

Year end report
January - December 2015
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 Fähræus and Karin Wehlin.*

Year end report

January - December 2015

Period January - December and fourth quarter 2015

- Consolidated sales for the period amounted to SEK 26.9 (17.6) million. an increase of 35%, and for the fourth quarter to SEK 6.5 (4.4) million, an increase of 32%
- Gross profit for the period amounted to SEK 18.5 (6.6) million, an increase of 180%, and for the third quarter to SEK 4.4 (1.9) million, an increase of 135%
- EBITDA for the period amounted to SEK 5.5 (-6.8) million and for the fourth quarter SEK 1.2 (-1.5) million
- Earnings per share were 0:16 (-0:54) SEK for the period, and 0:04 (-0:11) SEK for the fourth quarter
- Cash and cash equivalents, including granted loans, was SEK 26.8 (0) million at the end of the period

Väsentliga händelser under fjärde kvartalet 2015

- A directed issue of shares 6.5 million shares was subscribed for by Cadila Pharma, bringing a total of SEK 32.5 million to EQL Pharma. After the issue EQL Pharma has 23,938,666 shares and Cadila Pharma has an ownership of 27.2 percent. Cadila pharam also has an option of 2 million warrants, TO3, with strike of SEK 6.50 per share with an exercise period of April 1st to December 15th 2016. The reason for the directed issue is an extensive cooperation in the development of niche generics but also by the sale of Cadila pharmas upcoming products to the European market. During the quarter, the first milestone, of just over SEK 4 million, was paid for the developmental projects to Cadila Pharma.
- The drug Phenoxymethylpenicillinkalium EQL Pharma was launched on the Danish market during the quarter. The total turnover for the originator is about 28 million annually in Denmark. Currently there are the originator and one more generic product on the Danish market. EQL Pharma is, since the summer of 2013, selling a similar drug in Sweden, under the name Phenoxymethylpenicillin EQL Pharma .

Om 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 five niche generics in the Swedish, Danish and Finnish markets. In addition to these, there is a significant pipeline of additional niche generics for launch in 2016 and onwards. The business is currently entirely focused on prescription pharmaceuticals in the Nordic region. EQL Pharma is based in Lund, Sweden, employs 6 (7) 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.

Verksamheten

CEO's comments

It is nice to EQL Pharma during the fourth quarter continues to show profitability, both at the EBITDA level and the level of earnings. At the product level, it is primarily Hydroxyzine, Doxycycline but also Clarithromycin which has sold well.

Several development projects have had breakthroughs during the quarter, and a handful of EQL's anticipated blockbusters are expected to be submitted to the authorities during 2016. As a number of the projects has been extremely complicated and has taken a long time to develop, this is very gratifying.

During the second part of 2016, I hope we can launch some smaller niche products that can increase our profitability and further diversify our portfolio.

Compared with last year's turnover I expect an increase and also that earnings will rise in a similar manner. The year can be a bit uneven with a stronger start and end with a weaker middle part. A prerequisite for the stronger ending is that the authorities approve our new products in time.

During the year, is not expected that previously submitted blockbuster products will have a significant impact.

Produktutveckling

EQL has a pipeline of products for launch in 2016, 2017 and 2018. The vast majority of these currently have no competition. Product development is done in cooperation with partners in India, Indonesia, China and Europe.

Financial statement

Profit and loss

Amounts in SEK thousands	01/10/15	01/10/14	01/01/15	01/01/14
	31/12/15	31/12/14	31/12/15	31/12/14
	Q4	Q4	jmf 12 mån	jmf 12 mån
Net sales	6 522	4 432	26 872	17 589
Capitalized work	464	0	1 813	0
Other operating income	0	-92	5	0
Direct costs	-2 614	-2 476	-10 173	-10 975
Gross profit	4 373	1 864	18 517	6 613
<i>Gross margin %</i>	<i>67%</i>	<i>42%</i>	<i>69%</i>	<i>38%</i>
Operating expenses	-3 191	-3 343	-13 014	-13 377
EBITDA	1 182	-1 479	5 502	-6 763
Depreciation / amortization	-177	-197	-1 331	-863
EBIT	1 005	-1 677	4 171	-7 627
Net financial items	-55	-81	-449	-369
Profit after financial items	950	-1 758	3 722	-7 995

Items affecting comparability	0	-73	0	-789
Tax	0	0	0	0
Net profit for the period	950	-1 831	3 722	-8 785

During the period January-September, net sales amounted to SEK 26.9 (17.6) million and for the fourth quarter, 6.5 (4.4) million.

