

CORPORATE GOVERNANCE REPORT

Introduction

The Board of Directors of Karo Pharma hereby submits the corporate governance report for 2015, compliant with the Annual Report Act (ÅRL 6 chapter 8 §) and the Swedish Code of Corporate Governance ("the Code") (available at www.corporategovernanceboard.se). Karo Pharma has applied the Code since July 1, 2008.

The corporate governance report has been reviewed by the company's auditor, in accordance with the Annual Reports Act. It does not constitute a section of the formal annual report documentation.

The Group consists of the Parent Company, Karo Pharma AB, and the subsidiaries, Karo Pharma AS, DnE Sweden AB, Swereco Group AB, Tanomed AB, MedCore AB, Karo Pharma Research AB and Karo Bio Discovery AB. The subsidiaries conduct no operations.

Deviation from the Code

Karo Pharma comply with the Code's principle of "comply or explain" and in 2015, Karo Pharma had a deviation to report, in terms of code rule 9.1 that the Board of Directors shall establish a remuneration committee.

The Board of Directors has, based on its size and composition, determined that the remuneration committee and the audit committee tasks are best performed by the Board of Directors as a whole and have deviation from code rule 9.1 that the Board of Directors should establish a remuneration committee.

Shareholders

Karo Pharma AB's shares have been listed on the NASDAQ Stockholm exchange since 1998. As per December 31, 2015, the number of shareholders were 16,146 (12,141). According to the shareholder list provided by Euroclear Sweden AB as per December 31, 2015, Försäkringsaktiebolaget Avanza Pension had accumulated shareholdings of 9.4 (9.1) per cent, Anders Lönner 4.8 (2.7) and JP Morgan 4.4 (5.6) per cent. The ten largest shareholders held 29.6 (31.6) per cent of the total number of shares. The proportion of foreign shareholders amounted to 12 (15) per cent. A proportion of 2.9 (3.3) per cent of shareholders held 500 shares or fewer.

There are no limitations that apply to the transferability of Karo Pharma shares due to either legal restrictions or the Articles of Association. To the best of Karo Pharmas's knowledge, no agreements exist between any shareholders that could possibly limit the transferability of shares. No single shareholder controls more than 10 per cent of the total number of shares in Karo Pharma.

No breaches of the listing agreement or good practice on the stock market according to resolutions from the Exchange's disciplinary committee or the Swedish Securities Council disciplinary committee occurred during the financial year.

Information regarding outstanding shares in Karo Pharma

On December 31, 2014, the company had a total of 676,263,159 shares with a par value of SEK 0.02. Each share carries entitlement to one vote and carries the same right to share in the company's assets and profits.

In May, new share issues were conducted to existing shareholders, which in total of 229,914,516 of shares were issued at SEK 1.00, corresponding to a total issue proceeds of approximately SEK 230 million before issue costs. The issue increased the number of shares to 939,858,060.

To get a more appropriate number of shares a consolidation of shares was carried out in August where 20 shares were consolidated into one. In connection with this, there was a minor issue of equalization shares to

facilitate the transaction. The merger and the issue of shares, minimized the number of shares from 939,858,060 to 46,992,903.

In October, Swereco Group was acquired where the consideration was paid in shares. A total of 2,551,218 shares were issued to the shareholders of Swereco Group's, whereby the total number of shares increased to 49,544,121 shares.

In November the company acquired 90 percent of MedCore AB where the purchase price was paid in shares. A total of 381,634 shares were issued to the shareholders of MedCore AB, whereby the total number of shares increased to 49,925,755 shares.

On December 31, 2015, the total number of shares amounted to 49,925,755. The quota value was SEK 0.40.

General Meeting of the Shareholders

The highest decision-making body is the general meeting of the shareholders, where the shareholders exercise their influence in the company. Shareholders wishing to participate in the general meeting of shareholders, either in person or via a representative, must have their names entered in the shareholders' register maintained by Euroclear Sweden AB no later than five weekdays before the general meeting and must report their intention to attend to the company in accordance with the notice.

