders Johansson, through Nomic Aktiebolag (corporate number 556235-7110), have, through separate agreements entered into on 7 November 2018, undertaken to, subject to certain conditions, accept the Offer. The undertakings cover in total 21,942,140 shares in Karo Pharma, corresponding to approximately 13.6 per cent of the total number of outstanding shares and votes in Karo Pharma. The undertakings are subject to the condition that no other party announces a competing offer to acquire the shares in Karo Pharma and that Karo Intressenter decides not to, within ten working days, match the competing offer by increasing the Offer Price.

Karo Intressenter’s current shareholding in Karo Pharma, together with the shares covered by the irrevocable undertakings to accept the Offer, comprises in aggregate 42,823,014 shares, corresponding to approximately 26.5 per cent of the total number of outstanding shares and votes in Karo Pharma.

### Recommendation from the Board of Directors of Karo Pharma

The Board of Directors of Karo Pharma has unanimously recommended that the Company’s shareholders accept the Offer based on, inter alia, an opinion from Deloitte according to which the Offer is fair to Karo Pharma’s shareholders from a financial point of view. The recommendation is found in its entirety on the pages 8–11.

### Statement by the Swedish Securities Council

The Swedish Securities Council (Sw. *Aktiemarknadsnämnden*) has granted Karo Intressenter a waiver of the obligation to make the Offer to shareholders domiciled in the United States of America (AMN 2018:44). The full statement is available at [www.aktiemarknadsnamnden.se](http://www.aktiemarknadsnamnden.se).

### Financing of the Offer

The Offer is not subject to any financing conditions. The Offer is fully financed through equity from EQT VIII.

### Due diligence

In relation to the preparations for the Offer, EQT VIII has conducted a limited due diligence review of confirmatory nature regarding commercial, financial and legal information in relation to Karo Pharma, and in connection therewith met with the Company’s management team. Karo Pharma has confirmed that no information that could reasonably be expected to affect the price of the Company’s shares, and that has not been published by the date of this announcement, apart from the information disclosed in the Company’s interim report for the nine months ended 30 September 2018, which was made public on 29 October by Karo Pharma through a separate press release, has been disclosed to EQT VIII in connection with said due diligence review.

### Applicable law, etc.

The Offer, and the agreements entered into between Karo Intressenter and Karo Pharma’s shareholders as a result of the Offer, shall be governed by and construed in accordance with the laws of Sweden. The courts of Sweden shall have exclusive jurisdiction over any dispute arising out of or in connection with the Offer and the Stockholm District Court (Sw. *Stockholms tingsrätt*) shall be the court of first instance.

For the Offer, the Takeover Rules and the Swedish Securities Council’s rulings regarding the interpretation and application of the Takeover Rules and, where applicable, the Swedish Securities Council’s interpretation and application of the formerly applicable Rules on Public Offers for the Acquisition of Shares issued by the Swedish Industry and Commerce Stock Exchange Committee (Sw. *Näringslivets Börskommitté*) apply.

In accordance with the Swedish Takeover Act (Sw. *lagen (2006:451) om offentliga uppköpserbjudanden på aktiemarknaden*), Karo Intressenter has, on 26 October 2018, undertaken towards Nasdaq Stockholm to comply with the Takeover Rules and submit to any sanctions imposed by Nasdaq Stockholm in the event of breach of the Takeover Rules and the Swedish Securities Council’s rulings regarding the interpretation and application of the Takeover Rules and, where applicable, the Swedish Securities Council’s interpretation and application of the formerly applicable Rules on Public Offers for the Acquisition of Shares issued by the Swedish Industry and Commerce Stock Exchange Committee. Karo Intressenter has informed the Swedish Financial Supervisory Authority about the Offer and the undertaking towards Nasdaq Stockholm.

# Terms and conditions

## The Offer

Karo Intressenter offers SEK 36.90 in cash for each share in Karo Pharma. The total value of the Offer based on all outstanding shares in Karo Pharma amounts to SEK 5,973 million.

If, prior to settlement of the Offer, Karo Pharma pays dividend or makes any other value transfer to its shareholders, the Offer Price will be reduced accordingly.

No commission will be charged in connection with the Offer.

## Conditions for the completion of the Offer

Completion of the Offer is conditional upon:

1. the Offer being accepted to such extent that Karo Intressenter becomes the owner of more than 90 per cent of the total number of outstanding shares in Karo Pharma;
2. that no other party announces an offer to acquire shares in Karo Pharma on terms that are more favourable than the Offer to the shareholders in Karo Pharma;
3. with respect to the Offer and the acquisition of Karo Pharma, receipt of all necessary regulatory, governmental or similar clearances, approvals and decisions, including from competition authorities, in each case on terms which, in Karo Intressenter's opinion, are acceptable;
4. that neither the Offer nor the acquisition of Karo Pharma, is wholly or partly prevented or materially adversely affected by any legislation or other regulation, court decision, public authority decision or similar circumstance, which is actual or could reasonably be anticipated, which is outside the control of Karo Intressenter and which Karo Intressenter could not reasonably have foreseen at the time of the announcement of the Offer;
5. that, save as publicly announced by Karo Pharma prior to the date the Offer was announced or as otherwise disclosed in writing to Karo Intressenter prior to that date, Karo Intressenter does not discover that any information publicly disclosed by Karo Pharma or otherwise made available to Karo Intressenter is materially inaccurate or misleading or that any material information which should have been publicly disclosed by Karo Pharma has not been so disclosed;
6. there being no circumstances, which Karo Intressenter did not have knowledge about at the time of the announcement of the Offer, that have occurred that have a material adverse effect or could reasonably be expected to have an effect upon Karo Pharma's sales, results, liquidity, assets or equity; and
7. that Karo Pharma does not take any measures that typically are intended to impair the prerequisites for the implementation of the Offer.

Karo Intressenter reserves the right to withdraw the Offer in the event that it is clear that any of the above conditions is not satisfied or cannot be satisfied. However, with regard to conditions 2–7, the Offer may only be withdrawn provided that the non-satisfaction of such condition is of material importance to Karo Intressenter's acquisition of Karo Pharma.

Karo Intressenter reserves the right to waive, in whole or in part, one, several or all of the conditions set out above, including, with respect to condition 1, to complete the Offer at a lower level of acceptance.

## Acceptance of the Offer

### *Directly registered holdings*

The Offer Document and acceptance form will be sent to shareholders whose shares in Karo Pharma were directly registered with Euroclear Sweden AB ("**Euro-clear**") on 9 November 2018. The securities account number and details of current number of shares held in Karo Pharma will be provided on the pre-printed acceptance form. All shareholders should verify that the pre-printed information on the acceptance form is correct.

### *Nominee registered holdings*

Shareholders of Karo Pharma whose holdings are registered in the name of a nominee will not receive this Offer Document nor a pre-printed acceptance form. Such shareholders are instead requested to contact their nominee in order to obtain a copy of this Offer Document. Acceptance should be made in accordance with instructions from the nominee.

### *Pledged holdings*

If shares to be tendered in the Offer are pledged in the Euroclear system, the shareholder as well as the pledgee must complete and sign the acceptance form and confirm that the pledge will be terminated should the Offer be completed. Thus, the pledge must be de-registered in the Euroclear system prior to the time of delivery of the shares to Karo Intressenter.

### Acceptance period and right to extend the Offer

Shareholders in Karo Pharma whose shares are directly registered with Euroclear and who wishes to accept the Offer must, during the period from and including 13 November 2018 up to and including 10 December 2018, at 17.00 submit a duly completed acceptance form to:

SEB, Emissioner AB03, SE-106 40 Stockholm

The acceptance form must be submitted or sent by mail, preferably using the enclosed returning envelope, in sufficient time prior to the final day of the acceptance period so as to be received by SEB Emissioner no later than 17.00 on 10 December 2018.

Please note that any incomplete or improperly completed acceptance form may be disregarded. No changes to the text in the acceptance form are allowed.

Shareholders in Karo Pharma accepting the Offer authorise and direct SEB to deliver their shares in Karo Pharma to Karo Intressenter in accordance with the terms and conditions of the Offer.

Karo Intressenter reserves the right to, at one or more occasions, extend the acceptance period for the Offer, as well as the right to postpone the settlement date. A notice of any such extension(s) or postponement(s) will be announced by Karo Intressenter by means of press release(s) in accordance with applicable rules and regulations.

### Right to withdraw acceptance

Shareholders of Karo Pharma have the right to withdraw their acceptance of the Offer. To be valid, such withdrawal must have been received in writing by SEB Emissioner (at the address provided above) before Karo Intressenter has announced that the conditions for the Offer have been fulfilled, or if such announcement has not been made during the acceptance period, not later than 17.00 on the last day of the acceptance period. Shareholders of Karo Pharma whose shares are nominee-registered wishing to withdraw acceptance shall do so in accordance with instructions from the nominee. If any conditions of the Offer which Karo Intressenter has reserved the right to waive remain during an extension of the Offer, the right to withdraw an acceptance will apply in the same manner throughout such extension of the Offer.

