

Interim report
January – June 2017
EQL Pharma AB

EQL

EQL Pharma AB is a pharmaceutical company specializing in niche generics, i.e. generic drugs with no or limited competition. EQL Pharma was founded in 2006 by Christer Fåhraeus and Karin Wehlin.

Interim report

April – June and January – June 2017

- Consolidated sales for the second quarter amounted to SEK 6.7 (4.6) million, an increase of 45%. For the period January – June the consolidated sales amounted to SEK 12.1 (17.5) million, a decrease of 31%.
- Gross profit for the quarter amounted to SEK 3.9 (4.0) million, a decrease of 4%. For the first six (6) months gross profit amounted to SEK 7.9 (12.0) million, a decrease of 34%.
- EBITDA for the quarter amounted to SEK 0.1 (0.5) million, a decrease of 87%. EBITDA for January – June amounted to SEK 0.4 (4.5) million, a decrease of 91%.
- Earnings per share were -0:01 (0:00) SEK for the quarter.
- Cash and cash equivalents was SEK 21.2 (31.0) million at the end of the period.

Significant events during the second quarter of 2017

- The pharmaceutical product Kaliumklorid EQL Pharma (potassium chloride tablets) has been approved by the Danish Medicines Agency within the framework of a so-called decentralized procedure (a common approval procedure used when more than one country is involved). The total turnover in the four Nordic markets is approximately 140 MSEK annually. Currently there is one generic competitor on the market in addition to the original Kaleorid® (LEO Pharma). EQL Pharma aims to start selling the product by Q1 2018 at the latest.
- EQL Pharma has received approval from Skatteverket during the quarter to extend the current financial year until 2018-03-31, in accordance with the decision of the Annual General Meeting.

Significant events after the second quarter of 2017

- The drug Zonisamid EQL Pharma has been launched on the Danish market. Zonisamid EQL Pharma is an anti-epileptic, and is used in the treatment of epilepsy. The original is called Zonegran (Eisai Limited). The total turnover of Zonisamid in Denmark is approximately SEK 10 million annually. Currently the original and 3 competitors are on the market.
- The drug Eletriptan EQL Pharma has been approved within the framework of a decentralized procedure (a common approval procedure used when more than one country is involved). Eletriptan is used in adults to treat migraine, with or without aura. The total turnover in Sweden and Denmark is approximately SEK 15 million annually. Currently, only the original Relpax (Pfizer) is available on the market in Sweden. In the Danish market, there are two generic competitors in addition to the original. EQL Pharmas goal is to start selling the product by Q1 2018.

About EQL Pharma

EQL Pharma is specialized in developing and selling generics, i.e. drugs that are medically equivalent to the original medicines. The company currently markets nine niche generics in the Swedish, Danish and Finnish markets. In addition to these, there is a significant pipeline of additional niche generics (generics with little or no competition except for the original) for launch in 2017 and onwards. The business is currently entirely focused on prescription pharmaceuticals in the Nordic region. EQL Pharma is based in Lund, Sweden, employs 7 (8) people and is listed on AktieTorget. EQL Pharma also conducts extensive development in cooperation with leading contract manufacturers developers and major pharmaceutical companies in, amongst other countries, India and China.

Operations

CEO's comments

EQL Pharma has had a weak quarter, which is in line with the outlook presented in the year-end report. The temporary recall of our top seller Hydroxyzin EQL Pharma has, as previously communicated, affected our sales and our results.

The quarter has been characterized by a high level of activity in business development. An agreement for in-licensing have been signed and final stage negotiations are ongoing for a handful of products in new development and in-licensing.

The pharmaceutical product Kaliumklorid EQL Pharma (potassium chloride tablets) has been approved by the Danish Medicines Agency. This is good news since the total turnover in the four Nordic markets is approximately 140 MSEK annually. Currently there is one generic competitor on the market in addition to the original Kaleorid® (LEO Pharma).

After the quarter, the drug Zonisamid EQL Pharma has been launched on the Danish market. An annual total turnover of approximately SEK 10 million in Denmark.

The drug Eletriptan EQL Pharma, after the end of the quarter, has also been approved within the framework of a so-called decentralized procedure. National approvals for Sweden and Denmark are expected in August / September.