Notice of a general meeting of shareholders is given through notices in the press and the company website (www.karopharma.com). The annual general meeting shall be held within six months from the end of the financial year. At the annual general meeting, shareholders vote on proposed resolutions regarding such matters as the election of members of the Board of Directors and, where appropriate, the auditors, the manner of appointment of the Nomination Committee and discharge from responsibility for the members of the Board of Directors and CEO for the past year. Resolutions are also adopted regarding the preparation of the financial statements, the allocation of profit or treatment of loss, the fees for the Board of Directors and auditors, and guidelines for remuneration to the CEO and other members of the executive management team.

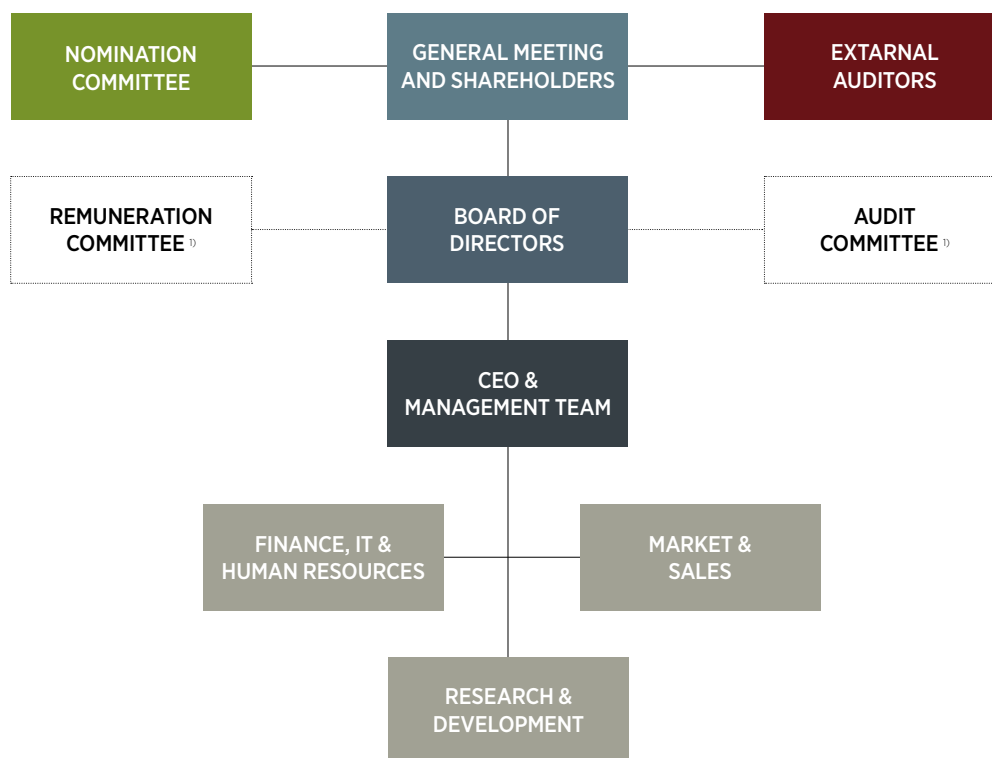
Annual General Meeting 2015

The Board gave the Annual General Meeting (AGM) an account of their work during the year and on corporate governance issues in general. The CEO informed the AGM about the Group's development and position, and commented on financial results for 2014.

The AGM approved the financial statements for 2014, decided on the handling of the Company loss and discharged the members of the Board from liability. The AGM decided that no dividend would be paid. The AGM authorized the Board to – on one or several occasions and until the next AGM – decide on the issuance of shares corresponding to a maximum of 10 per cent of the registered share capital. The objective of this authorization is to increase the company's financial flexibility and to facilitate acquisition with payment in shares.

The Nomination Committee's Chairman informed on the work during the year and reported the reasons for the suggested proposals. In accordance with the proposal, Anders Lönner (re-election) was elected Chairman, and Thomas Hedner (re-election), Per-Anders Johansson (re-elected), Göran Wessman (re-elected) and Jean Lycke (new election) were elected as Board members. The AGM resolved on the election of auditor and remuneration to the Board and auditor in accordance with the Nomination Committee's proposal.

The minutes of the AGM held on April 29, 2015 are available at Karo Pharma's website (www.karopharma.com).