### Confirmation of acceptance and transfer of shares in Karo Pharma to blocked securities accounts

After a duly completed acceptance form has been received and registered, the shares will be transferred to a newly opened, blocked, securities account (Sw. *appportkonto*) in the shareholder's name. In connection thereto, Euroclear will send a notification ("VP-notice") which shows the number of shares that have transferred from the original securities accounts as well as a VP-notice, which shows the number of shares that have been entered in the newly opened blocked securities account.

### Settlement

Karo Intressenter will, under no circumstances, pay interest on paid consideration for any shares as a consequence of the Offer, regardless of whether any extension of the acceptance period for the Offer or any delay in the settlement occurs.

Settlement will be initiated as soon as Karo Intressenter has announced that the conditions for the Offer have been fulfilled or Karo Intressenter otherwise decides to complete the Offer. Subject to such announcement being made no later than on or around 13 December 2018, settlement is expected to begin on or around 18 December 2018.

Settlement of the Offer will be arranged by distribution of transaction notes to those who have accepted the Offer. The consideration will be paid to the yield account which is connected to the shareholder's securities account. In connection with the settlement, the shares in Karo Pharma will be removed from the blocked securities account which will then be terminated. No VP-notice will be sent in connection herewith. If the holding is registered in the name of a nominee the settlement will be paid from the nominee. Note that if the shares are pledged, the payment will be made to the yield account linked to the pledge account.

### Compulsory acquisition and delisting

In the event that Karo Intressenter obtains more than 90 per cent of the outstanding shares in Karo Pharma, Karo Intressenter intends to initiate a compulsory acquisition procedure under the Swedish Companies Act (Sw. *aktiebolagslagen (2005:551)*) of Karo Pharma.

In connection therewith, Karo Intressenter intends to promote a delisting of the Karo Pharma shares from Nasdaq Stockholm.

### Offer document and acceptance form

The Offer Document and acceptance form will be available on the following websites:

- SEB's website for prospectuses ([www.sebgroup.com/prospectuses](http://www.sebgroup.com/prospectuses))
- EQT's website ([www.eqtpartners.com/EQTVIIIbid](http://www.eqtpartners.com/EQTVIIIbid))
- The SFSA's website: ([www.fi.se](http://www.fi.se)) (only the Offer Document).

### Important information regarding LEI and NID at acceptance

According to MiFID II and starting from 3 January 2018, all investors must have a global identification code in order to conduct a securities transaction. These regulations require legal entities to apply for registration of a LEI code (Legal Entity Identifier code) and natural persons need to find their National ID or NID number (National Client Identifier number) in order to accept the Offer. Please note that it is the shareholder's legal status that determines whether a LEI code or NID number is required, and that the issuing agent may be prevented from performing the transaction on behalf of the person in question if a LEI code or NID number (as applicable) is not provided.

Legal persons who need to obtain a LEI code may contact one of the suppliers available on the market. Through this link approved institutions for the global LEI system can be found: [www.gleif.org/en/about-lei/how-to-get-an-lei-find-lei-issuing-organizations](http://www.gleif.org/en/about-lei/how-to-get-an-lei-find-lei-issuing-organizations).

As for natural persons who only have Swedish citizenship, the NID number consists of the designation "SE" followed by the person's social security number. If the person in question has a citizenship other than Swedish, or multiple citizenships, the NID number may be any other type of number.

Apply for registration of a LEI code (legal persons) or find out the NID number (natural persons) in good time since this information is required in the application form upon acceptance of the Offer.

### Questions regarding the Offer

For questions regarding the Offer, please contact SEB Emissioner during regular office hours at telephone number +46 8 639 2750. Information will also be available on the following websites:

- SEB's website for prospectuses ([www.sebgroup.com/prospectuses](http://www.sebgroup.com/prospectuses))
- EQT's website ([www.eqtpartners.com/EQTVIIIbid](http://www.eqtpartners.com/EQTVIIIbid))

### Other information

SEB acts as financial advisor and settlement agent in relation to the Offer, which means that it performs certain administrative services relating to the Offer. This does not mean that a person who accepts the Offer (the "**Participant**") will be automatically regarded as a customer of SEB. A Participant will be regarded as a customer only if SEB has provided advice to the Participant or has otherwise contacted the Participant personally regarding the Offer, or if the Participant has accepted the Offer via SEB's branches, internet bank or telephone bank. If the Participant is not regarded as a customer, the rules regarding the protection of investors pursuant to the Swedish Securities Market Act (Sw. *lag (2007:528) om värdepappersmarknaden*) will not be applicable to the acceptance. This means, among other things, that neither customer categorization nor the appropriateness test will be performed with respect to the Offer. Each Participant is therefore responsible for ensuring that it has sufficient experience and knowledge to understand the risks associated with the Offer.

### Information about processing of personal data

Those who accept the Offer will submit personal data to SEB. Personal data provided to SEB will be processed in data systems to the extent required to administer the Offer. Personal data obtained from sources other than the customer may also be processed. Personal data may also be processed in the data systems of companies with which SEB cooperate. Information pertaining to the treatment of personal data can be obtained from SEB's office, who also accepts requests for the correction of personal data. Address details may be obtained by SEB through an automatic procedure executed by Euroclear.



# Background and reasons for the Offer

Karo Pharma is a specialty pharmaceutical company, which develops and markets products for pharmacies as well as directly to the health-care sector. The Company was founded in 1987 and has been listed on Nasdaq Stockholm since 1998. In 2014 and 2015, a new management and Board of Directors changed the strategic orientation of Karo Pharma, with the intention of becoming a specialty pharma company marketing pharmaceuticals. The Company has a strong position in the Nordic region and has taken a first step to establish a European presence through the acquisition of a product portfolio from LEO Pharma earlier in 2018. Karo Pharma's product portfolio includes over-the-counter and prescription pharmaceuticals, medical devices, proprietary and under license. The Company is currently in stable growth with good profitability through sales of established brands, which are generating strong cash flows.

EQT VIII has, through a team lead by Per Franzén, Partner at EQT Partners, principally responsible for EQT's<sup>1)</sup> Nordic equity business and investment advisor to EQT VIII, for some time before the announcement of the Offer had discussions with the Chairman and the Board of Directors of Karo Pharma. In early October 2018, the discussions were intensified and on 12 October 2018, EQT VIII sent an indicative offer to the Board of Directors of Karo Pharma to make a public offer for Karo Pharma. The offer was conditional on, inter alia, that the Board of Directors of Karo Pharma would recommend the shareholders to accept the offer from EQT.

Based on the indicative offer, EQT VIII was given permission to conduct a limited due diligence review beginning on 16 October 2018, while the Board of Directors of Karo Pharma indicated that a higher offer would be required in order to receive a recommendation from the Board of Directors. After completion of the due diligence review, intense negotiations followed with the Chairman and the Board of Directors of Karo Pharma during 23–25 October. Following the negotiations, EQT VIII sent a revised offer to the Board of Directors of Karo Pharma on 26 October. The Board of Directors of Karo Pharma met on 27 October to discuss the revised offer, and then informed EQT that a unanimous recommendation to the shareholders of Karo Pharma to accept an offer from EQT VIII would require an even higher offer. After further negotiations, EQT VIII finally raised the offer to SEK 36.90 per share, which the Board of Directors of Karo Pharma – supported by an independent fairness opinion – decided to recommend unanimously.

EQT<sup>1)</sup> has extensive experience and an excellent track record in the healthcare sector and is one of the largest private equity investors in the healthcare sector in Europe with an unparalleled network of industrial advisors.

"We are delighted that the Board of Directors has decided to recommend EQT VIII's offer. We are impressed by Karo Pharma's development and successful strategic transformation from an early stage research and development company into a leading specialty pharmaceutical company with a strong product portfolio and European reach" says Per Franzén, Partner at EQT Partners, Head of EQT's Nordic Equity business and Investment Advisor to EQT VIII. "We believe that EQT VIII can add significant value to the next stage of Karo Pharma's future expansion and look forward to support management with capital and EQT's vast industry network to realize

their growth plans."

"The specialty pharmaceutical market will offer attractive growth opportunities going forward, both organically through introductions of new and innovative compounds to patients and inorganically through acquisitions, as a result of the continued consolidation of the pharmaceutical industry. We believe Karo Pharma is very well positioned to take advantage of this market opportunity and we are excited about the opportunity to support the company and its employees in this exciting journey", says Åsa Riisberg, Partner at EQT Partners, Head of EQT's global Healthcare Sector and Investment Advisor to EQT VIII.