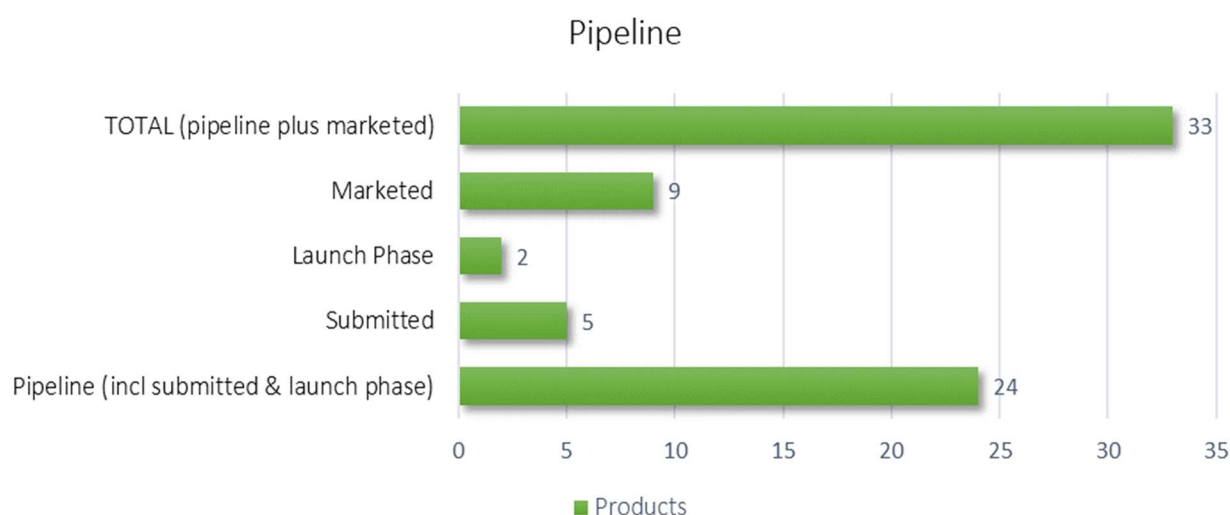
Pipeline

EQL presentation of the pipeline is at a high level and does not include the names of individual products nor the products' current or expected market size. Our intention is to provide better guidance to shareholders without divulging information to competitors and without implying that the pipeline is interpreted as a financial outlook. Our intention is to update the information regularly, mainly in the quarterly reports.

Number of marketed products and products in development phase (pipeline)

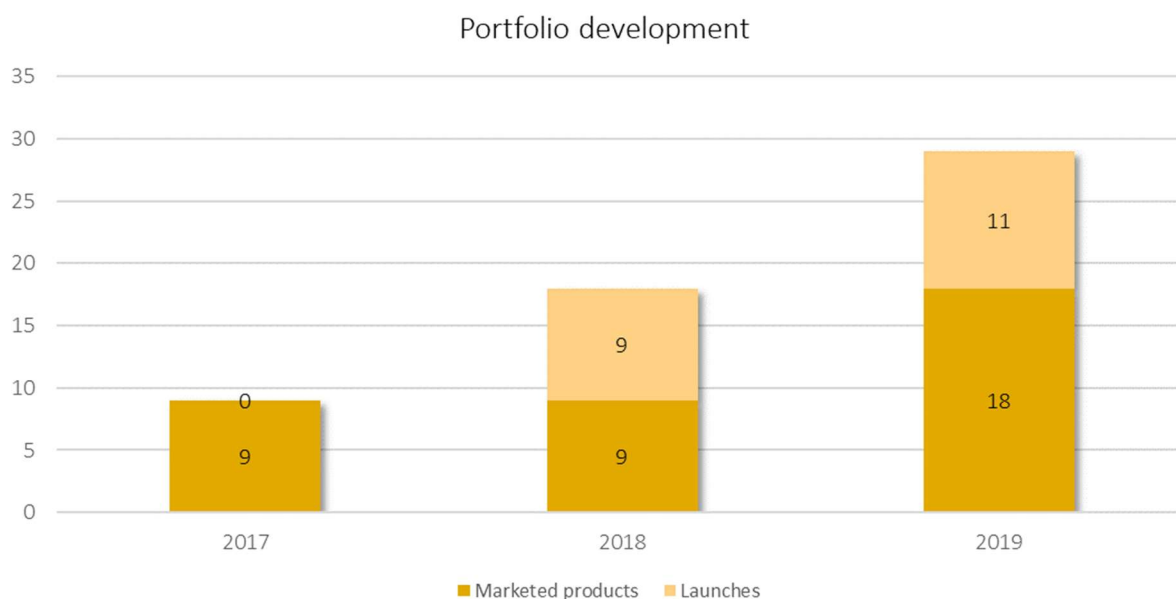
EQL's total pipeline currently consists of 24 products, out of which five (5) are under review by the authorities, and two (2) is approved and in launch phase, the other 17 are under development. In addition to our pipeline, we have 9 approved and marketed products. Our pipeline is under continuous development and new products are expected to be added during the year.

