

Interim report
April - June 2018
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 Fåhræus and Karin Wehlin.

Interim report

EQL Pharma decided at the AGM 2017-05-15 to extend the financial year 2017 to 2018-03-31. The first quarter of the current fiscal year, April - June 2018, is compared in this report, to April - June 2017, the second quarter of last fiscal year.

April - June

- Consolidated sales for the first quarter amounted to SEK 10.7 (6.7) million, an increase of 58%.
- Gross profit for the quarter amounted to SEK 5.9 (3.9) million, an increase of 54%.
- EBITDA for the period amounted to SEK 0.9 (0.1) million.
- Earnings per share were 0:00 (-0:01) SEK for the quarter.
- Cash and cash equivalents was SEK 3.5 (21.2) million at the end of the period.

Significant events during the first quarter of

- During the first quarter, the drug Prednisolon EQL Pharma has been approved for sale by the Swedish Medicines Agency. Prednisolone EQL Pharma is used in conditions requiring attenuation of the body's inflammatory reactions such as rheumatoid arthritis, asthma and other allergic diseases, ulcerative colitis and in cancer treatment. In the Nordic region, the Swedish market is the largest with about 25 MSEK in annual sales. There are only a few competitors in the Nordic region.
- On May 1st, Eletriptan was launched on the Danish market. Eletriptan EQL Pharma belongs to a group of drugs called selective serotonin (5HT1) receptor agonists. Eletriptan is used in adults to treat migraine headache, 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.
- In end of June Acetazolamide EQL Pharma was approved for sale by the Swedish Medicines Agency. The product is expected to be launched around the turn of the year 2018/2019. Acetazolamide EQL Pharma is used as a short-term treatment for eye surgery when there is a risk of increased pressure in the eye. Acetazolamide EQL Pharma is also used as an add-on therapy for the treatment of green starr (glaucoma) and before surgery of acute narrow-angle glaucoma. The drug is a niche generic, where EQL Pharma becomes the only and first generic on the Swedish market for more than 60 years. The product is small with about SEK 2.5 million in total annual sales on the Swedish market.

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 (9) 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 2018 and onwards. The business is currently entirely focused on prescription pharmaceuticals in the Nordic region. EQL Pharma is based in Lund, Sweden, employs 7 (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 first quarter's sales corresponds to our expected growth as communicated in the year-end report. The gross margin continues to exceed 50%. As we previously announced, the company will start applying a much more restrictive accounting policy for development costs, starting this quarter. The effect of this on the bottom line is in the order of -10 MSEK for the full year.

We continue to receive new MAAs and expand our portfolio. In the first quarter, Prednisolone EQL Pharma and Acetazolamide EQL Pharma were approved for sale by the Swedish Medical Products Agency (MPA). During the quarter, we have also launched the drug Eletriptan EQL Pharma on the Danish market. Our focus on product development continues and in 2018/2019 we are planning to launch a more products. We continue to build our pipeline of niche generics, and are preparing to launch our portfolio in more Nordic countries for the coming fiscal years.