Having a long-term, responsible and sustainable approach to ownership is a key element of EQT's way of creating value. EQT intends to support Karo Pharma in a private setting, among other things, through:

- continued long term investments in Karo Pharma's product portfolio and a strengthening of the Company's go to market capabilities; and
- providing financial and strategic resources to enable the continued development of Karo Pharma's business organically and through synergetic add on acquisitions in new and existing markets.

EQT is convinced it is very well positioned to support Karo Pharma upon the execution of this strategy thanks to EQT's vast sector experience combined with financial resources and focus on long term value creation. By leveraging its unique global network, EQT is able to support Karo Pharma on the transformation journey that the management and Board of Karo Pharma have successfully started.

EQT places great value on Karo Pharma's management and employees, and expects that the Offer will support the Company's growth strategy and create long-term positive effects for Karo Pharma and its employees. Based on EQT's knowledge of Karo Pharma, its strategy and prevailing market conditions, it is currently the intention of Karo Intressenter that the implementation of the Offer shall not result in any changes with regards to Karo Pharma's or Karo Intressenter's organisations, managements and employees, including their terms of employment, or the locations where Karo Pharma and Karo Intressenter, respectively, have offices and operate.

EQT considers that the Offer to the shareholders of Karo Pharma is attractive based on both the premium that the price of the Offer entails in comparison to Karo Pharma's historical share price development and in comparison to comparable transactions in the sector. At the announcement of the Offer, the total market value of all outstanding shares in Karo Pharma amounted to SEK 5,973 million<sup>2)</sup>. Based on an estimated net debt of SEK 2,595 million for 2018, the total enterprise value of Karo Pharma therefore amounts to SEK 8,568 million<sup>3)</sup>. Based on the Company's own estimate of a turnover in the interval SEK 1,600 – 1,650 million for the fiscal year 2018 and an EBITDA<sup>4)</sup> in the interval SEK 625 – 650 million<sup>5)</sup>, the Offer corresponds to a valuation multiple of 5.2x to 5.4x the turnover and 13.2x to 13.7x EBITDA for 2018. This can be compared to other relevant transactions in the sector (see "Offer to the shareholders of Karo Pharma – Valuation"), which, on average, have been executed at multiples of approximately 4.0x the turnover and 12.7x EBITDA<sup>6)</sup>.

*For further information, please refer to the information in this Offer Document, which has been prepared by the Board of Directors of Karo Intressenter in relation to the Offer. The description of Karo Pharma on pages 15–42 in this Offer Document has been reviewed by the Board of Directors of Karo Pharma. The Board of Directors of Karo Intressenter assures that, to the best of its knowledge, the information in this Offer Document with regards to Karo Intressenter corresponds to actual conditions.*

Stockholm, 12 November 2018

**Karo Intressenter AB**

*The Board of Directors*

- 1) "EQT" refers to EQT AB and its associates and, where the context requires, any one or more EQT branded funds and any successor funds to such funds.
- 2) The total number of shares in Karo Pharma amounts to 164,332,782, out of which 161,867,792 are outstanding (the Company holds 2,464,990 of its own shares).
- 3) Enterprise value is defined as the value of outstanding shares (see note above) plus net debt. The information on Karo Pharma's estimated net debt for 2018 has been taken from Bloomberg.
- 4) EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization) is a measure of a company's operating profit before interest, taxes, depreciations, amortizations and goodwill amortizations.
- 5) In Karo Pharma's interim report for the nine months ended 30 September 2018, it was communicated that the Company expects to reach a turnover in the interval SEK 1,600 – 1,650 million and an EBITDA in the interval SEK 625 – 650 million for the fiscal year 2018.
- 6) Net debt and EBITDA are key ratios that are not calculated in accordance with IFRS. Different companies might therefore use different definitions of such key ratios, which might affect the comparability.

# Recommendation from the Board of Directors of Karo Pharma

## STATEMENT BY THE BOARD OF DIRECTORS OF KARO PHARMA AKTIEBOLAG IN RELATION TO THE PUBLIC OFFER FROM EQT VIII, THROUGH KARO INTRESSENTER AB

*The Board of Directors of Karo Pharma Aktiebolag has concluded to unanimously recommend that the shareholders of Karo Pharma Aktiebolag accept the public offer made by EQT VIII, through Karo Intressenter AB.*

### Background

This statement is made by the Board of Directors (the “**Board of Directors**”) of Karo Pharma Aktiebolag (the “**Company**” or “**Karo Pharma**”) pursuant to Rule II.19 of Nasdaq Stockholm’s takeover rules (the “**Takeover Rules**”).

EQT VIII (“**EQT VIII**”)<sup>1</sup>, through the indirectly wholly owned subsidiary Karo Intressenter AB<sup>2</sup> (“**Karo Intressenter**” or the “**Offeror**”), has today announced a public cash offer to the shareholders of Karo Pharma to transfer all of their shares in Karo Pharma to Karo Intressenter for a consideration of SEK 36.90 in cash per Karo Pharma share (the “**Offer**”).

The total value of the Offer, based on all outstanding shares<sup>3</sup> in Karo Pharma, is approximately SEK 5,973 million<sup>4</sup> and represents a premium of:

- 25.3 per cent for the shares in relation to the closing price for the shares on Nasdaq Stockholm on 26 October 2018, which is the last day of trading prior to the announcement of the Offer;
- 17.2 per cent for the shares in relation to the volume weighted average price for the shares on Nasdaq Stockholm during a period of 30 trading days prior to the announcement of the Offer; and
- 17.3 per cent for the shares in relation to the volume weighted average price for the shares on Nasdaq Stockholm during a period of 180 trading days prior to the announcement of the Offer.

The acceptance period of the Offer is expected to commence on 13 November 2018 and end on 10 December 2018, subject to any extensions.

---

<sup>1</sup> The fund known as EQT VIII, comprising of EQT VIII SCSp acting by its alternative investment fund manager (gestionnaire), EQT Fund Management S.à r.l. EQT Fund Management S.à r.l. is a private limited liability company (société à responsabilité limitée), incorporated and existing under Luxembourg law, having its registered office at 26A, Boulevard Royal, L-2449 Luxembourg, registered with the Luxembourg Trade and Companies Register (Registre de Commerce et des Sociétés, Luxembourg) under number B 167.972, acting as manager (gérant) of EQT VIII SCSp, a Luxembourg special limited partnership (société en commandite spéciale) with its registered office at 26A, Boulevard Royal, L-2449 Luxembourg and registered with the Luxembourg Trade and Companies Register (Registre de Commerce et des Sociétés, Luxembourg) under number B 217.293.

<sup>2</sup> A newly formed company wholly owned by EQT VIII, under name change from Fund VIII Swe Bidco AB.

<sup>3</sup> The number of outstanding shares in Karo Pharma amount to 161,867,792 shares. Outstanding shares are calculated as the total number of shares in Karo Pharma amounting to 164,332,782 shares, less shares held by the Company, amounting to 2 464 990 shares.

<sup>4</sup> If, prior to settlement of the Offer, Karo Pharma pays dividend or makes any other value transfer to shareholders, the Offer as set out above will be reduced accordingly.

Completion of the Offer is conditional upon customary conditions, inter alia, being accepted to such an extent that Karo Intressenter becomes the owner of more than 90 per cent of the total number of the outstanding shares in Karo Pharma as well as the receipt of all necessary regulatory or similar clearances, approvals and decisions, including from competition authorities, in each case on terms which, in Karo Intressenter's opinion, are acceptable. Karo Intressenter has reserved the right to waive this and other completion conditions according to the Offer. The Offer is not conditional upon financing. For further details about the Offer, please refer to EQT VIII's press release.

The Board of Directors of Karo Pharma has, at the written request of EQT VIII, permitted EQT VIII to carry out a limited confirmatory due diligence review of Karo Pharma in relation to the preparation for the Offer. EQT VIII has not, in connection with said due diligence review, received any information that could reasonably be expected to affect the price of the Company's shares, and that has not been published by the date of this announcement, apart from the information disclosed in the Company's interim report for the nine months ended 30 September 2018, which is made public today by Karo Pharma through a separate press release.

Anders Lönner, Executive Chairman of the Company's Board of Directors, and Per-Anders Johansson, member of the Company's Board of Directors, together holding 21,942,140 shares in Karo Pharma representing in total approximately 13.6<sup>5</sup> per cent of the outstanding shares and votes in the Company, have expressed their support for the Offer and declared that they intend to accept the Offer.

Hamilton Advokatbyrå is acting as legal adviser to Karo Pharma in relation to the Offer.

Deloitte AB ("**Deloitte**") has, at the request of the Board of Directors, provided an opinion according to which the Offer is fair to Karo Pharma's shareholders from a financial point of view (subject to the assumptions and considerations set out in the opinion) (the "**Opinion**"). The Opinion is attached to this statement.