IMPORTANT EXTERNAL AND INTERNAL RULES, REGULATIONS AND POLICIES AFFECTING CORPORATE GOVERNANCE

Important internal rules, regulations and policies

- Articles of Association
- The Board of Directors' work procedure
- Instructions for the CEO including instructions regarding financial reporting
- Instructions to the respective Board committees
- Information policy
- Insider policy
- Financial policy
- Risk management policy
- Financial manual
- Code of Conduct and provisions regarding business ethics

Important external rules and regulations

- Swedish Companies Act
- Swedish Book-keeping Act
- Swedish Annual Accounts Act
- NASDAQ Stockholm's Rule Book for Issuers
- Swedish Code of Corporate Governance

¹⁾ All of the committee's tasks are handled by the whole Board

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

BOARD



ANDERS LÖNNER (1945)
BOARD MEMBER AND CHAIRMAN SINCE 2014
Education: MSc.Pol. Sci. In 2014, nominated Honorary Doctor of Medicine at Karolinska Institutet.
Primary Experience: Previously CEO and President Meda AB and before CEO Astra Läkemedel with responsibility for, among other things, Astra's Nordic subsidiaries, CEO Karo Bio AB and President.
Other assignments: Chairman of Ålstens Gård AB. Board member of BEAMPOINT AB, Sunda Sweden AB, Apotixa Aktiebolag, Board alternate of Aktiebolaget Spännet.
Numbers of shares: 2 412 596



THOMAS HEDNER (1949)
BOARD MEMBER SINCE 2014
Education: M.D., Ph.D and MBA
Primary Experience: Professor in clinical pharmacology at the faculty of medicine at Gothenburg University at the department for Innovation and Entrepreneurship. Founder of several biomedical start-ups such as Blood Pressure AB, DuoCort AB and Laccure AB.
Other assignments: Chairman of Medical Manual Europé AB. Board member of Smartsun AB, Intorp Säteri AB, Santio Forskning AB, Blood Pressure AB and Fastighets- aktiebolaget Bogesund.
Number of shares: 221 504



PER-ANDERS JOHANSSON (1954)
BOARD MEMBER SINCE 2012
Education: Mechanical Engineer with a focus on process technology.
Primary Experience: Per-Anders Johansson is active an investor through CIMON Enterprise and has years of experience in technology and development. Cimon Enterprise has invested in and developed several successful companies. Johansson also has a long industrial experience from Karlskamn Group, Nordico and Ellos where he held leading positions.
Other assignments: The majority owner, chairman and CEO of Cimon AB, and commitment in most of Cimon Group's 20 subsidiaries. Chairman of Konfekta Norden AB, C.F.S. Medical AB, Sparbanken i Karlshamn, Diabetes Tools Sweden AB, Mina Gubbar i Stockholm, Finansservice AB and Normic Förvaltnings AB. Board member of Karo Pharma Aktiebolag, CT Intressenter AB, PT Stabilisation AB, Joesil Sweden Holding AB and Normic Fastigheter AB: Board alternate of M & C Holding Aktiebolag.
Number of shares: 1 332 592



JEAN LYCKE (1964)
BOARD MEMBER SINCE 2015
Education: Engineering, Marketing Management and Management.
Primary Experience: Former Chairman of Tanomed AB, and several other senior positions in life science. Jean has a long background in business development in the pharmaceutical industry.
Other assignment: Board member and CEO of Emerentia Gruppen AB. Board member of BioResonator Good Eye AB, Santax Nordic A/S and Intellego Technologies AB.
Number of shares: 34 161



GÖRAN WESSMAN (1948)
BOARD MEMBER SINCE 2011
Education: Biomedicine and Chemistry at Uppsala and Gothenburg Universities.
Primary Experience: Chairman of Karo Pharma since 2011 and board member since 2014. Göran Wessman has more than thirty years of experience from leading positions in the pharmaceutical and medical companies, including established Nobel Biocare, Boule Diagnostics and Carmel Pharma. Göran has also worked as a consultant in business development.
Other assignments: Chairman of Vicore Pharma Holding AB, Protem Wessman AB och ITIN Holding AB.
Numbers of shares: 322 223

MANAGEMENT



MARIA SJÖBERG (1964)

CEO

Education: Ph.D., Associate Professor

Primary Experience: CEO of Karo Pharma

since February 2014, with responsibility for R&D operations, previously Head of Preclinical development at Karo Pharma. Maria Sjöberg is employed by Karo Pharma since 2011 and has extensive experience in the biotechnology and pharmaceutical industry including R&D/ Production Director SentoClone AB, Senior Scientist AstraZeneca Biotech, Section Head/ Project Leader Karo-Bio AB, Group Leader Karolinska Institutet.

