INTERIM REPORT JANUARY-MARCH 2015

THE JANUARY-MARCH PERIOD 2015 IN BRIEF

- Net sales amounted to MSEK 0.4 (6.4)
- Net loss for the group was MSEK 15.3 (13.4)
- Loss per share was SEK 0.02 (0.02)
- Cash flow from operating activities was MSEK -19.4 (-13.1)
- Cash and cash equivalents and other short-term investments at the end of the period totaled MSEK 32.2 (8.6)
- Anders Lönner was appointed Executive Chairman of the Board and Maria Sjöberg CEO
- A collaboration was initiated with the German pharmaceutical company Dr. Wolff

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

- The Board of Directors proposes a rights issue of approx. MSEK 230. Underwriting agreements have been obtained equivalent to 100 per cent of the issue, of which Anders Lönner underwrites more than 95 per cent.
- Tanomed AB with a unique cold treatment, was acquired at a value of MSEK 20

CONFERENCE CALL / AUDIOCAST TODAY AT 11.00 A.M. CET

A presentation of the report (in Swedish) will take place today 11.00 a.m. The presentation and slides are available through the corporate website www.karobio.se or by telephone +46 8 566 426 63 (Sweden), +44 20 319 405 44 (UK) or +1 855 269 26 04 (USA). Questions may be submitted over the internet or by telephone.

COMMENTS ON OPERATIONS

CLOSER TO MARKET

Since the beginning of the year, Pfizer manages the development of the RORgamma project towards the market. When the project reaches certain milestones and sales targets, Karo Bio is entitled to compensation of up to more than MUSD 200 in addition to royalties. In the projects ERbeta cancer and ERbeta MS, work is focused on finding potential licensing partners.

The new focus of Karo Bio is to create a balance between preclinical projects and products and projects closer to market. A step in this direction was the agreement in March with the German pharmaceutical company Dr. Wolff regarding a marketing collaboration.

The collaboration with the German company starts with the introduction of the Vagisan in Sweden. Vagisan is a non-prescription product line for the treatment primarily of dry mucous membranes in women’s intimate parts.

In April, Karo Bio acquired the research company Tanomed AB with a unique product to relieve and prevent common colds by strengthening the body's own defenses to fight the cold virus.

Karo Bio has thus added two new business projects so far during the year. The ambition is to add further projects in 2015, in line with the stated target of adding at least two new business projects per year. Within the field there is a large number of interesting development projects both in Sweden and abroad where Karo Bio with its new organization and international network and experience can add value.

In line with the company's new strategy with a focus on projects and products closer to market, work in R&D will mainly be carried out in a virtual setting.

Karo Bio has a stated goal of becoming a profitable company and thereby create increased shareholder value. Through aggressive efforts to broaden the company's portfolio of innovative projects with low development risk and short time to market, opportunities for new products are created and thereby sales revenue.

In combination with a low and controlled cost level, the company believes that there is good potential to create long-term profitability.

KEY FINANCIAL DATA

(MSEK)	Jan-Mar		Full year
	2015	2014	2014
Net sales	0.4	6.4	30.1
Operating expenses	-15.8	-19.8	-89.5
- of which R&D expenses	-8.2	-14.1	-68.6
Net loss	-15.3	-13.4	-59.3
Loss per share (SEK)	-0.02	-0.02	-0.09
Cash flow from operating activities	-19.4	-13.1	-46.3
Cash	32.2	8.6	51.6

NET SALES AND EARNINGS

Net sales for the quarter were MSEK 0.4 (6.4). The decrease is mainly explained by the ending of the research funding from Pfizer.

Operating expenses for the period was MSEK 15.8 (19.8). Research and development expenses accounted for 52 per cent of costs, and amounted to MSEK 8.2 (14.1). The decrease in expenses was primarily attributable to adjustment of staff because of the ending of the funding through the research collaboration with Pfizer. Administrative expenses were MSEK 7.6 (5.6). The increase was mainly explained by one-off costs in relation to the CEO change and adjustment of staffing.

Operating loss and net loss were MSEK 15.4 (13.4) and MSEK 15.3 (13.4), respectively.

CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities for the period amounted to MSEK -19.4 (-13.1). Consolidated cash and cash equivalents amounted to MSEK 32.2 (8.6) at the end of the period.

Total shareholders' equity amounted to MSEK 25.6 (10.5) taking into account the period's loss. Loss per share amounted to SEK 0.02 (0.02). The Group's equity ratio at the end of the period was 62.4 (37.8) per cent and equity per share was SEK 0.04 (0.02).

THE PARENT COMPANY

Net sales for the Parent Company for the quarter amounted to MSEK 0.4 (6.4). Loss after financial items was MSEK 15.3 (13.4). Cash and other short-term investments for the parent company amounted to MSEK 32.1 (8.4).

GOING CONCERN

Without additional funding or revenue, existing cash resources are expected to finance the current scope of operations until the end of the fourth quarter of 2015. Under the same conditions, equity may fall short of 50 per cent of the registered share capital at the beginning of the fourth quarter of 2015. The Company believes that there are opportunities for additional revenue in the coming quarters.

In order to strengthen the company's financial position, the Board has decided to convene an Extra General Meeting to resolve on a rights issue. Upon full payment, the proposed rights issue is expected to raise about MSEK 230 net of transaction costs.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

ACQUISITION OF COLD PRODUCT

In April, Karo Bio acquired the research company Tanomed AB. The acquisition provides access to a unique new product to relieve and prevent colds by strengthening the body's own defenses to fight the cold virus. Several clinical studies show that early treatment with the product prevents or shortens disease progression.

The acquisition was made through an issue of 13,480,392 new shares in Karo Bio valued at 1.48 SEK, amounting to a total of MSEK 20. The issue was performed within the Board's mandate from the AGM.

PROPOSAL FOR A RIGHTS ISSUE

The Board proposes a rights issue to existing shareholders of approximately MSEK 230 net of transaction costs. Underwriting agreements have been obtained equivalent to 100 per cent of the issue, of which Anders Lönner underwrites more than 95 per cent. In addition the Board proposes and over-allotment option of maximum MSEK 20.

In order to resolve on the proposal, the Board has convened an Extra General Meeting on May 25, 2015 at 16:00 in the Auditorium, Novum Research Park (level 5), Hälsovägen 7, Huddinge, Sweden.

RISKS

Significant risks and uncertainties are described in the Annual Report for 2014.

ACCOUNTING AND VALUATION PRINCIPLES

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

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

REPORT PRESENTATION

A presentation of the report (in Swedish) will take place today 11.00 a.m. The presentation and slides are available through the corporate website www.karobio.se or by telephone +46 8 566 426 63 (Sweden), +44 20 319 405 44 (UK) or +1 855

269 26 04 (USA). Questions may be submitted over the internet or by telephone.

UPCOMING FINANCIAL INFORMATION

AGM	April 29, 2015
EGM	May 25, 2015
Interim Report Jan-June	July 10, 2015
Interim Report Jan-Sept	October 29, 2015
Year-End Report	February 12, 2016

AUDITOR'S REVIEW

This interim report has not been subject to review by Karo Bio's auditors.

Huddinge on April 29, 2015

CEO Maria Sjöberg
Chairman Anders Lönner

FOR FURTHER INFORMATION, PLEASE CONTACT:

Henrik Palm, CFO, +46 8 608 6076, +46 70 540 4014 or henrik.palm@karobio.se

ABOUT KARO BIO

Karo Bio is a development company with a focus on broadening its activities to cover projects and products closer to market. The company has several projects on the way to the clinical phase. Operations are conducted in Huddinge, Sweden and the share is listed on Nasdaq Stockholm.

The information in this report is such that Karo Bio is required to disclose under the Swedish Securities Market Act. The information was disclosed on April 29, 2015 at 8.15 a.m. CET.