Pipeline April 2017	Products
Pipeline (incl submitted & launch phase)	24
<i>Submitted</i>	5
<i>Launch Phase</i>	2
Marketed	9
TOTAL (pipeline plus marketed)	33



Number of marketed and launched products year by year

Most of our 33 contracted products are expected to be launched during the next three years. At the beginning of the third quarter 2017, we have 9 products on the market, and we plan to have 18 products on the market at the beginning of 2019. From the chart, it also follows that we plan to have 29 marketed products at the beginning of 2020. New in-licensing and new product development projects are expected to be added during the year, some may be shut down and some may be delayed.



Year	Marketed products	Launches
2017	9	0
2018	9	9
2019	18	11

Financial statement

Profit and loss

Amounts in SEK thousands	2017-01-01	2016-01-01	2017-04-01	2016-04-01	2016-01-01
	2017-06-30	2016-06-30	2017-06-30	2016-06-30	2016-12-31
	jmf 6 mån	jmf 6 mån	Q2	Q2	jmf 12 mån
Net sales	12 061	17 505	6 737	4 632	28 200
Capitalized work	1 745	1 230	689	699	2 470
Other operating income	0	1	0	1	1
Direct costs	-5 883	-6 696	-3 567	-1 331	-10 951
Gross profit	7 923	12 040	3 859	4 000	19 720
Operating expenses	-7 518	-7 547	-3 792	-3 502	-14 609
EBITDA	405	4 493	67	498	5 112
Depreciation / amortization	-510	-743	-255	-386	-1 562
EBIT	-104	3 750	-188	112	3 549
Net financial items	0	-5	0	0	-8
Profit after financial items	-105	3 744	-188	112	3 541
Items affecting comparability	0	0	0	0	0
Tax	0	0	0	0	0
Net profit for the period	-105	3 744	-188	112	3 541

During the second quarter, net sales amounted to SEK 6.7 (4.6) million and during January – June net sales amounted to SEK 12.1 (17.5) million.

Gross profit for the period amounted to SEK 3.9 (4.0) million and gross margin amounted to till 47 (71) % for the quarter. For the first six months, gross profit amounted to SEK 7.9 (12.0) million and gross margin to 51 (62) %.

EBITDA for the quarter amounted to SEK 0.1 (0.5) million and SEK 0.4 (4.5) million for January-June. The net profit for the quarter amounted to SEK -0.2 (0.1) million and for the first six months, SEK -0.1 (3.7) million.

Earnings per share were -0:01 (0:00) SEK for the quarter.

Total operating expenses, excluding depreciation and amortization, amounted to SEK -3.8 (-3.5) million during the quarter and during January – June, SEK -7.5 (-7.5) million.

Depreciation and amortization during the quarter amounted to SEK -0.3 (-0.4) million and for the first six months, SEK -0.5 (-0.7) million.

Net financial items amounted to SEK 0,0 (-0,0) million for the quarter as well as for the first six months.

Cash flow, investments and financing

Amounts in SEK thousands	2017-01-01	2016-01-01	2017-04-01	2016-04-01	2016-01-01
	2017-06-30	2016-06-30	2017-06-30	2016-06-30	2016-12-31
	jmf 6 mån	jmf 6 mån	Q2	Q2	jmf 12 mån
Cash flow from operations during the period	405	4 487	66	498	5 104
Change in working capital	-1 777	2 597	-3 153	5 249	-4 059
Cash flow from operating after change in working capital	-1 372	7 084	-3 086	5 747	1 045
Cash flow from investments	-4 545	-2 863	-2 273	-1 400	-7 002
Cash flow from financing operations	-24	1	-9	1	6 328
Cash flow during period	-5 941	4 223	-5 369	4 348	370
Cash / cash equivalents at beginning of period	27 179	26 809	26 607	26 683	26 809
Cash / cash equivalents at end of period	21 238	31 031	21 238	31 031	27 179

Cash Flow

Cash flow from operating activities before changes in working capital amounted to SEK 0.1 (0.5) million for the quarter. Changes in working capital was SEK -3.2 (5.2) MSEK for April - June. During January – June cash flow from operating activities before changes in working capital amounted to SEK 0.4 (4.9) million and changes in working capital amounted to -1.8 (2.6) million for the period.

