

Year-end report April 2018 – March 2019

EQL Pharma AB

The logo for EQL Pharma AB, consisting of the letters 'EQL' in a bold, green, sans-serif font. The letters are positioned above a horizontal line, and a faint, semi-transparent reflection of the letters is visible below the line.

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.

Year-end report

EQL Pharma has a split financial year, April 1st to March 31st, why January 1st to March 31st, is the Group's fourth quarter.

January – March 2019 and April 2018 – March 2019

- Consolidated sales for the fourth quarter amounted to SEK 14.6 (7.0) million, an increase of 107%. During the financial year April - March consolidated sales amounted to SEK 50.0 (28.6) million, an increase of 75%.
- Gross profit for the quarter amounted to SEK 7.8 (3.7) million, an increase of 112%. For the financial year April – March gross profit amounted to 27.9 (17.6) million, an increase of 59%.
- EBITDA for the quarter amounted to SEK 0.4 (-0.6) million. For the financial year April - March EBITDA amounted to SEK 3.4 (0.9) million.
- Earnings per share were -0:04 (-0:05) SEK for the quarter.
- Cash and cash equivalents was SEK 21.7 (8.9) million at the end of the period.

Significant events during the fourth quarter

- During the quarter, EQL Pharma's CEO, board member and largest owner Christer Fåhraeus company Fårö Capital put a mandatory bid on EQL Pharma at SEK 12 per share. The bid was a consequence of Christer Fåhraeus' company Fårö Capital increased its ownership in EQL Pharma, exceeding the limit of 30%.

Significant events after the fourth quarter

- On April 11th, EQL Pharma's Board of Directors unanimously recommended the shareholders to not accept Fårö Capital's mandatory bid on the company. The Board of Directors based its decision primarily on the long-term potential for EQL Pharma.

After the acceptance period's ending, on April 25, 2019, through the Mandatory Offer plus a minor share purchase in trading during the acceptance period, a total of 609,293 shares were acquired. This corresponds to approximately 2.2 percent of the share capital and the total number of votes in EQL Pharma.

At the end of the acceptance period, Fårö Capital controls a total of 9,328,631 shares (including the 8,719,338 shares which Fårö Capital owned at the time of the announcement of the mandatory bid), corresponding to 32.1 percent of the share capital and the total voting rights in EQL Pharma.

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 thirteen (13) 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 2019 and onwards. The business is focused on prescription niche drugs in the Nordic region, but the company plans to launch in other EU countries whenever the products are competitive, through their own sales effort or through licensees. The business is currently entirely focused on prescription pharmaceuticals in the Nordic region. EQL Pharma is based in Lund, Sweden, employs 8 (7) people and is listed on Spotlight Stock Market (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

The last quarter of the financial year 2019/20 was a good quarter for EQL Pharma, with sales of SEK 14.6 million (7.0), an increase of 107%. For the full financial year, sales were SEK 50.0 million (28.6), an increase of 75%. Profitability also developed well, albeit from low levels, with an EBITDA result of SEK 3.4 million (0.9). The gross margin was 56% (54%), an indication that our product portfolio continues to feel a relatively low competitive pressure. Several new product launches during the fiscal year have contributed to the strong growth, such as potassium chloride, prednisolone, magnesium and clindamycin.

The company's increased number of marketed products and our growing pipeline also generate an increased workload and EQL is currently recruiting another employee.

Geographic expansion

Geographic expansion is a new component of EQL Pharma's long-term growth strategy, in addition to expansion of the product portfolio. During the last quarter of the financial year, work began on identifying which products in EQL's product portfolio that have interesting markets in the EU outside the Nordic region. Marketing and sales in these countries will take place by EQL own effort or through licensees, depending on the nature of the market and the product. Sales in markets outside the Nordic region are expected to generate meaningful revenues during the fiscal year 2020/21 and beyond.

Unique products

EQL has decided to also include unique medicines in its portfolio, unique in so far that EQL's pharmaceuticals will be the only registered products with the same API and formulation on the market. The motivation for developing or in-licensing such products is an expected demand in the market, for example because of a better formulation which is shown to have benefits for the patient. The unique products will be the first products in EQL's portfolio sold as branded products. The first unique products expects to enter the market during the fiscal year 2020/21.

