

Interim Report January - September 2015

EQL Pharma AB

EQL

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

Interim Report January - September 2015

Period January - September and third quarter 2015

- Consolidated sales for the period amounted to SEK 20.4 (13.2) million, an increase of 55%, and for the third quarter to SEK 7.5 (3.2) million, an increase of 133%
- Gross profit for the period amounted to SEK 14.1 (4.9) million, an increase of 187%, and for the third quarter to SEK 5.0 (1.6) million, an increase of 215%
- EBITDA for the period amounted to SEK 4.3 (-5.1) million and for the third quarter SEK 1.8 (-1.2) million
- Earnings per share were 0:16 (-0:50) SEK for the period, and 0:08 (-0:13) SEK for the third quarter
- Cash and cash equivalents, including granted loans, was SEK 1.5 (5.8) million at the end of the period

Significant events during the third quarter of 2015

- An agreement was signed with Cadila Pharmaceuticals for joint development 8 niche generics scheduled for launch from 2H 2018 and onwards. In addition, EQL Pharma retains rights to sell Cadila's european products in the Nordic market. EQL Pharma also agreed with Cadila Pharmaceuticals to a directed issue of 6.5 million shares, see also under the section "Significant events after the third quarter."
- During the quarter, 916,639 warrants of series TO 2 was subscribed for in the second exercise period, giving EQL Pharma approximately SEK 4.7 million in cash before issue expenses. Together with the warrants, TO 2, utilized in the first exercise period, the number of exercised warrants amounted to 1,112,240 , representing 78 percent of all the issued warrants TO 2. After registration, EQL Pharma will have 17,438,666 shares issued . The share capital amounts to 784,740 SEK.

Significant events after the third quarter of 2015

- A issue of 6.5 million shares was directed to Satellite Overseas (Holdings) Limited, a Cadila Pharmaceuticals Limited group company ("Cadila "), as decided by the extraordinary general meeting on Oct. 9, 2015. The proceeds of the issue amounted to SEK 32.5 million before issue costs. After registration, EQL Pharma will have 23,938,666 shares issued. The share capital will amount to 1,077,240 SEK. Through the rights issue Satellite Overseas Holdings Limited will own 27.2 percent of the outstanding shares in EQL Pharma AB. Satellite Overseas Holdings Limited also received 2 million warrants TO 3 , with a strike price of SEK 6.50 per share and an exercise period April 1 to December 15 in 2016.

About EQL Pharma

EQL Pharma is specialized in developing and selling generics, ie 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.

The bussiness

CEO's Message

It is nice that EQL Pharma during the third quarter continues to show profitability, both at the EBITDA level and at the level of earnings. On the product level, it is primarily Hydroxyzine and Metformin but also Doxycycline and Clarithromycin which has sold well during the quarter. The quarter is EQLs strongest quarter so far, largely because we sold substantially more Metformin than we normally can count on. Products that are subject to competition, even limited, will always have a big quarterly variation, implying that EQL Pharma's quarterly reports will show a quarterly variation on top of more long-term trends.

The company has during the quarter entered into a strategic cooperation agreement with Cadila Pharmaceuticals. One of the important reasons for the partnership is to forge closer ties with developmental partners for niche generics. The background is that EQL Pharma had substantial delays in some projects, so a closer cooperation paired with vested interests, are believed to reduce the risk for this in the future. The cooperation has initially identified eight new niche generics for development but also includes the pipeline of products Cadila Pharmaceuticals has developed for European markets.

Two of EQLs developmental projects have progressed well in the quarter with successful BE studies. These are expected to be submitted to regulatory authorities in the Nordic countries during Q4 2015. Two projects have suffered problems and delays, one because of a failed BE study and the other due to problems with scale-up from pilot-scale to commercial batch size.

EQL Pharma is continuing to procure more cost-efficient distribution and logistics and expect to drive down the relative cost of distribution significantly over time. A software prototype was developed within EQL Pharma targeting pharmaceutical service for consumers . The company will evaluate how the product best should be further developed and commercialized in the future.