Gross profit for the period amounted to SEK 18.5 (6.6) million and for the fourth quarter to SEK 4.4 (1.9) million. Gross margin amounted to 67 (42) % for the quarter.

EBITDA for the period amounted to SEK 5.5 (-6.8) million and for the fourth quarter SEK 1.2 (-1.5) million.

Profit for the period amounted to SEK 3.7 (-8.8) million and for the quarter amounted to SEK 1.0 (-1.8) million.

Earnings per share were 0:16 (-0:54) SEK for the period, and 0:04 (-0:11) for the fourth quarter.

Total operating expenses, excluding depreciation and amortization, amounted to SEK -13.0 (-13.4) million during the period and to SEK -3.2 (-3.3) million for the fourth quarter 2015.

Depreciation and amortization during the period amounted to SEK -1.3 (-0.9) million.

Net financial items amounted to SEK -0.4 (-0.4) million for the period, and includes interest payments on long-term loans and factoring. During the quarter all loans were paid back for a total of SEK 5.1 million.

Cash flow, investments and financing

Cash flow				
Cash flow from operations during the period	1 127	-1 633	5 053	-7 921
Change in working capital	1 877	-3 658	-5 520	-3 982
Cash flow from operating after change in working capital	3 003	-5 291	-467	-11 904
Cash flow from investments	-4 793	-604	-7 042	-1 928
Cash flow from financing operations	27 066	-31	34 318	8 116
Cash flow during period	25 276	-5 927	26 809	-5 716
Cash / cash equivalents at beginning of period	1 532	5 927	0	5 716
Cash / cash equivalents at end of period	26 809	0	26 809	0

Cash Flow

Cash flow from operating activities before changes in working capital amounted to SEK 5.1 (-8.0) million for the period and SEK 1.1 (-1.6) million for the fourth quarter. Changes in working capital was SEK -5.5 (-4.0) million for the period.

Investments

Cash flow from investments was SEK -7.0 (-1.9) million for the period and SEK -4.8 (-0.6) million for the fourth quarter. During the quarter, the first milestone, of just over SEK 4 million, was paid for the developmental projects to Cadila Pharma.

Financing

Cash flow from financing operations amounted to SEK 7.3 (8.2) million for the period. A directed issue to Cadial pharma yieded proceeds of SEK 32.5 million before cost of the issue during the quarter. Also, all loans were paid back for a total of SEK 5.1 million, during the quarter.

Finansiell ställning per 31 december 2015

Cash and cash equivalents

Cash and cash equivalents amounted to SEK 26.8 (0) million at the end of the period.

Equity

Equity amounted on December 31st to SEK 47.4 (6.3) million and equity per share amounted to SEK 1:98 (0.38).

Equity ratio

The equity ratio was 89.2 (35.4) % at the end of the period.

EQLs aktie

The share is listed on AktieTorget since Mars 17th, 2013. The total number of shares at the end of the period was 23,938,666 (16,326,426) stycken. During the quarter 6.5 million shares were issued to Cadila Pharma.

Parent company

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

Net sales during the period amounted to SEK 26.9 (17.6) million and EBITDA amounted to SEK 5.6 (-7.3) million.

Additional information

Personnel

The Group employs 6 (7) persons, out of whom 3 (6) are women. The number of full-time employees is five (5) 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

A number of 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 can not 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. EQLPharma'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 more costly 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.
na 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

Annual report will be available on the company's homepage April 13th 2016. The AGM will be held at the company premises at Stortorget 1 in Lund on May 13th, at 1600 Future reports for 2015 will be published:

The current financial year :	
Q1 2016:	2016-05-13
AGM 2016:	2016-05-13, kl 1600 at EQL:s premises Stortorget 1 in Lund
Q2 2016:	2016-08-09
Q3 2016:	2016-10-25

Year-end report and Q4 2016:

2017-02-08

The Company's operating and financial goals

Accounting principles

This interim report has been prepared in accordance with K3 for 2014. For the Parent Company this interim report has been prepared in accordance with K3 for 2014. 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. TSEK is an abbreviation for thousands of Swedish kronor.

Bolagets finansiella mål

Finansiella mål - uppdatering

Compared to 2105 we expect the revenue to increase 20-30% and that the earnings increase correspondingly. The year is expected to be a bit uneven with a stronger start and end with a weaker middle part. A prerequisite for the stronger ending is that the authorities approve our new products in time.