Investments

Cash flow from investments amounted to SEK -2.3 (-1.4) million for the first quarter and for the first six months, SEK -4.5 (-2.9) million.

Financing

Cash flow from financing operations amounted to SEK -0,0 (0.0) million for the quarter and for January – June SEK -0.0 (0.0) million.

Financial position as of June 30th, 2017

Cash and cash equivalents

Cash and cash equivalents amounted to SEK 21.2 (31.0) million at the end of June.

Equity

Equity amounted on June 30th, 2017 to SEK 57,1 (51,1) million and equity per share amounted to SEK 2:29 (2:39).

Equity ratio

The equity ratio was 90,9 (89,0) % at the end of the period.

EQLs share

The share is listed on AktieTorget since December 17th, 2013. The total number of shares at the end of the period was 24.911.666 (23.938.666).

Parent company

EQL Pharma AB is the parent company of the Group EQL Pharma.

Net sales during the second quarter amounted to SEK 4,2 (4.6) million. EBITDA amounted to SEK -0,7 (0.5) million for the quarter. During the first six months net sales amounted to SEK 8.2 (17.5) million and EBITDA to -1.0 (4.7) million.

Additional information

Personnel

The Group employs 7 (8) persons, out of whom 4 (3) are women. The number of full-time employees is seven (7) persons at the Swedish parent company.

In addition to the permanent staff, there are long-term consultant with expertise in GMP, pharmacovigilance and wholesale operations tied to the group.

Risk factors

Several risk factors may have a negative impact on the operations of EQL Pharma. It is therefore important to consider the relevant risks alongside the Company's growth opportunities. The following text describes risk factors in no particular order and with no claim to be exhaustive.

Delays in launch new products can mean deterioration in earnings for the company and it cannot be excluded that the EQL Pharma in the future may need to raise additional capital. An aggressive investment strategy from competition could pose risks in the form of slower sales and weaker profitability. Increased competition could lead to negative sales and earnings effects for the Company in the future.

External factors such as inflation, currency and interest rate fluctuations, supply and demand as well as booms and recessions may have an impact on operating costs, selling prices and equity valuations. EQL Pharma's future revenues and valuation of shares may be adversely affected by these factors, which are beyond the Company's control. A large part of the purchases are made in euro whose value can change significantly.

EQL Pharma will continue to develop new products in its field. Time and cost aspects of product development can be difficult to pre-determine with accuracy. This entails the risk that a proposed product is costlier than planned or takes longer than planned.

All risk factors can naturally not be described without a complete evaluation of additional information, together with a general assessment has been made. For a more detailed list of the risks, we refer to the EQL's memorandum of 20 August 2014, pages 8-9.

Legal disclaimer

This financial report includes statements that are forward looking but actual future results may differ materially from those anticipated. In addition to the factors discussed, the earnings can be affected by delays and difficulties in the various phases of development, such as formulation, stability, preclinical and clinical trials, but also potentially competition, economic conditions, patent protection and the exchange rate and interest rate fluctuations, and political risks.

Upcoming reports

Future reports for 2017 will be published:

Financial calendar:	
Q3 2017:	2017-10-24
Q4 2017:	2018-02-06

Accounting principles

This interim report has been prepared in accordance with K3 for 2017. For the Parent Company this interim report has been prepared in accordance with K3 for 2017. The accounts of subsidiaries are translated to Swedish kronor using the current method. The current method means that all assets, provisions and other liabilities are translated at the closing rate and all income statement items are translated at the average rate. Any translation differences are recognized directly against equity. Amounts are expressed in MSEK (millions of Swedish Kronor) unless otherwise indicated. KSEK is an abbreviation for thousands of Swedish kronor.

The Company's financial goals

Financials goals

The company long term financial goal is to grow by at least 30% on average per year over the five-year period beginning 2016 and ending 2020. The company aims to growing profitability at least at the same rate as sales growth. The growth will be distributed unevenly over the 5-year period.

Due to the temporary withdrawal for Hydroxyzine EQL Pharma from the market, sales for 2017 are expected to be around SEK 4-5 million lower than in 2016. Therefore, the profit for 2017 is expected to decline to around minus 2 million SEK for the year.

The auditors' review

This interim report has not been audited by the auditor.