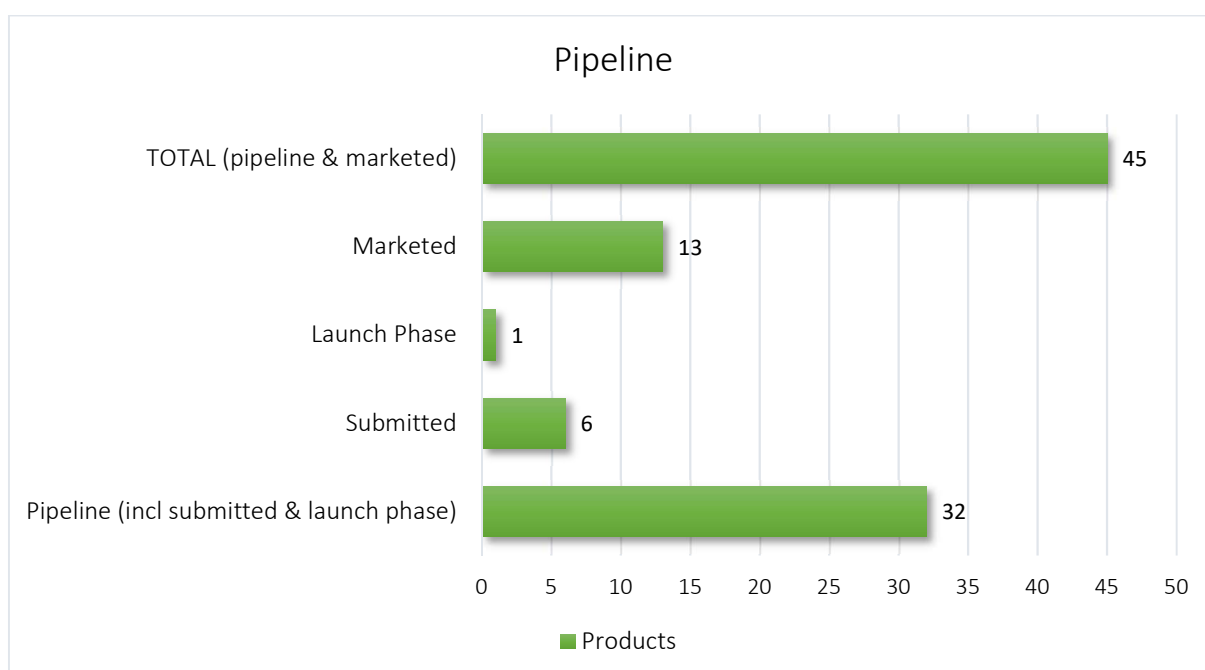
Pipeline

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)

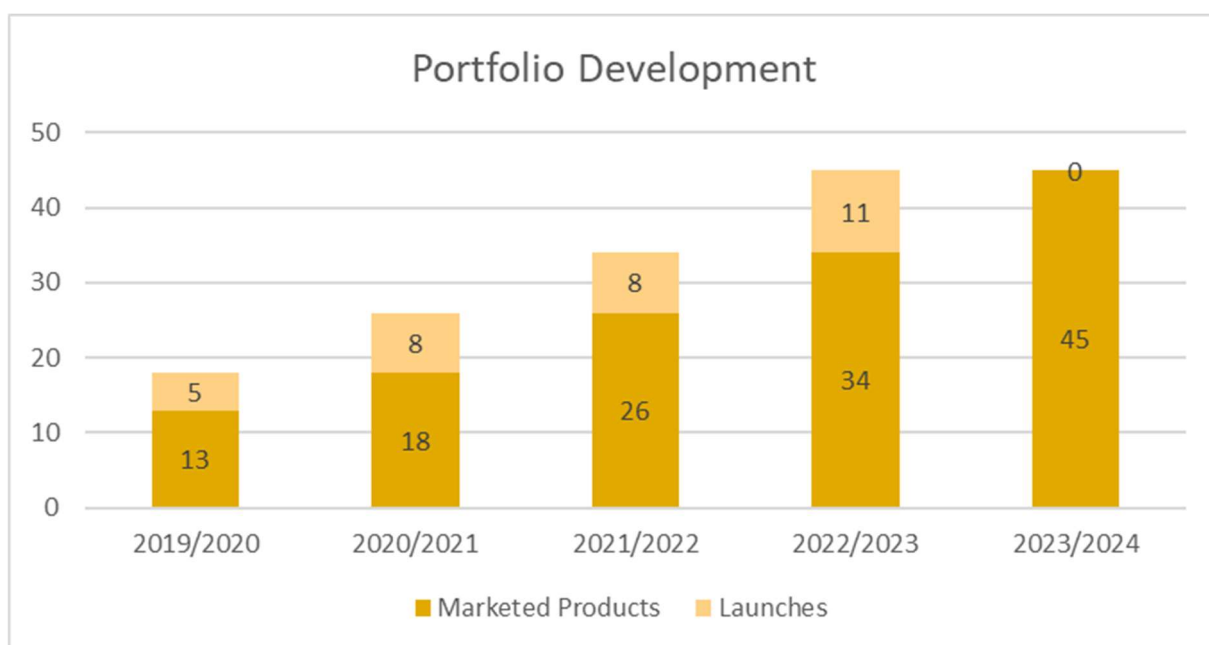
EQL's Pipeline is constantly changing. Products are added and disappear as the product evaluation process progresses. EQL's total pipeline currently consists of 32 products, out of which 6 are under review by the authorities, 1 is approved and in launch phase, and the other 25 are under development. In addition to our pipeline we have 13 approved and marketed products. Our pipeline is under continuous development and new products are expected to be added during the year.