Product development

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

Financial statement

Profit and loss

Amounts in SEK thousands	01/01/15	01/01/14	01/07/15	01/07/14
	30/09/15	30/09/14	30/09/15	30/09/14
	jmf 9 mån	jmf 9 mån	Q3	Q3
Net sales	20 350	13 157	7 460	3 200

Capitalized work	1 348	0	443	0
Other operating income	5	-6	0	7
Direct costs	-7 559	-8 220	-2 904	-1 618
Gross profit	14 144	4 931	4 998	1 589
<i>Gross margin %</i>	<i>70%</i>	<i>37%</i>	<i>67%</i>	<i>50%</i>
Operating expenses	-9 823	-10 066	-3 200	-2 809
EBITDA	4 321	-5 135	1 798	-1 220
Depreciation / amortization	-1 155	-666	-302	-222
EBIT	3 166	-5 801	1 497	-1 442
Net financial items	-394	-469	-124	-252
Profit after financial items	2 772	-6 270	1 373	-1 694
Items affecting comparability	0	-716	0	0
Tax	0	0	0	0
Net profit for the period	2 772	-6 986	1 373	-1 694

During the period January-September, net sales amounted to SEK 20.4 (13.2) million and for the third quarter, 7.5 (3.2) million.

Gross profit for the period amounted to SEK 14.1 (4.9) million and for the third quarter to SEK 5.0 (1.6) million. Gross margin amounted to 70 (37) % for the period and 67 (50) % for the quarter.

EBITDA for the period amounted to SEK 4.3 (-5.1) million and for the third quarter SEK 1.8 (-1.2) million.

Profit for the period amounted to SEK 2.8 (-7.0) million and for the quarter amounted to SEK 1.4 (-1.7) million.

Earnings per share were 0:16 (-0:50) SEK for the period, and 0:08 (-0:13) for the third quarter.

Total operating expenses, excluding depreciation and amortization, amounted to SEK -9.8 (-10.1) million during the period and to SEK -3.2 (-2.8) million for the third quarter 2015.

Depreciation and amortization during the period amounted to SEK -1.2 (-0.7) million.

Net financial items amounted to SEK -0.4 (-0.5) million for the period, and includes interest payments on long-term loans and factoring.

Cash flow, investments and financing

Cash flow				
Amounts in SEK thousands	01/01/15	01/01/14	01/07/15	01/07/14
	30/09/15	30/09/14	30/09/15	30/09/14
	jmf 9 mån	jmf 9 mån	Q3	Q3
Cash flow from operations during the period	3 927	-6 321	1 674	-1 472
Change in working capital	-7 397	-324	-5 450	-604
Cash flow from operating after change in working capital	-3 470	-6 645	-3 775	-2 076

Cash flow from investments	-2 249	-1 324	-952	-253
Cash flow from financing operations	7 252	8 180	4 675	8 181
Cash flow during period	1 532	211	-52	5 852
Cash / cash equivalents at beginning of period	0	5 716	1 584	75
Cash / cash equivalents at end of period	1 532	5 927	1 532	5 927

Cash Flow

Cash flow from operating activities before changes in working capital amounted to SEK 3.9 (-6.3) million for the period and SEK 1.7 (-1.5) million for the third quarter. Changes in working capital was SEK -7.4 (-0.3) million for the period, of which 4.7 million relates to subscribed unpaid warrants.

Investments

Cash flow from investments was SEK -2.2 (-1.3) million for the period and SEK -1.0 (-0.3) million for the third quarter.

Financing

Cash flow from financing operations amounted to SEK 7.3 (8.2) million for the period.

Financial standing as of September 30th

Cash and cash equivalents

Cash and cash equivalents, including credit facilities, amounted to SEK 1.5 (5.9) million at the end of the period.

Equity

Equity amounted on September 30th to SEK 14.3 (8.2) million and equity per share amounted to SEK 0:86.

Equity ratio

The equity ratio was 54.6 (36.3) % at the end of the period.

EQLs aktie

Bolaget aktie är listat på AktieTorget sedan den 17 mars 2013. Totala antal aktier i bolaget vid kvartalets slut var 16 522 027 (13 486 600) stycken.