Christer Fåhraeus, VD

For further information, please contact Christer Fåhraeus, tel . +46 755 55 12 95

Lund August 21st, 2017

Björn Beermann

Christer Fåhraeus

Lars Holmqvist

Ingemar Kihlström

Rajiv I Modi

Maria Öhlander

The Group

Balance sheet

Amounts in SEK thousands			
	2017-06-30	2016-06-30	2016-12-31
Assets			
Intangible assets	24 759	17 376	20 711
Tangible fixed assets	62	91	75
Financial assets	296	296	296
Total fixed assets	25 118	17 763	21 083
Total current assets	37 765	39 670	42 505
Total assets	62 883	57 432	63 588
Liabilities and equity			
Total equity	57 140	51 146	57 269
Long-term liabilities	0	0	0
Current liabilities	5 743	6 287	6 319
Total equity and liabilities	62 883	57 432	63 588

Income statement

Amounts in SEK thousands	2017-01-01	2016-01-01	2017-04-01	2016-04-01	2016-01-01
	2017-06-30	2016-06-30	2017-06-30	2016-06-30	2016-12-31
	jmf 6 mån	jmf 6 mån	Q2	Q2	jmf 12 mån
Net sales	12 061	17 505	6 737	4 632	28 200
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Gross profit	7 923	12 040	3 859	4 000	19 720
Operating expenses	-7 518	-7 547	-3 792	-3 502	-14 609
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Depreciation / amortization	-510	-743	-255	-386	-1 562
EBIT	-104	3 750	-188	112	3 549
Net financial items	0	-5	0	0	-8
Profit after financial items	-105	3 744	-188	112	3 541
Items affecting comparability	0	0	0	0	0
Tax	0	0	0	0	0
Net profit for the period	-105	3 744	-188	112	3 541

Consolidated changes in equity 2017-01-01 - 2017-06-30

Amounts in SEK thousands	Share capital	Other contributed capital	Other capital
			including profit for the period
Balance at beginning of period	1 077	43 402	12 789
Fund development expenses		-1 745	1 745
New share issue	44	-44	
Share issue costs		-24	
Translation differences			0
Profit for the period			-105
Balance at end of period	1 121	41 589	14 430

Parent company

Balance sheet

Amounts in SEK thousands			
	2017-06-30	2016-06-30	2016-12-31
Assets			
Intangible assets	24 480	16 957	20 443
Tangible fixed assets	62	91	75
Financial assets	391	91	391
Total fixed assets	24 934	17 139	20 909
Total current assets	35 274	40 130	42 255
Total assets	60 208	57 269	63 164
Liabilities and equity			
Total equity	55 721	50 993	57 225
Long-term liabilities	0	0	0
Current liabilities	4 486	6 275	5 939
Total equity and liabilities	60 208	57 269	63 164

Income statement

Amounts in SEK thousands					
	2017-01-01 2017-06-30 jmf 6 mån	2016-01-01 2016-06-30 jmf 6 mån	2017-04-01 2017-06-30 Q2	2016-04-01 2016-06-30 Q2	2016-01-01 2016-12-31 jmf 12 mån
Net sales	8 221	17 505	4 203	4 632	27 473
Capitalized work	1 745	1 086	689	555	2 278
Other operating income	0	1	0	1	1
Direct costs	-3 767	-6 671	-1 993	-1 306	-10 468
Gross profit	6 199	11 921	2 899	3 881	19 284
Operating expenses	-7 189	-7 265	-3 577	-3 421	-14 099
EBITDA	-990	4 656	-678	460	5 185
Depreciation / amortization	-490	-743	-245	-386	-1 362
EBIT	-1 479	3 913	-923	74	3 823
Net financial items	0	-5	0	0	-8
Profit after financial items	-1 479	3 908	-923	74	3 815
Items affecting comparability	0	0	0	0	0
Tax	0	0	0	0	0
Net profit for the period	-1 479	3 908	-923	74	3 815

Cash flow

Amounts in SEK thousands	2017-01-01 2017-06-30 jmf 6 mån	2016-01-01 2016-06-30 jmf 6 mån	2017-04-01 2017-06-30 Q2	2016-04-01 2016-06-30 Q2	2016-01-01 2016-12-31 jmf 12 mån
Cash flow from operations during the period	-990	4 651	-678	460	5 177
Change in working capital	-1 780	2 235	-2 849	5 142	-4 111
Cash flow from operating after change in working capital	-2 770	6 886	-3 527	5 602	1 066
Cash flow from investments	-4 514	-2 669	-2 256	-1 256	-7 059
Cash flow from financing operations	-24	0	-10	0	6 325
Cash flow during period	-7 308	4 217	-5 793	4 345	331
Cash / cash equivalents at beginning of period	27 072	26 741	25 557	26 612	26 741
Cash / cash equivalents at end of period	19 764	30 958	19 764	30 958	27 072