**The Board of Directors' recommendation**

Karo Pharma is a Specialty Pharma company, which develops and markets products for pharmacies as well as directly to the healthcare sector. The Company has a strong position in the Nordic region and has taken a first step to establish a European presence through the acquisition of a product portfolio from LEO Pharma earlier in 2018. Karo Pharma's product portfolio includes over-the-counter and prescription pharmaceuticals and medical devices. The Company is currently in stable growth with good profitability through sales of established brands, which are generating positive cash flows.

The evaluation of the Offer has been made in relation to the Company's present position and the opportunities available going forward as well as the risks associated with the future developments and its strategy. In that respect, the Board of Directors has taken a number of factors into account which the Board of Directors has deemed relevant to the evaluation of the Offer. These factors include, but are not limited to, the Company's present strategic and financial position and the Company's potential future development and the thereto related opportunities and risks. In

---

<sup>5</sup> Based on the number of outstanding shares in Karo Pharma amounting to 161,867,792, which is calculated as the total number of shares in Karo Pharma less treasury shares held by the Company.

evaluating the Offer, the Board of Directors has also analysed the Offer using the methods normally used for evaluating bids for listed companies, including Karo Pharma's valuation relative to comparable companies and comparable acquisitions, the stock market's expectations on the Company and the Board of Director's view on the Company's value based on its long-term cash flow generation.

In the Board of Directors' opinion, Karo Pharma has a viable strategy going forward and the Board of Directors has full confidence in the management's ability to execute on the Company's current stated strategy. The Board of Directors is convinced that EQT VIII is very well positioned to support Karo Pharma upon the execution of its strategy thanks to EQT VIII's vast sector experience combined with financial resources and focus on long term value creation. With EQT VIII as the new owner, leveraging its unique global network, Karo Pharma will have the right support in its transformation journey which already has been successfully started and also be able to continue to build Karo Pharma's scalable business platform.

The Board of Directors notes that the Offer implies a premium of approximately 25.3 per cent compared to the closing price for the Karo Pharma share on Nasdaq Stockholm on 26 October 2018, which was the last day of trading prior to the announcement of the Offer, and a premium of approximately 17.2 per cent and 17.3 per cent compared to the volume weighted average price for the Karo Pharma share on Nasdaq Stockholm during the last 30 and 180 trading days, respectively, prior to announcement of the Offer.

Furthermore, the Board of Directors has considered the Opinion by Deloitte, according to which the Offer is fair to Karo Pharma's shareholders from a financial point of view (subject to the assumptions and considerations set out in the Opinion).

Based on these considerations, the Board of Directors considers the terms of the Offer to correspond, in all relevant aspects, to Karo Pharma's future growth opportunities, as well as the risks associated with these opportunities.

**On this basis, the Board of Directors unanimously recommends the shareholders of Karo Pharma to accept the Offer.**

Under the Takeover Rules, the Board of Directors must, based on the statements made by EQT VIII in its press release issued earlier today, present its opinion regarding the impact that the implementation of the Offer will have on Karo Pharma, particularly in terms of employment, and its opinion regarding EQT VIII's strategic plans for Karo Pharma and the effects it is anticipated that such plans will have on employment and on the places in which Karo Pharma conducts its business. In this respect, the Board of Directors notes that EQT VIII has stated that:

*"EQT places great value on Karo Pharma's organization, and expects that the Offer will support growth and create long-term positive effects for employees and other stakeholders. EQT VIII does not expect the Offer to have any negative impact for Karo Pharma's organisation, employees, including their terms of employment, or on the locations of Karo Pharma's operations."*

The Board of Directors has no reason to question these statements.

---

This statement shall in all respects be governed by and construed in accordance with Swedish law. Disputes arising from this statement shall be settled exclusively by Swedish courts. This statement

has been made in a Swedish and English version. In case of any discrepancies between the Swedish and the English text, the Swedish text shall prevail.

---

Stockholm, 29 October 2018

**Karo Pharma Aktiebolag**

*The Board of Directors*

**For additional information please contact:**

Anders Lönner, Executive Chairman of the Board, +46 10 330 23 10

Mats-Olof Wallin, CFO, +46 76 002 60 10 or mats-olof.wallin@karopharma.se

*The information in the press release is information that Karo Pharma is obliged to make public pursuant to the EU Market Abuse Regulation and the Takeover Rules. The information was submitted for publication, through the agency of the contact person set out above, at 07:45 CET on 29 October 2018.*

**About Karo Pharma**

Karo Pharma is a Specialty Pharma company, which develops and markets products for pharmacies as well as directly to the healthcare sector. Karo Pharma is listed on Nasdaq Stockholm Mid Cap.

# Fairness opinion from Deloitte

**Deloitte.**

Deloitte AB

113 79 Stockholm

Tfn: 075-246 20 00

The Board of Directors  
Karo Pharma AB  
Nybrokajen 7  
111 48 Stockholm

## Opinion

EQT VIII, via the wholly owned subsidiary Fund VIII Swe Bidco AB, under name change to Karo Intressenter AB ("Karo Intressenter"), has on 29 October 2018 announced a public offer to acquire all outstanding shares in Karo Pharma AB ("Karo Pharma").

In summary Karo Intressenter offers SEK 36.90 in cash for each share in Karo Pharma ("the Offer").

Completion of the Offer is conditional upon customary conditions, inter alia, being accepted to such an extent that Karo Intressenter becomes the owner of more than 90 per cent of the total number of the outstanding shares in Karo Pharma as well as the receipt of all necessary regulatory or similar clearances, approvals and decisions, including from competition authorities, in each case on terms which, in Karo Intressenter's opinion, are acceptable.

In light of the above, the Board of Directors of Karo Pharma has engaged Deloitte AB ("Deloitte") to, in the capacity of being an independent expert, issue an opinion on the fairness of the Offer from a financial point of view for the shareholders of Karo Pharma.

For this analysis, we have:

- a) Reviewed the Offer;
- b) Reviewed historical public and internal financial information related to Karo Pharma;
- c) Analysed certain forecasts and other internal forward looking information related to Karo Pharma;
- d) Held discussions with representatives of Karo Pharma's management and Board of Directors;  
and
- e) Conducted other financial analyses and investigations that we have deemed to be appropriate.

It is assumed that the information received is correct and complete and no independent control or verification has been carried out. Deloitte does not assume any responsibility for any inaccuracy or

incorrectness in the information received. If it is determined that the information we received was inaccurate or incomplete, this could mean that our conclusion is incorrect.

Our opinion is based on macroeconomic, financial, market related, and other conditions, as well as other information provided to us as of the date of our opinion. We assume no responsibility for events occurring after this date, which could affect this opinion and the assumptions that it is based upon.

Our fee for this engagement does not depend on the size of the consideration, to what extent the Offer is accepted or whether the Offer is completed or not.

This opinion is governed by Swedish law.

Based on the analyses, assumptions and reservations above, we are of the opinion, as of the date hereof, that the Offer is fair from a financial point of view for the shareholders of Karo Pharma.

Stockholm, 29 October 2018

Deloitte AB

Mats Lindqvist

Partner, Valuation & Modelling

# Description of Karo Intressenter and the financing of the Offer

## **Karo Intressenter**

Karo Intressenter is a newly formed company wholly owned by EQT VIII. Karo Intressenter, with corporate number 559160-9416, is domiciled in Sweden, with its registered seat in Stockholm.

Karo Intressenter was founded on 22 May 2018 and registered with the Swedish Companies Registration Office (Sw. *Bolagsverket*) on 31 May 2018. Karo Intressenter has never conducted and at present does not conduct any business, and its sole business purpose is to make the Offer and take all actions to finance and complete the Offer and operate as the parent company of Karo Pharma.

## **EQT**

EQT was founded in 1994 together with Investor AB, the leading owner of Nordic-based international companies and founded by the Wallenberg family a hundred years ago. Today, EQT is a leading global investment firm with offices in 14 countries across three continents – Europe, North America and Asia. Since inception, EQT has raised some EUR 50 billion from around 600 global institutional investors across 27 funds. The funds are active within four investment strategies and has invested in approximately 210 companies, whereof approximately 105 have been exited.

EQT applies a unique industrial approach to private equity. The core of this approach is a network of around 500 industrial advisors who are actively involved in due diligence and as board members in the portfolio companies. It is EQT's experience that the active involvement of industrial advisors with relevant backgrounds alongside the responsible partners from the investment advisor, EQT Partners, secure that the management teams of the different portfolio companies have the right support in defining and executing their strategies. EQT does not manage the day-to-day operations of the companies it invests in, but is an active owner that continuously monitors performance and strategic direction. This approach has helped EQT to serve as a catalyst for change and growth within the companies it has invested in and to transform these companies into world leaders by making genuine and permanent improvements.

As a result of EQT's value creation model, the number of employees within its portfolio companies has increased on average by 10 per cent, sales by 10 per cent and EBITDA by 11 per cent each year during EQT's ownership.

More information: [www.eqtpartners.com](http://www.eqtpartners.com)

## **Financing of the Offer**

The Offer is not subject to any financing conditions. The Offer is fully financed through equity from EQT VIII.