Pipeline May 2019	Products
Pipeline (incl submitted & launch phase)	32
<i>Submitted</i>	6
<i>Launch Phase</i>	1
Marketed	13
TOTAL (pipeline plus marketed)	45



Number of marketed and launched products year by year

Most of our 32 contracted products are expected to be launched during the next three years. At the beginning of May 2019 we have 13 products on the market, and we plan to have 18 products on the market at the beginning of our next fiscal year, 2020/21. As shown in the chart, we plan to have 26 marketed products by March 2021. 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
2019/2020	13	5
2020/2021	18	8
2021/2022	26	8
2022/2023	34	11
2023/2024	45	0

Financial statement

Profit and loss

Amounts in SEK thousands	2019-01-01 2019-03-31	2018-01-01 2018-03-31	2018-04-01 2019-03-31	2017-04-01 2018-03-31	2017-01-01 2018-03-31
	Q4	Q5	12 months	12 months	15 months
Net sales	14 643	7 046	49 984	28 581	33 905
Capitalized work	0	691	0	3 256	4 312
Other operating income	0	0	0	0	0
					0
Direct costs	-6 799	-4 037	-22 099	-14 262	-16 578
Gross profit	7 844	3 699	27 885	17 575	21 639
<i>Gross margin</i>	<i>54%</i>	<i>43%</i>	<i>56%</i>	<i>50%</i>	<i>51%</i>
Operating expenses	-7 460	-4 302	-24 511	-16 647	-20 373
EBITDA	384	-603	3 374	928	1 266
Depreciation / amortization	-1 355	-693	-4 798	-1 526	-1 781
EBIT	-971	-1 296	-1 424	-598	-514
Net financial items	-62	-1	-89	-2	-2
Profit after financial items	-1 033	-1 297	-1 513	-600	-516
Items affecting comparability / Appropriations	0	0	0	0	0
Tax	0	0	0	0	0
Net profit for the period	-1 033	-1 297	-1 513	-600	-516

During the fourth quarter, net sales amounted to SEK 14.6 (7.0) million. For the financial year April – March net sales amounted to SEK 50.0 (28.9) million.

Gross profit for the period amounted to SEK 7.8 (3.7) million and gross margin amounted to till 54 (43) % for the quarter. Gross profit for the financial year April - March amounted to SEK 27.9 (17.6) and gross margin to 50 (51) % for the same period.

EBITDA for the quarter amounted to SEK 0.4 (-0.6) million. The net profit for the quarter amounted to SEK -1.0 (-1.3) million. For the financial year April – March EBITDA amounted to SEK 3.4 (0.9) million and net profit for the period amounted to SEK -1.5 (-0.6) million.

Earnings per share were -0:04 (-0:05) SEK for the quarter.

Total operating expenses, excluding depreciation and amortization, amounted to SEK -7.5 (-4.3) million during the quarter and SEK -24.5 (-16.6) million for April – March.

Depreciation and amortization, including write-downs, during the quarter amounted to SEK -1.4 (-0.7) million. For April - March depreciation and amortization, including write-downs, amounted to SEK -4.8 (-1.5) million.

Net financial items amounted to SEK -0,1 (0,0) million for the quarter as well as for the financial year April – March.

