

KARO PHARMA

**SUPPLEMENT TO PROSPECTUS REGARDING INVITATION TO
SUBSCRIBE FOR SHARES IN KARO PHARMA AKTIEBOLAG**

*Distribution of this Supplementary Prospectus is subject to restrictions in certain jurisdictions,
please refer to "Important information" in the Prospectus*



SUPPLEMENT TO PROSPECTUS

This document (the "**Supplementary Prospectus**") has been prepared by Karo Pharma Aktiebolag, reg. no. 556309-3359, ("**Karo Pharma**" or the "**Company**") as a supplement to the prospectus regarding invitation to shares in Karo Pharma Aktiebolag which was approved and registered by the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*) on 11 May 2018 (the Swedish Financial Supervisory Authority's reference number (Sw. *diarienummer*) 18-7684) (the "**Prospectus**"). The Supplementary Prospectus is a part of, and shall be read together with, the Prospectus. The definitions used in the Prospectus are also applicable in relation to the Supplementary Prospectus.

The Supplementary Prospectus has been prepared due to Karo Pharma's press release on 21 May 2018 regarding the receipt of a milestone payment regarding the RORgamma project from Pfizer. The press release is available on the Company's website, www.karopharma.com.

A separate supplementary prospectus in Swedish has been approved and registered by the Swedish Financial Supervisory Authority in accordance with Chapter 2, Section 34 of the Swedish Financial Instruments Trading Act (Sw. *lagen 1991:980 om handel med finansiella instrument*) and was approved and registered by the Swedish Financial Supervisory Authority on 23 May 2018 (the Swedish Financial Supervisory Authority's reference number 18-9620).

Investors who prior the publication of this Supplementary Prospectus have applied for or otherwise consented to subscribe for shares in the Offer are pursuant to Chapter 2, Section 34 of the Swedish Financial Instruments Trading Act entitled to withdraw their application or consent within two business days from the publication of the Supplementary Prospectus, i.e., until 25 May 2018. Revocation must be made in writing to Swedbank AB (publ), Emissioner C85, SE-105 34 Stockholm, Sweden, or by e-mail to emissioner@swedbank.se. Investors who have subscribed for shares through a nominee shall contact their nominee for revocation. Application that is not withdrawn within the specified time frame will remain binding and investors who do not wish to withdraw their application for subscription of shares do not have to take any action.

The Prospectus and the Supplementary Prospectus are available on www.karopharma.se, www.sebgroup.com/prospectuses and www.swedbank.se/prospekt. For full terms and other information regarding the Offer, please refer to the Prospectus.

SUPPLEMENT TO THE SUMMARY

The information in this Supplementary Prospectus causes item B.7 in section “Summary” on side 7 in the Prospectus to be supplemented with a new fourth paragraph under “Significant events after 31 March 2018”.

Section B – Issuer and guarantors		
B.7	<i>Selected historical information</i>	[...] On 21 May 2018, the Company disclosed that it had received a milestone payment regarding the RORgamma project from Pfizer amounting to USD 6m. [...]

SUPPLEMENT TO CAPITAL STRUCTURE AND OTHER FINANCIAL INFORMATION

The Company's press release on 21 May 2018 causes "Significant events after 31 March 2018" in section "Capital structure and other financial information" on side 80 in the Prospectus to be supplemented with a new fourth paragraph.

SIGNIFICANT EVENTS AFTER 31 MARCH 2018

[...]

On 21 May 2018, the Company disclosed that it had received a milestone payment regarding the RORgamma project from Pfizer amounting to USD 6m. For more information, please refer to section *"Legal considerations and supplementary information – Material agreements – Licence and cooperation agreement with Pfizer"*.

[...]

SUPPLEMENT TO LEGAL CONSIDERATIONS AND SUPPLEMENTARY INFORMATION

The Company's press release on 21 May 2018 causes the last paragraph in "Licence and cooperation agreement with Pfizer" in section "Legal considerations and supplementary information" on side 114 in the Prospectus to be replaced with the below information.

Karo Pharma has pursuant to the agreement a right to compensation of up to USD 200m. To date, the Company has received three such payments. In September 2013, Karo Pharma received the first milestone payment under the agreement, amounting to USD 2m. In the first sixth months of 2017, Karo Pharma received a payment of USD 2m for achieving a second milestone under the agreement. In May 2018, Pfizer notified Karo Pharma that a new milestone had been achieved. Through the achievement, Karo Pharma receives a payment amounting to USD 6m.