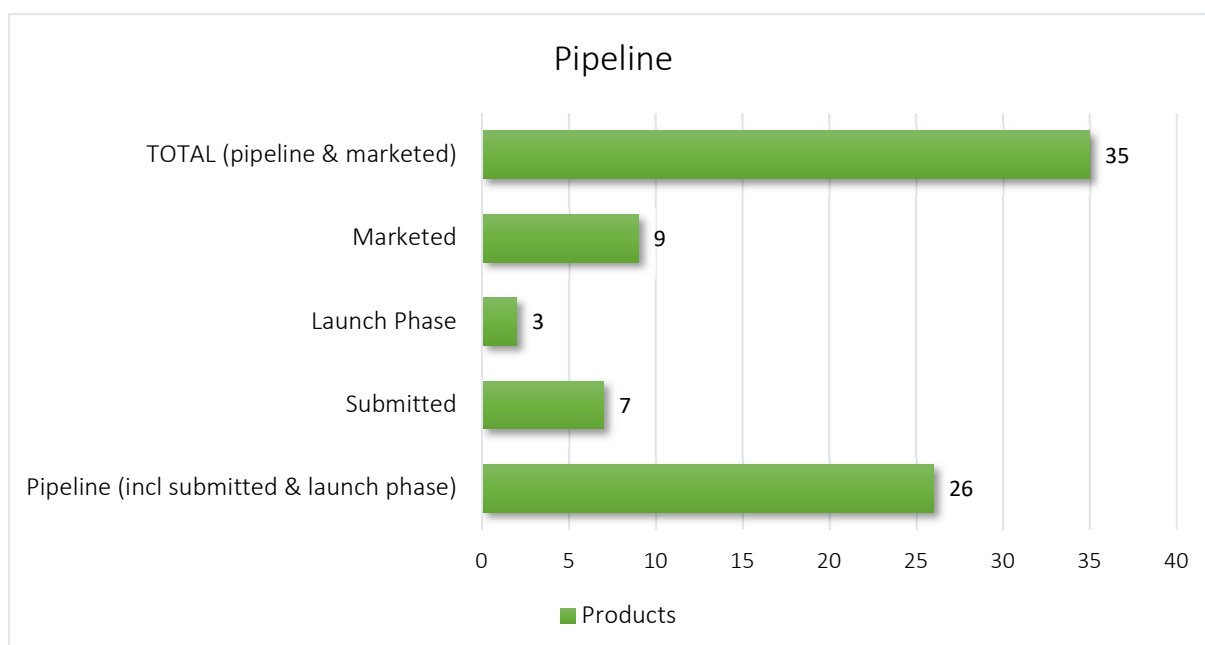
Pipeline

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)

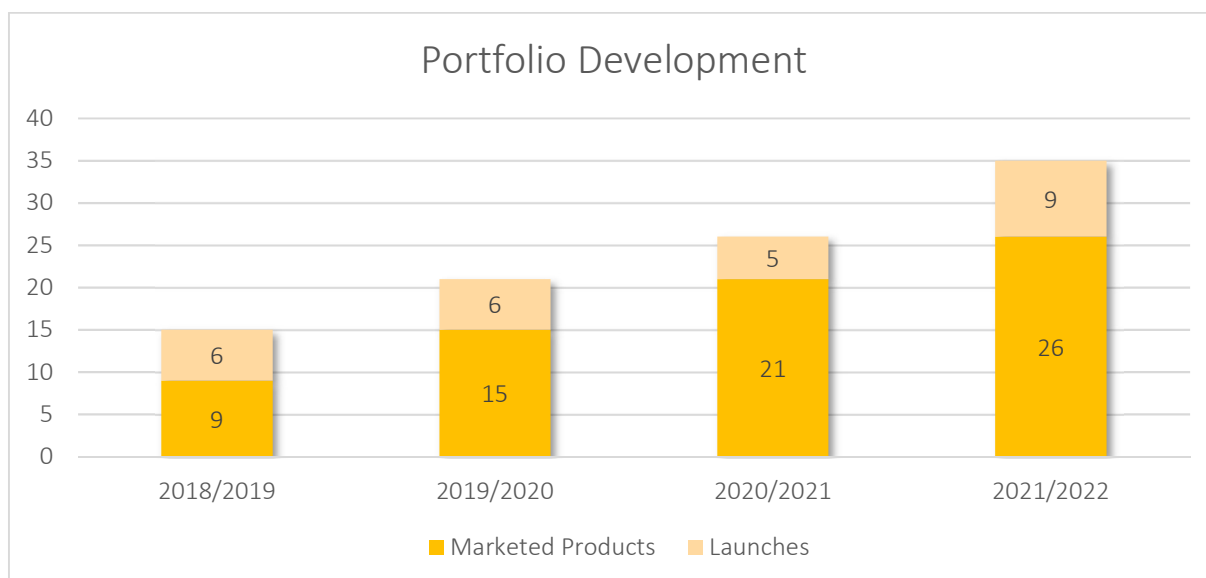
EQL's Pipeline is constantly changing. Products are added and disappear as the product evaluation process progresses. EQL's total pipeline currently consists of 26 (24) products, out of which 7 (5) are under review by the authorities, 3 (2) are approved and in launch phase, and the other 16 (17) are under development. In addition to our pipeline we have 9 (9) approved and marketed products. Our pipeline is under continuous development and new products are expected to be added during the year.

Pipeline August 2018	Products
Pipeline (incl submitted & launch phase)	26
<i>Submitted</i>	7
<i>Launch Phase</i>	3
Marketed	9
TOTAL (pipeline plus marketed)	35



Number of marketed and launched products year by year

Most of our 35 (33) contracted products are expected to be launched during the next three years. At the beginning of the fiscal year 2018/2019, we have 9 (9) products on the market, and we plan to have 15 products on the market at the beginning of our next fiscal year, 2019/2020. From the chart, it shows that 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
2018/2019	9	6
2019/2020	15	6
2020/2021	21	5
2021/2022	26	9

Financial statement

Profit and loss

Amounts in SEK thousands	2018-04-01 2018-06-30 Q1	2017-04-01 2017-06-30 Q2	2017-01-01 2018-03-31 comp. 15 mo
Net sales	10 657	6 737	33 905
Capitalized work	0	689	4 312
Other operating income	0	0	0
Direct costs	-4 714	-3 567	-16 578
Gross profit	5 944	3 859	21 639
<i>Gross margin</i>	<i>56%</i>	<i>47%</i>	<i>51%</i>
Operating expenses	-5 057	-3 792	-20 373
EBITDA	886	67	1 266
Depreciation / amortization	-776	-255	-1 781
EBIT	110	-188	-514
Net financial items	-1	0	-2
Profit after financial items	110	-188	-516
Items affecting comparability / Appropriations	0	0	0
Tax	0	0	0
Net profit for the period	110	-188	-516

During the first quarter, net sales amounted to SEK 10.7 (6.7).