# Description of Karo Pharma

*The information about Karo Pharma on pages 15–42 in this Offer Document has been retrieved from Karo Pharma’s annual reports for 2017, 2016 and 2015 and the interim report for the nine months ended 30 September 2018 and the prospectus dated 11 May 2018 prepared by Karo Pharma and approved by the Swedish Financial Supervisory Authority (the “SFSA”) (DNR 18-7684) as well as Karo Pharma’s website (unless otherwise stated).*

## **Business overview**

Karo Pharma promotes and sells products for pharmacies and the health care sector, mainly on markets in Sweden and Norway. The Company was founded in 1987 and has been listed on Nasdaq Stockholm since 1998. In 2014 and 2015, Karo Pharma changed its strategic direction with the aim of becoming a specialty pharma company which promotes and develops products for pharmacies and to the health care sector. The product portfolio includes over-the-counter and prescription pharmaceuticals, medical devices, proprietary and under licence. The company also has an auto-immune disease project, which Pfizer is licensing and developing. The Company is currently in stable growth with good profitability through sales of established brands which are generating positive cash flows. The objective is to grow through acquisitions that fit the Company’s structure, combined with organic growth. Since the Company altered its strategic direction, its net sales and EBITDA margins have increased through strategic acquisitions.

## **Vision and strategy**

Karo Pharma’s vision is to be the leading specialty pharma company in the Nordic Region. Since the strategy change in 2014, Karo Pharma has successively built a product portfolio that generates profitable growth and positive cash flows through the sale of, in the Company’s opinion, well-established specialty pharma products and trademarks. The ambition is to add additional products and brands through acquisition of companies, product rights as well as through cooperation with other pharmaceutical and development companies. An additional factor for economic growth is based on developing the companies further and realising synergies.

For further information regarding Karo Pharma, see: [www.karopharma.se](http://www.karopharma.se).

# Summary of financial information

The financial information below regarding Karo Pharma has been retrieved from the audited annual reports of the financial years 2017, 2016 and 2015, as well as from the unaudited interim report for the nine months ended 30 September 2018, with comparative figures for the corresponding nine months ended 30 September 2017.

The consolidated financial statements for the annual reports for 2017, 2016 and 2015 have been prepared in accordance with the Annual Accounts Act, RFR 1 Supplementary accounting regulations for groups, International Financial Reporting Standards (IFRS) and interpretations from International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the EU.

The interim report for the nine months ended 30 September 2018 has been prepared in accordance with IAS 34, Interim Financial Reporting and International Financial Reporting Standards (IFRS) as endorsed by the EU.

The consolidated financial statements of the financial years 2017, 2016 and 2015, which are included in the Offer Document through reference, have been published at Karo Pharma's website, [www.karopharma.se](http://www.karopharma.se). The interim report for the nine months ended 30 September 2018, which is included in full on pages 25–42 of this Offer Document, has been reviewed by Karo Pharma's auditor.

## Consolidated income statement

KSEK unless otherwise stated	Nine months ended 30 September		Twelve months ended 31 December		
	2018	2017	2017	2016	2015
Net sales	1,151,836	418,890	657,606	347,261	69,095
Cost of sales	-471,098	-193,465	-315,703	-198,536	-40,494
<b>Gross earnings</b>	<b>680,738</b>	<b>225,425</b>	<b>341,904</b>	<b>148,725</b>	<b>28,601</b>
<b>Operating expenses</b>					
Distribution costs	-283,733	-104,880	-198,609	-112,787	-26,718
Administration	-51,360	-27,154	-43,650	-28,689	-27,150
Research and development	-615	-2,853	-4,355	-5,259	-34,957
Other operating income/expenses	1,200	-60	-15,385	27,583	-14,639
<b>Operating costs</b>	<b>-334,508</b>	<b>-134,948</b>	<b>-261,999</b>	<b>-119,152</b>	<b>-103,464</b>
Operating profit/loss	346,229	90,477	79,904	29,573	-74,863
Financial net	-102,448	-28,764	-59,053	-9,735	-434
<b>Earnings/loss before tax</b>	<b>243,781</b>	<b>61,713</b>	<b>20,851</b>	<b>19,838</b>	<b>-75,297</b>
Tax	397,201	-11,973	-6,346	75,718	-2,894
<b>NET EARNINGS / LOSS</b>	<b>640,982</b>	<b>49,740</b>	<b>14,505</b>	<b>95,556</b>	<b>-78,191</b>
<b>Net earnings attributable to:</b>					
Shareholders in the parent company	640,985	49,757	14,516	95,554	-77,632
Non-controlling interests	-3	-18	-11	0	-559
Earnings / loss per share (SEK)	5.07	0.63	0.17	1.42	-1.46
Number of shares issued (000)	164,333	82,166	82,166	63,907	49,926

**Consolidated statement of financial position**

KSEK unless otherwise stated	As of 30 September		As of 31 December		
	2018	2017	2017	2016	2015
<b>Assets</b>					
Intangible assets	5,583,937	1,399,882	2,923,110	1,432,012	475,655
Equipment	15,642	12,845	14,498	12,297	5,701
Other financial assets	560,829	216	79,686	37,801	21
Other current assets	425,736	216,555	285,968	169,390	84,670
Cash and cash equivalents	443,112	130,387	838,586	121,346	76,490
<b>TOTAL ASSETS</b>	<b>7,029,256</b>	<b>1,759,886</b>	<b>4,141,848</b>	<b>1,772,846</b>	<b>642,537</b>
<b>Shareholders' equity and liabilities</b>					
Equity	3,650,975	1,074,103	1,586,515	717,012	364,581
Deferred tax	155,449	53,464	89,537	59,371	31,740
Long term debt	1,980,226	466,780	1,452,623	539,883	21,026
Current liabilities	1,242,606	165,539	1,013,172	456,580	225,190
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>7,029,256</b>	<b>1,759,886</b>	<b>4,141,848</b>	<b>1,772,846</b>	<b>642,537</b>

**Consolidated statement of cash flows**

KSEK unless otherwise stated	Nine months ended 30 September		Twelve months ended 31 December		
	2018	2017	2017	2016	2015
<b>Operating activities</b>					
Operating income/loss before financial items	346,229	90,477	79,904	29,573	-74,863
Depreciation	120,575	37,029	63,136	21,937	3,153
Other items not affecting liquid assets	0	0	-2,575	-28,779	4,996
	<b>466,805</b>	<b>127,506</b>	<b>140,464</b>	<b>22,731</b>	<b>-66,714</b>
Financial items received and paid	-105,449	-20,201	-47,986	-14,619	-322
Income tax paid	-2,090	-5,037	-2,292	-2,458	0
<b>Cash flow from operating activities before changes in working capital</b>	<b>359,266</b>	<b>102,268</b>	<b>90,186</b>	<b>5,654</b>	<b>-67,036</b>
Changes in working capital	-69,394	-39,962	-56,667	-41,772	14,825
<b>Cash flow from operating activities</b>	<b>289,871</b>	<b>62,306</b>	<b>33,519</b>	<b>-36,118</b>	<b>-52,211</b>
<b>Investing activities</b>					
Net investment in company acquisitions	0	-5,033	-1,255,689	-926,183	-220,570
Net investment in intangible assets	-2,674,620	-292	-4,075	-61,052	0
Net investment in other financial instruments	0	17,671	17,671	0	-6
Net investment in equipment	-2,216	-2,068	-3,721	-8,692	-261
<b>Cash flow from investing activities</b>	<b>-2,676,836</b>	<b>10,278</b>	<b>-1,245,814</b>	<b>-995,927</b>	<b>-220,837</b>
<b>Financing activities</b>					
Net proceeds from share issues	1,415,691	374,014	990,309	279,629	249,919
Transaction costs rights issue	-98,340	-25,223	-25,523	-22,071	-17,545
Dividend	-32,867	-41,083	-41,083	0	0
Warrants	0	0	0	460	0
Loans	4,243,507	0	1,750,368	900,000	67,055
Repayment of loans	-3,557,281	-371,000	-743,017	-80,055	-1,500
Transactions with minorities	0	0	0	-1,561	0
<b>Cash flow from financing activities</b>	<b>1,970,710</b>	<b>-63,292</b>	<b>1,931,054</b>	<b>1,076,402</b>	<b>297,929</b>
Cash flow for the period	-416,255	9,292	718,759	44,357	24,881
Cash at the beginning of the period	838,586	121,346	121,346	76,490	51,609
Currency exchange in cash	20,780	-251	-1,519	499	0
Cash at the end of the period	443,111	130,387	838,586	121,346	76,490

## Key ratios

KSEK unless otherwise stated	Nine months ended 30 September		Twelve months ended 31 December		
	2018	2017	2017	2016	2015
Net sales	1,151.8	418.9	657.6	347.3	69.1
Gross earnings	680.7	225.4	341.9	148.7	28.6
Operating expenses	-334.5	-135.0	-262.0	-119.2	-103.5
Earnings before depreciation excluding non-recurring items	466.8	127.5 <sup>1)</sup>	169.3	51.7 <sup>1)</sup>	n.a.
EBITDA, %	40.5	30.4 <sup>1)</sup>	25.7	14.9 <sup>1)</sup>	n.a.
Earnings before tax	243.8	61.7	20.9	19.8	-75.7
Earnings per share, SEK	5.07	0.63	0.17	1.42	-1.46
Cash flow from operating activities	289.9	62.3	33.5	-36.1	-52.2
Cash and cash equivalents	443.1	130.4	838.6	121.3	76.5

1) Unadjusted earnings before depreciation.