Number of shares: 4 370



HENRIK PALM (1958)

CFO and VICE PRESIDENT

Education: Bachelor of Business Administration, University of Gothenburg.

Primary Experience: CFO of Karo Pharma since 2011 and Vice president since February, 2015. Henrik Palm has many years of experience as CFO and Controller of Ericsson Group, Elektronikgruppen BK AB and Feel-good Svenska AB.

Number of shares: 13 499

Extraordinary General Meeting in May 2015

An extraordinary General Meeting was held on May 25 2015 to decide on a rights issue. The AGM approved a rights issue of approximately MSEK 230 with preferential rights for existing shareholders, which increased the share capital by a maximum of 4,598,244.45 SEK through the issue of maximum 229,914,516 shares. The AGM also approved the Board's proposal to authorize the Board to decide on issuance of additional shares in the event of over-subscription of rights issue.

The AGM also authorized the Board to decide on an issue, with or without preferential rights for existing shareholders, of an additional maximum of 20,000,000 shares at an issue price of SEK 1.00 per share, in order to enable the company to receive additional proceeds of approximately MSEK 20.

Protocol from the Extraordinary General Meeting are available on Karo Pharma's website (www.karopharma.com).

Extraordinary General Meeting in August, 2015

On August 7, 2015, a second Extraordinary General Meeting was held to decide on a directed share issue, amendment of the Articles of Association and the consolidation of shares in order to achieve the appropriate number of shares.

In order to enable the consolidation of shares the AGM decided to increase the share capital by a maximum of SEK 5,999.93 through a new issue of a maximum of 300,000 shares, which the Board can assign to each shareholder, making the holdings divisible by 20. The limit for the number of shares of the company was changed to a minimum of 25,000,000 and maximum of 100,000,000 shares. The meeting decided on reverse split of shares (1:209, whereby 20 existing shares are consolidated into one (1) new share.

Protocol from the Extraordinary General Meeting are available on Karo Pharma's website (www.karopharma.com).

Annual General Meeting 2016

Karo Pharma's Annual General Meeting 2016 is held on Tuesday, May 12, at 16:00 at Hotel Diplomat, Strandvägen 7a, Stockholm. Shareholders who wish to have a matter addressed at the Annual General Meeting must submit a written request to the Board in advance of the meeting. More information is available on Karo Pharma's website.

Nomination Committee

The AGM 2015 decided that 2014 regulations should continue to apply to the Nomination Committee. The Chairman of the Board shall ensure

that by the end of the third quarter each year, the company's by voting rights five largest shareholders or shareholder groups are offered to appoint one representative to the Nomination Committee. Where one or more shareholders decline to appoint a member of the Nomination Committee, the next shareholder in turn based on ownership should be contacted with a mandate to appoint a member to the committee.

The Chairman is the convener of the Nomination Committee. If a member leaves the Nomination Committee before the work is completed, the Nomination Committee shall, if it deems it necessary, invite the same shareholder, or if it is no longer one of the major shareholders, the next shareholder in terms of size to appoint a replacement. A change of this kind shall be announced on the company's website.

The Nomination Committee shall prepare proposals for resolution as regards to the election of chairman for the general meeting, the number of Board members and Deputies, fees to the Board of Directors and auditor, the election of Chairman of the Board and other Directors of the Board and auditors.

The term of office for the Nomination Committee runs until the new committee is appointed. The Nomination Committee shall not receive remuneration, but to the extent it considers necessary have the right to contract other resources such as external consultants as part of their assignment at the company's expense, and to a reasonable extent.

External Auditors

According to the Articles of Association, Karo Pharma shall engage a registered public accounting firm as external auditor. At the 2015 AGM, the registered public accounting firm PricewaterhouseCoopers AB was re-elected as auditor until the AGM 2016. Since the 2008 AGM, auditor in charge has been Authorized Public Accountant Håkan Malmström, he has informed that because of applicable rules on auditor rotation to vacate as auditor at the AGM. Mikael Winkvist was appointed new auditor.