Cash flow, investments and financing

Amounts in SEK thousands	2019-01-01 2019-03-31 Q4	2018-01-01 2018-03-31 Q5	2018-04-01 2019-03-31 12 months	2017-04-01 2018-03-31 12 months	2017-01-01 2018-03-31 15 months
Cash flow from operations during the period	322	-604	3 285	925	1 264
Change in working capital	-481	5 024	2 633	-2 461	-1 085
Cash flow from operating after change in working capital	-159	4 420	5 918	-1 535	179
Cash flow from investments	-5 385	-7 094	-16 082	-16 197	-18 468
Cash flow from financing operations	1	3	22 985	-5	-19
Cash flow during period	-5 542	-2 671	12 821	-17 736	-18 308
Cash / cash equivalents at beginning of period	27 234	11 541	8 870	26 607	27 179
Cash / cash equivalents at end of period	21 692	8 870	21 692	8 870	8 870

Cash Flow

Cash flow from operating activities before changes in working capital amounted to SEK 0.3 (-0.6) million for the quarter. Changes in working capital was SEK -0.5 (5.0) MSEK for the period. For April – March cash flow from operating activities before changes in working capital amounted to SEK 3.3 (0.9) million and changes in working capital was SEK 2.6 (-2.5) million.

Investments

Cash flow from investments amounted to SEK -5.4 (-7.1) million for the fourth quarter. For April – March cash flow from investments amounted to SEK -16.1 (-16.2) million.

Financing

Cash flow from financing operations amounted to SEK 0.0 (0.0) million for the quarter and for April – March cash flow from investments amounted to SEK 23.0 (-0.0) million.

Financial position as of March 31st, 2019

Cash and cash equivalents

Cash and cash equivalents amounted to SEK 21.7 (8.9) million at the end of the quarter.

Equity

Equity amounted on March 31st, 2019 to SEK 78.2 (56.7) million and equity per share amounted to SEK 2:69 (2:28).

Equity ratio

The equity ratio was 76.6 (84.6) % at the end of the period.

EQLs share

The share is listed on Spotlight Stock Market (AktieTorget) since December 17th, 2013. The total number of shares at the end of the period was 29.063.610 (24.911.666).

Parent company

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

Net sales during the fourth quarter amounted to SEK 13.8 (5.6) million. EBITDA amounted to SEK 0.6 (-1.1) million for the period.

Additional information

Personnel

The Group employs 8 (7) persons, out of whom 5 (4) are women. The number of full-time employees is 8 (7) at the Swedish parent company.

In addition to the permanent staff, there are long-term consultants 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 is 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.

Additional risks and uncertainties that are not currently known to EQL Pharma may be developed into important factors that affect the Company's operations, results and financial position. For a more detailed list of risks, we refer to EQL's information memorandum of October 29, 2018, pages 4-7.

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.

Annual General Meeting 2019

The Annual General Meeting will be held on the company's premises at Stortorget 1 in Lund, August 22, 2019 at. 15:00.

Annual report

The annual report will be available on the company's website 25 July 2019.

Dividend

No dividend is proposed for the past fiscal year 2018/2019.

Upcoming reports

Future reports for 2019/2020 will be published:

Financial calendar:	
Annual General Meeting 2019	2019-08-22
Interim report April - June	2019-08-22
Interim report April - September	2019-11-11
Interim report October - December	2020-02-05
Year-end report April - March	2020-05-04

Accounting principles

This interim report has been prepared in accordance with K3 for 2018/2019. For the Parent Company this interim report has been prepared in accordance with K3 for 2018/2019. 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 has an unchanged goal to grow by at least 30% on average per year during the 5-year period 2016 to 2020/2021 and aims to grow EBITDA at least at the same rate as sales is growing. The assumed growth of 30% per year will be distributed unevenly over the 5-year period.

We estimate that sales for the fiscal year 2019/2020 will increase by around 30% compared with the previous fiscal year and that the company's EBITDA will grow at a similar rate

The auditors' review

This interim report has not been audited by the auditor.