## Definitions

### *Equity/assets ratio*

Equity as percentage of total assets.

### *Earnings per share*

Net earnings per average number of outstanding shares.

### *Average number of shares*

Weighted average number of shares outstanding in the year.

### *Number of shares at year-end*

Number of shares outstanding at year-end.

### *Operating cash flow per share*

Cash flow from operating activities and cash flow from investments in plant, equipment and licenses per share.

### *Equity per share*

Shareholders' equity per share at year-end.

### *Weighted average number of shares after full dilution*

Weighted average of number of shares, including share warrants, outstanding in the year.

### *Number of shares after full dilution*

Number of shares, including share warrants, outstanding at year-end.

# Share capital and ownership structure

## General

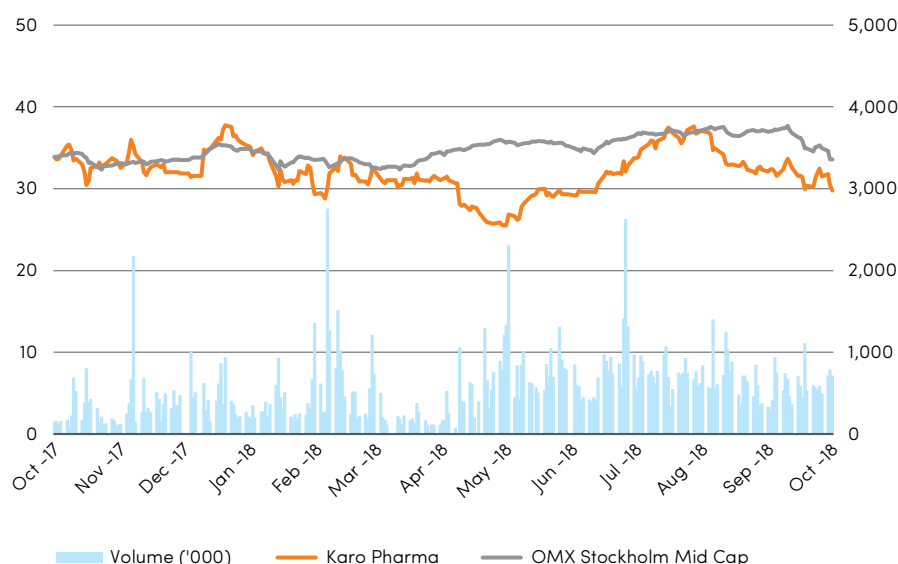
Karo Pharma's shares are listed on Nasdaq Stockholm Mid Cap under the ticker symbol "KARO", with ISIN code SE0007464888.

## Share capital

Karo Pharma's share capital as of the date of announcement of this Offer Document was SEK 65,732,389.073245, divided into 164,332,782 shares with a quota (par) value of approximately SEK 0.40 per share.

## Share price development and trading volume

The share price development for the Karo Pharma share during the period 26 October 2017 – 26 October 2018, compared to Nasdaq Stockholm Mid Cap index during the same period, are shown in the following diagram.



## Shareholders

As of 30 September 2018, Karo Pharma had 17,177 shareholders. The chart below shows the ten largest shareholders of Karo Pharma as of 9 November, sorted by number of shares.

Shareholder	Number of shares	Percentage of shares	Percentage of votes
EQT VIII	20,880,874	12.71 %	12.71 %
Lönner, Anders	18,642,140	11.34 %	11.34 %
Avanza Pension	8,150,607	4.96 %	4.96 %
Oppenheimer	7,400,000	4.50 %	4.50 %
Nordnet Pensionsförsäkring	4,120,353	2.51 %	2.51 %
Per-Anders Johansson	3,300,000	2.01 %	2.01 %
Karo Pharma AB	2,464,990	1.50 %	1.50 %
Swedbank Försäkring	1,867,841	1.14 %	1.14 %
Dimensional Fund Advisors	1,857,203	1.13 %	1.13 %
AB Slädens Pensionsstiftelse Nr 3	1,758,526	1.07 %	1.07 %
<b>Total ten largest shareholders</b>	<b>70,442,534</b>	<b>42.87 %</b>	<b>42.87 %</b>
Others	93,890,248	57.13 %	57.13 %
<b>Total</b>	<b>164,332,782</b>	<b>100.0 %</b>	<b>100.0 %</b>

### Shareholders' agreements

The Board of Directors of Karo Pharma is not aware of any shareholders' agreements or other agreements in Karo Pharma.

### Dividend policy

The Board of Directors of Karo Pharma has not adopted a dividend policy. Future dividends, if any, and the size of such dividends, depend on among others Karo Pharma future operates, future prospects, results, financial position, distributable funds, cash flow, working capital requirements and general financial and legal restrictions.

### Material clauses in the articles of association

There are no provisions in Karo Pharma's articles of association that restrict the shareholders' rights to transfer their shares. Karo Pharma's articles of association contain no other provisions set forth in Chapter 6 Section 2(a) of the Swedish Annual Accounts Act (Sw. *årsredovisningslagen (1995:1554)*), such as provisions regarding the dismissal of board members, and no restrictions on the number of votes any shareholder may cast at a general meeting or regarding changes to the articles of association.

### Authorisation of the Board of Directors to resolve on acquisition or transfer of own shares or issue new shares

The annual general meeting held on 3 May 2018 authorised the Board of Directors of Karo Pharma to decide on the repurchase of the Company's own shares, and to transfer such shares in connection with, among others, acquisitions. The authorisation to repurchase shares is limited to a maximum of such number of shares that the Company's holding at each time does not exceed 10 per cent of the total number of shares in the Company.

Furthermore, the annual general meeting held on 3 May 2018 authorised the Board of Directors of Karo Pharma to, at one or several occasions until the 2019 annual general meeting, resolve to issue an amount of new shares corresponding to a maximum dilution, at the time of the authorisation, of 10 per cent. The issue may be determined with or without a deviation from the shareholders' preferential rights as well as with or without a provision on a contribution in kind or set-off or on other terms. The purpose of the authorisation is to increase the Company's financial flexibility and to facilitate an acquisition by way of payment with shares. If the Board of Directors decides on an issue with deviation from the shareholders' preferential rights, the reason may be to contribute new capital to the Company and/or new owners of strategic significance for the Company and/or acquisition of other companies or operations. In case of deviation from the shareholders' preferential rights, the basis of the subscription price shall be based on market terms. Other terms may be decided by the Board of Directors.

### Treasury stock

Karo Pharma currently holds 2,464,990 of its own shares in treasury stock.

### Share related incentive programs

The annual general meeting held on 3 May 2018 resolved to introduce a long-term share-related incentive programme for key individuals of the Karo Pharma Group. The Board of Directors believes that a share-related incentive programme is important for the Company's attractiveness as an employer in the global market. The Board of Directors also believes that it is advantageous for Karo Pharma that key individuals in the Karo Pharma Group have a long-term interest in a positive value development of the Company's shares and focus their work on achieving such a development. The programme has been designed so that the outcome should lead to participants becoming shareholders and building up their own shareholding in the Company. A maximum of 30 key individuals are entitled to participate in the programme. Participation requires that the participant is a permanent employee in the Karo Pharma Group at the time of transfer.

Share rights representing a maximum of 1.5 per cent of the Company's total number of outstanding shares at the time of allotment may be allocated (at the date of the decision, the total number of shares and votes in the Company amounted to 109,555,188). The number of shares that may be transferred shall be related to the share price on the stock exchange for the Company's shares in connection with the publication of the Company's annual financial report for the financial year 2021 as follows:

Stock exchange share price	Portion of stated number of shares
Exceeding SEK x but not SEK x + 15 %	1/3
Exceeding SEK x + 15 % but not SEK x + 25 %	2/3
Exceeding SEK x + 25 %	3/3

Stock exchange price shall mean the weighted average value of the stock listing on Nasdaq Stockholm during the five trading days nearest after the publication of the Company's annual financial report for the financial year 2021. "x" shall mean the weighted average value of the stock listing on Nasdaq Stockholm during the five trading days nearest after the end of the subscription period in the Offer. Portion of number of shares shall mean the portion of the number of shares in this programme at a stock price within the interval. The outcome will be announced and published on the Company's website. Allocation of share rights will take place after the annual general meeting 2018.