The auditors review the accounting records and administration of the Parent Company and the Group on behalf of the AGM. The external audit of the accounting records of the Parent Company and the Group and the administration of the Board of Directors and the CEO is performed according to generally accepted auditing standards in Sweden.

The company has entrusted the auditor to review one of the interim reports for 2015 in accordance with the Code's statutes. Information regarding the auditors' fee is included in Note 27 in the 2015 annual report.

REPORT JANUARY 1 – DECEMBER 31 2015

Board member	Elected	Total annual fee, KSEK	Attendance ordinary Board meetings ¹⁾	Attendance extraordinary Board meetings ¹⁾	Independent in relation to the company and executive management	Independent in relation to the company's major shareholders
Anders Lönnér (Chairman)	2014	420	6 (6)	17 (18)	No	Yes
Thomas Hedner	2012	150	6 (6)	18 (18)	Yes	Yes
Per-Anders Johansson	2014	150	6 (6)	18 (18)	Yes	Yes
Jean Lycke ²⁾	2015	112,5	4 (6)	13 (18)	Yes	Yes
Göran Wessman	2011	150	6 (6)	17 (18)	Yes	Yes
Christer Fåhraeus ³⁾	2011	37,5	2 (2)	5 (5)	Yes	Yes
Sibylle Lenz ³⁾	2013	37,5	1 (2)	5 (5)	Yes	Yes
Employee representative						
Bo Carlsson ^{3) 4)}	1997	0	2 (2)	5 (5)	No	Yes

1) The figures in parentheses indicate the number of meetings held during each member's term

2) Elected at the annual general meeting 2014

3) Left at the annual general meeting 2015

4) Employed by Karo Pharma AB

The Board of Directors

The Board of Directors has the overall task of administering the company's affairs on behalf of the shareholders in the best possible manner. The Board shall continuously assess the Group's operations, development and financial situation, as well as assessing its operative management. Among its other work, the Board determines issues concerning the Group's strategic direction and organization, business plans, financial plans and budget, and also makes decisions regarding important agreements, major investments and commitments, in addition to financial, information and insider and risk management policies.

The Board of Directors works according to a work procedure that is determined annually and which governs the frequency and agenda of Board meetings, the distribution of material for meetings and matters to be presented to the Board as information or for resolution. The working procedure further regulates the manner in which the tasks of the Board are divided between the members of the Board and any Board committees. The Board has also approved instructions for the CEO, which regulate the division of duties between the Board of Directors, the Chairman of the Board, and the CEO, as well as defining the authorities of the CEO.

The Chairman of the Board plans the Board meetings together with the CEO. In advance of each Board meeting, the Directors receive a written agenda and adequate supporting documents. At each regular Board meeting, a review of operations is conducted, which includes developments and progress within research and development, business development, the Group's operating results and financial position, financial reporting and forecasts.

The Chairman leads the work of the Board of Directors, represents the company in ownership issues, and is responsible for the assessment of the Board of Directors' work. In addition, the Chairman is responsible for on-going interaction with management and for monitoring that the Board fulfills its duties.

According to the Articles of Association, the Board shall consist of a minimum of five and a maximum of nine members, elected by the general meeting of shareholders, with no deputy members. The Board is competent to make decisions when more than half of the total numbers of Directors are present.

The work of the Board of Directors in 2015

In 2015, six regular meetings and 18 extra board meetings have been held. At all of these meetings, the Board of Directors has been competent to make decisions. Resolutions are made after an open discussion in the Board, led by the Chairman.

Major matters dealt with in 2015 have included rights issues to shareholders, merger of shares and the acquisition of new business.

Board Committees

Based on its size and composition, the Board has resolved that the respective tasks of the Compensation Committee and the Audit Committee are best conducted by the Board in its entirety, and that no preparatory committees should be appointed, which is a deviation from the Code rule that the Board should form a remuneration committee.

The Board in its entirety thus attends to the matters designated for preparatory Compensation and Audit Committees according to the Companies Act and the Code.

Compensation Committee

The Compensation Committee's responsibilities are discharged by the full Board. The work is governed by instructions determined annually by the Board of Directors, and included in the work procedures for the Board.

These include submitting proposals for guidelines for remuneration of senior executives, proposals to the Board on the salary and other terms of employment of the CEO, determine salaries and employment terms for other members of the executive management and develop proposals for incentive programs and other forms of bonuses or similar compensation to employees. The CEO may be rapporteur on issues relating to the Compensation Committee but does not participate in decisions on his or her own salary and employment terms.