Christer Fåhraeus, VD

For further information, please contact Christer Fåhraeus, +46 705 609 000

Lund, May 8th, 2019

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Ingemar Kihlström

Rajiv I Modi

Maria Bech (Öhlander)

The Group

Balance sheet

Amounts in SEK thousands		
	2019-03-31	2018-03-31
Assets		
Intangible assets	48 234	37 176
Tangible fixed assets	524	298
Financial assets	296	296
Total fixed assets	49 054	37 770
Total current assets	53 084	29 270
Total assets	102 138	67 040
Liabilities and equity		
Total equity	78 205	56 733
Long-term liabilities	0	0
Current liabilities	23 933	10 307
Total equity and liabilities	102 138	67 040

Income statement

Amounts in SEK thousands					
	2019-01-01 2019-03-31 Q4	2018-01-01 2018-03-31 Q5	2018-04-01 2019-03-31 12 months	2017-04-01 2018-03-31 12 months	2017-01-01 2018-03-31 15 months
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Other operating income	0	0	0	0	0
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Direct costs	-6 799	-4 037	-22 099	-14 262	-16 578
Gross profit	7 844	3 699	27 885	17 575	21 639
<i>Gross margin</i>	<i>54%</i>	<i>43%</i>	<i>56%</i>	<i>50%</i>	<i>51%</i>
Operating expenses	-7 460	-4 302	-24 511	-16 647	-20 373
EBITDA	384	-603	3 374	928	1 266
Depreciation / amortization	-1 355	-693	-4 798	-1 526	-1 781
EBIT	-971	-1 296	-1 424	-598	-514
Net financial items	-62	-1	-89	-2	-2
Profit after financial items	-1 033	-1 297	-1 513	-600	-516
Items affecting comparability / Appropriations	0	0	0	0	0
Tax	0	0	0	0	0
Net profit for the period	-1 033	-1 297	-1 513	-600	-516

Consolidated changes in equity
2018-04-01 – 2018-12-31

Amounts in SEK thousands	Share capital	Other contributed capital	Other capital including profit for the period
Balance at beginning of period	1 121	43 334	12 278
New share issue / Share issue costs	187	22 799	
Translation differences			-1
Profit for the period			-1 513
Balance at end of period	1 308	66 133	10 764

Parent company

Balance sheet

Amounts in SEK thousands	2019-03-31	2018-03-31
Assets		
Intangible assets	47 897	36 593
Tangible fixed assets	524	298
Financial assets	391	391
Total fixed assets	48 811	37 282
Total current assets	52 148	28 705
Total assets	100 960	65 986
Liabilities and equity		
Total equity	77 582	56 306
Long-term liabilities	0	0
Current liabilities	23 377	9 681
Total equity and liabilities	100 960	65 986

Income statement

Amounts in SEK thousands	2019-01-01	2018-01-01	2018-04-01	2017-04-01	2017-01-01
	2019-03-31	2018-03-31	2019-03-31	2018-03-31	2018-03-31
	Q4	Q5	12 months	12 months	15 months
Net sales	13 828	5 637	43 977	20 680	24 698
Capitalized work	0	691	0	3 256	4 312
Other operating income	0	0	0	0	0
Direct costs	-6 317	-3 203	-18 148	-9 518	-11 292
Gross profit	7 511	3 125	25 830	14 418	17 718
<i>Gross margin</i>	<i>54%</i>	<i>43%</i>	<i>59%</i>	<i>54%</i>	<i>54%</i>
Operating expenses	-6 880	-4 193	-22 898	-15 709	-19 321
EBITDA	632	-1 068	2 931	-1 291	-1 603
Depreciation / amortization	-1 293	-643	-4 552	-1 445	-1 690
EBIT	-662	-1 711	-1 620	-2 737	-3 293
Net financial items	-62	-1	-88	-2	-2
Profit after financial items	-723	-1 713	-1 709	-2 739	-3 295
Items affecting comparability / Appropriations	0	2 400	0	2 400	2 400
Tax	0	0	0	0	0
Net profit for the period	-723	687	-1 709	-339	-895

Cash flow

Amounts in SEK thousands	2019-01-01	2018-01-01	2018-04-01	2017-04-01	2017-01-01
	2019-03-31	2018-03-31	2019-03-31	2018-03-31	2018-03-31
	Q4	Q5	12 months	12 months	15 months
Cash flow from operations during the period	570	1 330	2 843	1 107	795
Change in working capital	-966	2 515	5 497	-5 061	-3 992
Cash flow from operating after change in working capital	-396	3 845	8 340	-3 955	-3 197
Cash flow from investments	-5 385	-6 844	-16 082	-15 804	-18 062
Cash flow from financing operations	0	0	22 986	-10	-24
Cash flow during period	-5 781	-2 999	15 244	-19 769	-21 284
Cash / cash equivalents at beginning of period	26 813	8 788	5 788	25 557	27 072
Cash / cash equivalents at end of period	21 032	5 788	21 032	5 788	5 788