The costs of the programme will be reported in accordance with IFRS 2 – "Share-related compensation" and is estimated to amount to (i) approximately SEK 1 million annually before tax at a share price of SEK 37 during the earning period, including social security contributions, (ii) approximately SEK 3.9 million

annually before tax at a share price of SEK 41 during the earning period, including social security contributions, or (iii) approximately SEK 8.7 million annually before tax at a share price of SEK 45 during the earning period, including social security contributions.

The Company's undertaking to allocate shares to participants in the programme will be secured with a repurchase authorisation. The Company's Board of Directors was authorised, by the annual general meeting held on 3 May 2018 to decide on acquisitions of shares in the Company on Nasdaq Stockholm to secure the transfers above. The same general meeting also decided on a transfer of shares to the participants in the programme as described above.

# Articles of association of Karo Pharma

Articles of association of Karo Pharma Aktiebolag, corporate number 556309-3359, adopted at the annual general meeting on 11 May 2017.

## § 1 Company name

The name of the public company is Karo Pharma Aktiebolag. The company is a public company.

## § 2 Registered office

The Board has its registered office in Stockholm.

## § 3 Business activity

The business activity of the Company is to research, develop, manufacture, acquire and sell products within health care and to carry out other activities related thereto.

## § 4 Share capital and number of shares

The share capital will be no less than SEK 32,000,000 and no more than SEK 128,000,000. The number of shares will be no less than 82,000,000 and no more than 328,000,000.

## § 5 Board of directors

The Board will consist of no less than three members and no more than ten members.

## § 6 Auditors

One or two auditors or a registered public accounting firm are appointed at the Annual General Meeting.

## § 7 Notice convening shareholders' meetings

Notice will be made by announcement in the Swedish newspaper Post- och Inrikes Tidningar and on the Company's website. Information that this notice has been issued will be announced in the Swedish newspaper Svenska Dagbladet. The General Meeting will be held in Stockholm.

## § 8 Pre-notification to attend shareholders' meetings

To be entitled to attend a shareholders' meeting, a shareholder must be registered in the complete share register, based on their status five days, excluding Sundays, before the meeting. Shareholders must also notify the Company no later than the day stated in the notice for the meeting that they will be attending. This day must not be a Sunday, a public holiday, a Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and must not be earlier than the fifth day, excluding Sundays, before the meeting. A shareholder may be accompanied by one or two assistants at the shareholders' meeting, but only if the shareholder has notified the Company of the number of assistants in the manner prescribed in the paragraph above.

## § 9 Annual general meeting with the shareholders

At the Annual General Meeting resolutions will be passed with respect to the following matters:

1. Election of the chairman of the meeting;
2. Drawing up and approval of the voting list;
3. Decision on the agenda;
4. Election of one or two people to approve the minutes together with the Chairman;
5. Decision as to whether the meeting has been duly convened;
6. Presentation of the annual report and the audit report and, if the Company is a parent company, the consolidated annual report and the consolidated audit report;
7. Resolution in respect of the adoption of the profit and loss account and the balance sheet and, if the Company is a parent company, of the consolidated profit and loss account and the consolidated balance sheet;
8. Resolution in respect of the appropriation of the Company's profit or loss according to the adopted balance sheet;
9. Resolution in respect of the discharge of liability towards the Company for the Board Members and the President;
10. Resolution in respect of the number of Board Members, Deputy Board Members and, where applicable, the auditors;
11. Resolution in respect of fees for the Board Members and, where applicable, the auditors;
12. Election of Board Members and Deputy Board Members and, where applicable, the auditors;
13. Other matters to be resolved at the Annual General Meeting under the Companies Act or the Articles of Association.

## § 10 Fiscal year

The fiscal year of the Company will be January 1 – December 31.

## § 11 Record day provision

The Company's shares will be registered in a central securities depository register pursuant to the Financial Instruments Accounts Act (1998:1479).



# Board of Directors, Management and Auditors in Karo Pharma

## Board of Directors

**ANDERS LÖNNER** (born 1945)

*Executive Chairman of the Board since:* 2014

*Board member since:* 2014

*Current assignments:* Advisor for EQT.<sup>1)</sup>

*Previous engagements/experience:* CEO and President of Meda AB, CEO of Astra Läkemedel with responsibility for Astra's Nordic subsidiaries, CEO of Karo Bio AB and President of the Swedish Association of the Pharmaceutical Industry (LIF).

*Education:* Master of Political Sciences.

*Independent in relation to Karo Pharma and its management:* No

*Independent in relation to Karo Pharma's major shareholders:* No

*Shareholding in Karo Pharma:* 18,642,140

**MARIANNE HAMILTON** (born 1947)

*Board member since:* 2017

*Current assignments:* Board member of KeyBroker, Board member of Lundsbergs Internatskola, member of Ersättningsakademien and member of the Advisory Board for Stockholm Business School.

*Previous engagements/experience:* HR Director and SVP Atlas Copco AB, Board member of Meda AB, Board member of Connecta AB and Board member of Alecta.

*Education:* Bachelor of Arts.

*Independent in relation to Karo Pharma and its management:* Yes

*Independent in relation to Karo Pharma's major shareholders:* Yes

*Shareholding in Karo Pharma:* 49,999

**THOMAS HEDNER** (born 1949)

*Board member since:* 2014

*Current assignments:* Chairman of the Board of Medical Manual Europé AB.

*Previous engagements/experience:* Professor in clinical pharmacology at the department for Innovation and Entrepreneurship of the faculty of medicine at the University of Gothenburg, founder of Blood Pressure AB, founder of DuoCort AB and founder of Laccure AB.

*Education:* Medical Doctor, Doctor of Philosophy and Master of Business Administration.

*Independent in relation to Karo Pharma and its management:* Yes

*Independent in relation to Karo Pharma's major shareholders:* Yes

*Shareholding in Karo Pharma:* 321,505

**PER-ANDERS JOHANSSON** (born 1954)

*Board member since:* 2012

*Current assignments:* Majority shareholder, Chairman of the Board and Managing Director of CIMON AB, Chairman of the Board of Sparbanken in Karlshamn and Board member of TC TECH Sweden AB.

*Previous engagements/experience:* Per-Anders Johansson is active as an investor through CIMON Enterprise and has much experience from technology and innovation companies. CIMON Enterprise has invested in and developed a number of successful businesses. Furthermore, Per-Anders Johansson has years of industrial experience from Karlshamnsgruppen, Nordico and Ellos where he has held leading positions.

*Education:* Master of Science in Engineering.

*Independent in relation to Karo Pharma and its management:* Yes

*Independent in relation to Karo Pharma's major shareholders:* Yes

*Shareholding in Karo Pharma:* 3,300,000

**HÅKAN ÅSTRÖM** (born 1947)

*Board member since:* 2017

*Current assignments:* Chairman of the Board of PledPharma AB, Chairman of the Board of Affibody AB, Board member of Rhenman & Partners Asset Management AB and Board member of MedUniverse AB.

*Previous engagements/experience:* CEO Kabi Pharmacia AB, CEO Astra Pharmaceuticals Ltd, CEO Pharmacia AB, Board member of SOBI (Biovitrum), Board member of Ferrosan A/S, Board member and Vice Chairman of Karolinska Institutet.

*Education:* Master of Science in Business and Economics.

*Independent in relation to Karo Pharma and its management:* Yes

*Independent in relation to Karo Pharma's major shareholders:* Yes

*Shareholding in Karo Pharma:* 378,812

1) Anders Lönnér has, up until the date of this Offer Document, neither had any formal assignments for EQT nor received any remuneration from EQT and will not receive any remuneration in connection with the Offer.

## Management

**ANDERS LÖNNER** (born 1945)

*Position:* Executive Chairman of the Board.

See further in section “–Board of Directors”

**PETER BLOM** (born 1961)

*Position:* Chief Executive Officer since 2017.

*Previous engagements/experience:* Managing Director of Sony Sweden, Nordic Sales Director of Hi3G access, COO of Viasat Broadcasting, CEO of Valio Sweden and COO of Häagen Dazs Scandinavia.

*Education:* IFL Leadership and various management courses.

*Shareholding in Karo Pharma:* 33,015

**MATS-OLOF WALLIN** (born 1951)

*Position:* Chief financial Officer since 2018.

*Previous engagements/experience:* CFO of Sobi AB and CFO of Biotage AB.

*Education:* Bachelor of Arts

*Shareholding in Karo Pharma:* –

**CARL LINDGREN** (born 1968)

*Position:* Vice President, Business Development since 2017.

*Previous engagements/experience:* Vice President of Global Marketing Depression Portfolio at Lundbeck A/S, Vice President of Established Business at Lundbeck A/S, Global Marketing Director at Lundbeck A/S.