At the AGM, the Board proposes guidelines for determining salaries and other compensation for the CEO and other senior executives, for

approval by the shareholders.

For further description of the employment terms for senior executives and remuneration of the Board of Directors, see the administration report in the annual report for 2015.

Audit Committee

The Board as a whole fulfills the tasks of the Audit Committee. The tasks follows from instructions set annually by the Board and contained in the Board's work procedures. These include supporting the Board in efforts to monitor and ensure the quality of financial reporting and the effectiveness of the Company's internal control and risk management.

The Board continuously meets the Company's auditors, evaluate audit work, the auditors' independence and approve any supplementary services the company may procure from its external auditors.

CEO and executive management team

In his role as Executive Chairman, the Chairman leads the work of the management team where the CEO and CFO are included. The management team has joint monthly meetings to discuss the Group's earnings and financial position, the status of research and development projects, strategic issues, and the monitoring of budgets and forecasts. The CEO is responsible for the ongoing management of the company in accordance with the Board's instructions and guidelines.

The CEO execute the management's decisions in the organization, based on the Board's established strategy and business objectives. Each function responsible ensures that decisions are implemented and follows up enforcements.

The executive management team is responsible for formulating proposals regarding the Group's overall strategies and for implementing these, as well as dealing with matters such as acquisitions and divestments. Information about the members of the executive management team's age, primary education, work experience, significant assignments outside Karo Pharma, own and affiliated holdings of shares in the company, is reported on page 43.

INTERNAL CONTROL AND RISK MANAGEMENT REGARDING FINANCIAL REPORTING

Introduction

The Board of Directors and the CEO are responsible for internal control, as stipulated in the Swedish Companies Act. The responsibility of the Board is also stipulated in the Code. The Annual Reports Act includes requirements regarding the provision of information to external parties about the company's system for internal control and risk management regarding the financial reporting.

Karo Pharms's processes for internal control regarding the financial reporting are designed to provide with reasonable security, quality and correctness in the reporting. The process is designed to ensure that the reporting is prepared in accordance with applicable laws and regulations as well as requirements for listed companies in Sweden.

One premise to achieving this is that there is a satisfactory control environment, reliable risk assessments are conducted, the existence of established control structures and control activities and that information, communication, as well as follow-up, all function in a satisfactory manner.

Internal audit

The Board of Directors has assessed the need for an internal audit function, and has concluded that no such function can be justified in Karo Pharma at present, with consideration of the scope of operations and the fact that the Board of Directors' follow-up of internal control is deemed to be sufficient to ensure the effectiveness of internal control. The Board of Directors will reassess the need for an internal audit function when any changes arise that may cause reassessment, although at least once per year.

The Control Environment

Karo Pharma's organization is designed to respond quickly to market changes. Operational decisions are therefore made at corporate level. Decisions on strategy, alignment, acquisitions and general financial

issues are made by Karo Pharma's Board of Directors and the Group's Management Team. The Board's work on internal control include internal control of financial reporting and internal control from an operational perspective. Risk management is an integral part of the Board's internal control whose purpose is to ensure that operations are managed in an effective and efficient manner.

Control Structure

A clear specification of roles and responsibilities is stipulated in the Board's work procedures and in the instructions for the CEO and the Board Committees, respectively. The Board of Directors has the overall responsibility for internal control. The CEO is responsible for the system of procedures, processes and controls that have been developed for the ongoing operations. These include guidelines and role descriptions for the various officers of Karo Pharma and for the regular reporting to the Board. Policies, processes, procedures, instructions and standard formats for the financial reporting and the on-going work with the financial administration and financial issues are documented in Karo Pharma's Finance manual. Procedures and activities have been designed to handle and address significant risks which are related to the financial reporting and which are identified in the risk analysis. In addition to the Finance manual, the most significant, overall group-wide governance documents are the finance policy, information policy, insider policy, and the risk management policy.

Risk Assessment

At least once a year, a review is undertaken to identify and evaluate Karo Pharma's risk profile. This work also involves the assessment of the preventive measures which are to be undertaken to reduce and prevent risks in the Group. This work includes ensuring that the Group is sufficiently insured and also includes the preparation of decision-making documentation as regards to any possible changes in policies, guidelines and insurance coverage.