During the year a handful of EQL's anticipated blockbusters are expected to be submitted to the authorities, but is not expected that previously submitted blockbuster products will have a significant impact during the year

The company aims to grow by at least 30 % on average per year during the next 5 - year period and operating profit is expected to grow at the same rate as sales growth.

The auditors' review

This interim report has not been audited by the auditor.

Nomination Committee for the AGM 2016

According to the decision of the AGM 2015, the Nomination Committee shall consist of the Chairman and one representative for each of the three largest shareholders at the end of September 2015.

For the AGM 2016 the Nomination Committee consists of Christer Fåhraeus, Chairman (appointed by Christer Fåhraeus with companies), Karin Wehlin (nominated by Karin Wehlin with company), Rajiv I Modi (appointed by Cadila Pharma) and the Chairman fo the Board Ingemar Kihlström.

Shareholders who wish to submit proposals to the Nomination Committee can send e- mail to info@eqlpharma.com, or mail to : Nominating Committee, EQL Pharma AB, Traktorvägen 11, 226 60 Lund, Sweden.

Annual General Meeting 2016

EQLS 2016 Annual General Meeting will be held on May 13, 2016 at 16:00. Shareholders who wish to have a matter addressed at the Annual General Meeting can submit the request in writing by e-mail at the address info@eqlpharma.com or with mail to : Board of EQL Pharma AB, Traktorvägen 11, 226 60 Lund, Sweden. Requests must be received no later than seven weeks before the meeting to be included in the notice and thus on the AGM agenda.

Christer Fåhraeus, VD

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

Lund February 16th, 2015

Björn Beermann

Christer Fåhraeus

Lars Holmqvist

Ingemar Kihlström

Rajiv I Modi

Maria Öhlander

The Group

BALANCE SHEET

Amounts in SEK thousands

<u>Assets</u>	31/12/15	31/12/14	31/12/13	31/12/12
Intangible assets	15 266	9 557	8 445	5 200
Tangible fixed assets	80	78	126	141
Financial assets	296	296	296	296
Total fixed assets	15 643	9 932	8 867	5 637
Total current assets	37 473	7 739	16 777	15 075

Total assets	53 116	17 671	25 645	20 712
Liabilities and equity				
Total equity	47 400	6 260	6 579	2 355
Long-term liabilities	0	3 100	3 450	4 400
Current liabilities	5 716	8 310	15 616	13 957
Total equity and liabilities	53 116	17 671	25 645	20 712

Parent company

Profit & Loss				
Amounts in SEK thousands	01/01/15	01/01/14	01/07/15	01/01/14
	30/09/15	30/09/14	30/09/15	31/12/14
	jmf 9 mån	jmf 9 mån	Q3	jmf 12 mån
Net sales	20 350	13 157	7 460	17 589
Capitalized work	1 348	0	443	0
Other operating income	5	-6	0	0
Direct costs	-7 559	-8 936	-2 904	-11 764
Gross profit	14 144	4 215	4 998	5 824
<i>Gross margin %</i>				<i>33%</i>
Operating expenses	-9 684	-9 862	-3 166	-13 088
EBITDA	4 460	-5 647	1 832	-7 264
Depreciation / amortization	-1 155	-666	-302	-863
EBIT	3 305	-6 313	1 531	-8 127
Net financial items	-494	-469	-124	-839
Profit after financial items	2 811	-6 782	1 407	-8 966
Items affecting comparability	0	0	0	0
Tax	0	0	0	0
Net profit for the period	2 811	-6 782	1 407	-8 966
Cash flow				
Cash flow from operations during the period	4 066	-6 117	1 708	-8 103
Change in working capital	-7 504	-791	-5 486	-4 134
Cash flow from operating after change in working capital	-3 439	-6 908	-3 778	-12 237
Cash flow from investments	-2 349	-1 149	-952	-1 593
Cash flow from financing operations	7 252	8 183	4 674	8 116
Cash flow during period	1 464	126	-56	-5 714

Cash / cash equivalents at beginning of period	0	5 714	1 520	5 714
Cash / cash equivalents at end of period	1 464	5 840	1 464	0

Balance sheet

Belopp i SEK

<u>Tillgångar</u>	31/12/15	31/12/14	31/12/13
Immateriella anläggningstillgångar	15 041	9 332	8 445
Materiella anläggningstillgångar	80	78	126
Finansiella anläggningstillgångar	91	91	201
Summa anläggningstillgångar	15 212	9 502	8 772
Summa omsättningstillgångar	37 573	7 849	16 637
Summa tillgångar	52 786	17 350	25 409