*Education:* Bachelor of Science in Business Administration and Economics.

*Shareholding in Karo Pharma:* 140,000

**SIMEN NYBERG-HANSEN** (born 1966)

*Position:* Managing Director Norway since 2015.

*Previous engagements/experience:* CFO of Weifa ASA, consultant and Chairman of Dolphitech AS, CFO of Norman ASA, CFO of Viking Redningstjenste International AS and Manager at EY.

*Education:* Bachelor and Master in Accounting and Auditing.

*Shareholding in Karo Pharma:* –

## Auditor

The annual general meeting held on 3 May 2018 re-elected PricewaterhouseCoopers AB as auditor for the period up until the end of the 2019 annual general meeting. Mikael Winkvist, (born 1962), member of FAR, is the auditor in charge since 2015.

# Karo Pharma's interim report for the nine months ended 30 September 2018



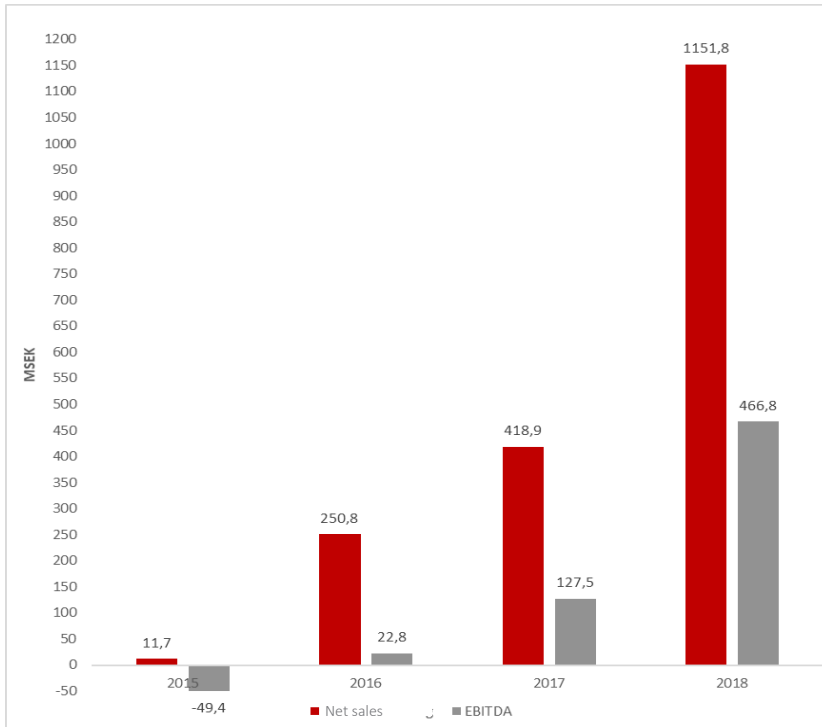
## INTERIM REPORT JANUARY–SEPTEMBER 2018

### 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.

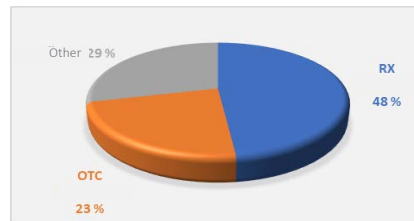
## DEVELOPMENT January – September 2015 - 2018



### 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	
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

Anders Lönner, Chairman of the Board +46 10 330 23 10

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.*

CONFERENCE CALL / AUDIOCAST

This report will not be presented in a conference call / audiocast.

## **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
	2018	2017	2018	2017	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
	2018	2017	2018	2017	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)

Attributable to shareholders of the parent company	Share capital	Ongoing rights issue	Other contributed capital	Retained earnings/ accumulated losses	Non- controlling interest	Total equity
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	
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		
	2018	2017	2018	2017	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

# Statement from the Board of Directors of Karo Pharma

*The description of Karo Pharma on pages 15–42 in this Offer Document has been reviewed by the Board of Directors<sup>1)</sup> of Karo Pharma. It is the opinion of the Board of Directors that this brief description provides an accurate and fair, although not complete, picture of Karo Pharma.*

Stockholm, 12 November 2018

**Karo Pharma Aktiebolag**

*The Board of Directors*

1) The Chairman of the Board of Directors of Karo Pharma, Anders Lönner, and the member of the Board of Directors Per Anders Johansson, through Nomic Aktiebolag (corporate number 556235-7110), have, after the announcement of the Offer, through separate agreements entered into on 7 November 2018, undertaken to accept the Offer (see “—Undertakings to accept the Offer”). Subsequent to their undertakings to accept the Offer, neither Anders Lönner nor Per-Anders Johansson have participated in the Board of Directors’ continued administration of the Offer.

# Swedish tax considerations

The following is a summary of certain Swedish tax consequences that may arise from the Offer for individuals and limited liability companies. The summary is based on Swedish tax legislation as currently in effect and is intended only as general information for shareholders who are resident in Sweden for tax purposes, unless otherwise indicated. The summary does not deal comprehensively with all tax consequences that may occur in this context. For instance, it does not cover the specific rules that, in certain cases apply to shares acquired by virtue of shares in a closely held company (Sw. *fåmansföretag*). Also, it does not deal with the rules that in certain cases apply in the corporate sector with respect to tax exempt capital gains on "shares held for business purposes" (Sw. *näringsbetingade andelar*). Nor does this description deal with the rules that apply where shares are held by a partnership or held as current assets in a business operation. Special tax consequences that are not described below may also apply for certain categories of taxpayers, including investment companies and mutual funds. Each shareholder is recommended to consult a tax advisor for information with respect to the special tax consequences that may arise from the Offer, including the applicability and effect of foreign tax legislation, provisions in tax treaties and other rules which may be applicable.

## General information

Shareholders who accept the offer and sell their shares in Karo Pharma will generally be subject to capital gains taxation. The capital gain or capital loss is calculated as the difference between the sales proceeds (including any additional consideration, as applicable), after deduction for sales expenses, and the acquisition cost for tax purposes. The acquisition cost is determined according to the "average cost method". This means that the acquisition cost for all shares of the same type and class are added together and determined collectively, with respect to changes in the holding. For listed shares, such as the shares in Karo Pharma, the acquisition may, as an alternative, be determined as 20 per cent of the net sale revenue under the "standard rule".

Special rules apply in relation to additional consideration that is not possible to determine in its amount the year of the sale. Such additional consideration will be subject to taxation in the year when the amount of the additional consideration is possible to determine. The additional consideration will be taxed in accordance with the rules applicable for the year of the sale.

## Individuals

A capital gain on listed shares is taxed as income from capital at a rate of 30 per cent.

Capital losses on listed shares, such as the shares in Karo Pharma, are fully deductible against taxable capital gains arising the same year on shares and listed securities that are taxed in the same manner as shares (except for listed shares in mutual funds containing only Swedish receivables). Capital losses not deducted in accordance with the above are deductible to 70 per cent against any other taxable income from capital.

If a deficit arises in the income from capital category, a reduction of the tax on income from employment and from business operations, as well as the real estate tax and the municipal real estate fee, is allowed.

The tax reduction amounts to 30 per cent of any deficit not exceeding SEK 100,000 and 21 per cent of any remaining deficit. Deficits may not be carried forward to a later fiscal year.

## Limited liability companies

For limited liability companies, all income, including taxable dividends and capital gains, is taxed as business income at a rate of 22 per cent.

Deductible capital losses on shares or other equity-related securities may only be deducted against taxable capital gains on such securities. Under certain circumstances such capital losses may also be deducted against capital gains in another company within the same group, provided that the requirements for exchanging group contributions (Sw. *koncernbidrag*) are met. A capital loss that cannot be utilized during a given year may be carried forward and offset against taxable capital gains on shares and other equity-related securities during subsequent fiscal years without any limitation in time.

## Shareholders residing outside of Sweden

Shareholders who are not tax resident in Sweden and whose shareholding is not attributable to a permanent establishment in Sweden will normally not be liable for Swedish capital gains taxation as a result of the Offer. The shareholders may, however, be subject to taxation in their country of residence.

Under a specific tax rule, individuals that are not tax resident in Sweden may be subject to tax in Sweden on the sale of shares if they have been resident or stayed permanently in Sweden at any time during the calendar year of such disposal or during any of the previous ten calendar years. The applicability of this rule may, however, be limited by tax treaties between Sweden and other countries.

# Addresses

**Karo Intressenter AB**

c/o White & Case Advokat AB, Box 5573  
SE-114 85 Stockholm  
Sweden

**Karo Pharma Aktiebolag**

Nybrokajen 7  
SE-111 48 Stockholm  
Sweden

**SEB Corporate Finance**

Kungsträdgårdsgatan 8  
SE-106 40 Stockholm  
Sweden

**White & Case Advokat AB**

Biblioteksgatan 12  
SE-114 85 Stockholm  
Sweden