Parent company

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

Net sales during the first 9 months of 2015 amounted to SEK 20.4 (13.2) million and operating profit EBITDA amounted to SEK 4.5 (-5.7) million.

Additional information

Personell

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.

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 2015 will be published :

The current financial year :	
Year end report and Q4 2015:	2016-02-03

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 .

The Company's financial objectives

Financial targets - update

EQL Pharma believes that EBITDA will be positive in 2015 and the result positive for the full year 2015. In the year end report, Q4 2015, a more detailed assessments for 2016 will be published.

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.

Christer Fåhraeus, VD

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

Lund den November 10, 2015

Björn Beermann

Christer Fåhraeus

Lars Holmqvist

Ingemar Kihlström

Rajiv I Modi

Maria Öhlander

The Group

Profit and Loss				
Amounts in SEK thousands	01/01/15 30/09/15 jmf 9 mån	01/01/14 30/09/14 jmf 9 mån	01/07/15 30/09/15 Q3	01/07/14 30/09/14 Q3
Net sales	20 350	13 157	7 460	3 200
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Cash flow from financing operations	7 252	8 180	4 675	8 181
Cash flow during period	1 532	211	-52	5 852
Cash / cash equivalents at beginning of period	0	5 716	1 584	75
Cash / cash equivalents at end of period	1 532	5 927	1 532	5 927

Balance sheet

Amounts in SEK thousands

<u>Assets</u>	30/09/15	30/09/14	31/12/14
Intangible assets	10 654	9 180	9 557
Tangible fixed assets	75	89	78
Financial assets	296	296	296
Total fixed assets	11 026	9 565	9 932
Total current assets	15 146	12 920	7 739
Total assets	26 172	22 485	17 671

Liabilities and equity

Total equity	14 284	8 162	6 260
Long-term liabilities	5 100	3 100	3 100
Current liabilities	6 788	11 223	8 310
Total equity and liabilities	26 172	22 485	17 671

Parent company

Profit and Loss

Amounts in SEK thousands	01/01/15	01/01/14	01/07/15	01/07/14
	30/09/15	30/09/14	30/09/15	30/09/14
	jmf 9 mån	jmf 9 mån	Q3	Q3
Net sales	20 350	13 157	7 460	3 200
Capitalized work	1 348	0	443	0
Other operating income	5	-6	0	7
Direct costs	-7 559	-8 936	-2 904	-1 618
Gross profit	14 144	4 215	4 998	1 589
<i>Gross margin %</i>				
Operating expenses	-9 684	-9 862	-3 166	-2 830
Operating profit before depreciation/amortization	4 460	-5 647	1 832	-1 241

Depreciation / amortization	-1 155	-666	-302	-222
Operating profit after depreciation/amortization	3 305	-6 313	1 531	-1 462
Net financial items	-494	-469	-124	-252
Profit after financial items	2 811	-6 782	1 407	-1 714
Items affecting comparability	0	0	0	0
Tax	0	0	0	0
Net profit for the period	2 811	-6 782	1 407	-1 714

Cash Flow

Cash flow from operations during the period	4 066	-6 117	1 708	-1 492
Change in working capital	-7 504	-791	-5 486	-815
Cash flow from operating after change in working capital	-3 439	-6 908	-3 778	-2 308
Cash flow from investments	-2 349	-1 149	-952	-28
Cash flow from financing operations	7 252	8 183	4 674	8 183
Cash flow during period	1 464	126	-56	5 848
Cash / cash equivalents at beginning of period	0	5 714	1 520	-7
Cash / cash equivalents at end of period	1 464	5 840	1 464	5 840

Balance sheet

Amounts in SEK thousands

<u>Assets</u>	30/09/15	30/09/14	31/12/14
Intangible assets	10 429	8 915	9 332
Tangible fixed assets	75	89	78
Financial assets	91	251	91
Total fixed assets	10 596	9 255	9 502
Total current assets	15 285	13 239	7 849
Total assets	25 880	22 494	17 350
<u>Liabilities and equity</u>	-	-	-
Total equity	14 006	8 194	5 943
Long-term liabilities	5 100	3 100	3 100
Current liabilities	6 774	11 199	8 307
Total equity and liabilities	25 880	22 494	17 350