Karo Pharma's system for identifying, reporting and addressing risks is an integrated part of the on-going reporting to the management team and the Board of Directors and forms a key foundation for the assessment of risks in terms of errors in the financial reporting.

As part of the process, items in the income statement and balance sheet where the risk of significant error is greater are identified. For Karo Pharma cash equivalents and financial assets represents a substantial part of Karo Pharma's total assets and are thus a potential source of risk in financial reporting. Furthermore, the fact that Karo Pharma's administration is managed by a small number of individuals has been noted as a risk, as the dependence on a few key individuals is significant and the possibilities of separation between duties and responsibilities are limited. Therefore, special importance has been placed on designing controls to prevent and identify weaknesses in these areas.

Control Activities

The major goal of the control activities is to prevent and, at an early stage, identify errors in the financial reporting so that these can be addressed and corrected. There are control activities both at the overall and more detailed levels and these are both manual and automated in nature. Authorization in the IT system is limited according to the established authorizations and specified responsibilities.

The finance function compiles monthly financial reports in which results and cash flows for the former period are reported and in which budget deviations are analyzed and commented.

Follow-up is conducted via regular meetings which review and analyze these reports, together with the line managers and project managers. In this manner, significant fluctuations and deviations are followed which minimizes the risk of error in the financial reporting.

The closing of the books and annual financial statement work involves processes which add further risks for errors in the financial reporting. This work is of a less repetitive nature and includes a number of instances characterized by assessment. Important control activities includes securing that there is a well-functioning reporting structure in which the line managers and project managers report according to standardized reporting formats, and that important income statement and balance sheet items are specified and commented.

Information and Communication

Karo Pharma's information and communication channels shall support a complete and accurate financial reporting which are timely. This is achieved by all relevant guidelines and instructions for the internal processes which are available to all affected employees. If necessary, regular updates and notifications of changes to accounting rules/guidelines, reporting requirements and requirements on information disclosure are provided.

Information operations are regulated by an information policy. For external communication, there are guidelines that ensure that the company meets the highest demands on accurate information to shareholders and the financial market. Karo Pharma's communication shall be correct, transparent, timely and simultaneous to all stakeholders. All communication shall be conducted in accordance with NASDAQ Stockholm's Rule Book for Issuers. The financial information shall provide a comprehensive and clear view of the company, its operations, strategy and financial development.

The Board of Directors adopts the annual reports, financial statements and interim reports. All reports are published on the website (www.karopharma.com) after having been published in accordance with stock exchange regulations. The annual report is distributed via the company website, and is made available in print on request.

Follow-up

The Board's review of internal control regarding financial reporting is conducted by, among other things, reviewing the work and reports of the Chief Financial Officer and the external auditors. This work includes ensuring that measures have been taken regarding any deficiencies and also includes presenting proposals for measures which have been produced in the context of the external audit. The review is conducted with a focus on the manner in which Karo Pharma complies with its framework and on the basis of the existence of efficient and goal-oriented processes for risk management, operational management and internal control.

The external auditors review, on an annual basis, selected parts of the internal control within the framework of the statutory audit. The auditor reports the outcome of the review to the Board of Directors and the executive management. Significant observations are reported, as applicable, directly to the Board of Directors. In 2015, as part of the audit of accounts, the external auditors have reviewed the internal control of select key processes and have reported on these to the Audit Committee, the Board of Directors and the executive management.

AUDITOR'S OPINION ON THE CORPORATE GOVERNANCE STATEMENT

To the annual meeting of the shareholders in Karo Pharma AB (publ), corporate identity number 556309-3359.

It is the board of Directors who is responsible for the corporate governance statement for the year 2015 on pages 40-46 and that it has been prepared in accordance with the Annual Accounts Act.

As a basis for our statement that the corporate governance report has been prepared and is consistent with the annual report and group financial reporting, we have read the corporate governance report and reviewed its statutory content based on our knowledge of the company.

In our opinion, the corporate governance statement has been prepared and its statutory content is consistent with the Annual Accounts Act and the consolidated account reports.

Stockholm on April 20, 2016 PricewaterhouseCoopers AB

Mikael Winkvist,
Certified Public Accountant