CONSOLIDATED INCOME STATEMENT SUMMARY (KSEK)

	Jan-Mar		Full year
	2015	2014	2014
Net sales	425	6 360	30 060
Operating expenses			
Administration	-7 556	-5 595	-21 014
Research and development	-8 174	-14 142	-68 593
Other operating income/expenses	-48	-21	92
	-15 778	-19 758	-89 515
Operating profit/loss	-15 353	-13 398	-59 455
Financial net	8	20	173
Earnings after financial items	-15 345	-13 378	-59 282
Tax	-	-	-
NET EARNINGS	-15 345	-13 378	-59 282
Net earnings attributable to:			
Shareholders in the parent company	-15 345	-13 378	-59 282
Depreciation included in operating expenses	-446	-449	-1 867
Earnings/loss per share (SEK)	-0.02	-0.02	-0.09
Number of shares issued (000)	676 263	583 185	676 263

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (KSEK)

	Jan-Mar		Full year
	2015	2014	2014
NET EARNINGS FOR THE PERIOD	-15 345	-13 378	-59 282
Other comprehensive income for the year, net of tax	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-15 345	-13 378	-59 282
Total comprehensive income attributable to:			
Shareholders of the parent company	-15 345	-13 378	-59 282

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (KSEK)

	31 Mar		31 Dec
	2015	2014	2014
Equipment	3 611	5 100	4 050
Other financial assets	17	-	14
Other current assets	5 131	13 946	4 948
Cash and cash equivalents	32 198	8 595	51 609
TOTAL ASSETS	40 957	27 641	60 621
Shareholders' equity	25 562	10 461	40 907
Current liabilities	15 395	17 180	19 714
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	40 957	27 641	60 621

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (KSEK)

Attributable to shareholders of the parent company	Share capital	Other contributed capital	Accumulated losses	Total
Amount at January 1, 2014	9 919	1 006 818	-992 898	23 839
Loss for the period	-	-	-13 378	-13 378
Amount at March 31, 2014	9 919	1 006 818	-1 006 276	10 461
Amount at January 1, 2015	13 525	1 079 562	-1 052 180	40 907
Loss for the period	-	-	-15 345	-15 345
Amount at March 31, 2015	13 525	1 079 562	-1 067 525	25 562

CONSOLIDATED STATEMENT OF CASH FLOWS (KSEK)

	Jan-Mar		Full year
	2015	2014	2014
Operating activities			
Operating income/loss before financial items	-15 353	-13 398	-59 455
Depreciation	446	449	1 867
Other items not affecting liquid assets	5	1	25
	-14 902	-12 948	-57 563
Financial items received and paid	4	3	171
Cash flow from operating activities before changes in working capital	-14 898	-12 945	-57 392
Changes in working capital	-4 490	-192	11 062
Cash flow from operating activities	-19 388	-13 137	-46 330
Investing activities			
Net investment in other financial instruments	-3	-	-14
Net investment in equipment	-20	-1 067	-1 483
Cash flow from investing activities	-23	-1 067	-1 497
Financing activities			
Net proceeds from share issues	-	-	84 748
Transaction costs share issue [1)]	-	-	-8 111
Cash flow from financing activities	-	-	76 637
Cash flow for the period	-19 411	-14 204	28 810
Cash at the beginning of the period	51 609	22 799	22 799
Cash at the end of the period	32 198	8 595	51 609

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

PARENT COMPANY INCOME STATEMENT SUMMARY (KSEK)

	Jan-Mar		Full year
	2015	2014	2014
Net sales	425	6 360	30 060
Operating expenses			
Administration	-7 556	-5 595	-21 088
Research and development	-8 174	-14 142	-68 607
Other operating income/expenses	-48	-21	92
	-15 778	-19 758	-89 603
Operating income/loss	-15 353	-13 398	-59 543
Financial net	9	23	262
Earnings after financial items	-15 344	-13 375	-59 281
Tax	-	-	-
NET EARNINGS	-15 344	-13 375	-59 281
Depreciation included in operating expenses	-432	-428	-1 804

PARENT COMPANY BALANCE SHEET SUMMARY (KSEK)

	31 Mar		Dec 31
	2015	2014	2014
Equipment	3 496	4 937	3 921
Other financial assets	17	-	14
Shares in group companies	150	150	150
Other current assets	5 131	13 907	4 867
Cash and cash equivalents	32 138	8 414	51 549
TOTAL ASSETS	40 932	27 408	60 501
Total restricted equity	13 525	9 919	13 525
Total non-restricted equity	12 048	554	27 392
Current liabilities	15 359	16 935	19 584
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES	40 932	27 408	60 501