Gross profit for the period amounted to SEK 5.9 (3.9) million and gross margin amounted to till 56 (47) % for the quarter.

EBITDA for the quarter amounted to SEK 0.9 (0.1) million. The net profit for the quarter amounted to SEK 0.1 (-0.2) million.

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

Total operating expenses, excluding depreciation and amortization, amounted to SEK -5.1 (-3.8) million during the quarter.

Depreciation and amortization during the period amounted to SEK -0.8 (-0.3) million.

Net financial items amounted to SEK -0,0 (0,0) million for the quarter.

Cash flow, investments and financing

Amounts in SEK thousands	2018-04-01 2018-06-30 Q1	2017-04-01 2017-06-30 Q2	2017-01-01 2018-03-31 comp. 15 mo
Cash flow from operations during the period	886	66	1 264
Change in working capital	-5 611	-3 153	-1 085
Cash flow from operating after change in working capital	-4 726	-3 086	179
Cash flow from investments	-602	-2 273	-18 468
Cash flow from financing operations	0	-9	-19
Cash flow during period	-5 327	-5 369	-18 308
Cash / cash equivalents at beginning of period	8 870	26 607	27 179
Cash / cash equivalents at end of period	3 543	21 238	8 870

Cash Flow

Cash flow from operating activities before changes in working capital amounted to SEK 0.9 (0.1) million for the quarter. Changes in working capital was SEK -5.6 (-3.2) MSEK for the quarter.

Investments

Cash flow from investments amounted to SEK -0.6 (-2.3) million for the first quarter.

Financing

Cash flow from financing operations amounted to SEK 0,0 (-0.0) million for the period.

Financial position as of April 30th, 2018

Cash and cash equivalents

Cash and cash equivalents amounted to SEK 3.5 (21.2) million at the end of April.

Equity

Equity amounted on April 30th, 2018 to SEK 56.8 (57.1) million and equity per share amounted to SEK 2:28 (2:29).

Equity ratio

The equity ratio was 91,2 (90,9) % 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 24.911.666.

Parent company

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

Net sales during the first quarter amounted to SEK 9.4 (4.2) million. EBITDA amounted to SEK 0.9 (-0.7) million for the period.

Additional information

Personnel

The Group employs 7 (7) persons, out of whom 4 (4) are women. The number of full-time employees is 7 (7) persons 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.

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

Financial calendar:	
Interim report April - September (Q2)	2018-11-15
Interim report April - December (Q3)	2019-02-27
Year-end Report and Q4	2019-05-08

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 continues to retain its target of growing at least 30% on average per annum over the 5-year period 2016 to 2020/2021, and aims at operating profit to grow at least the same rate as revenue growth. The assumed growth of 30% per annum will be distributed uneven over the 5-year period.

We estimate that sales for 2018/2019 will be more than 30% higher than for comparable period April 2017 – March 2018.

From this fiscal year, EQL will apply a much more restrictive accounting principle regarding development costs, which means we will expense large parts of these directly. This will have an impact on earnings of around -10 MSEK. Nevertheless, we expect a result just above the zero line for the current fiscal year.

The company aims to continue investing in the development of its product portfolio. This objective is capital-intensive, and, in the case of continued strong investments, capital contributions may be required.

The auditors' review

This interim report has not been audited by the auditor.

Christer Fåhraeus, VD

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

Lund, August 22nd, 2018

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The Group

Balance sheet

Amounts in SEK thousands			
	2018-06-30	2017-06-30	2018-03-31
Assets			
Intangible assets	37 026	24 759	37 176
Tangible fixed assets	274	62	298
Financial assets	296	296	296
Total fixed assets	37 596	25 118	37 770
Total current assets	24 763	37 765	29 270
Total assets	62 359	62 883	67 040
Liabilities and equity			
Total equity	56 843	57 140	56 733
Long-term liabilities	0	0	0
Current liabilities	5 516	5 743	10 307
Total equity and liabilities	62 359	62 883	67 040

Income statement

Amounts in SEK thousands	2018-04-01 2018-06-30 Q1	2017-04-01 2017-06-30 Q2	2017-01-01 2018-03-31 comp. 15 mo
Net sales	10 657	6 737	33 905
Capitalized work	0	689	4 312
Other operating income	0	0	0
Direct costs	-4 714	-3 567	-16 578
Gross profit	5 944	3 859	21 639
<i>Gross margin</i>	<i>56%</i>	<i>47%</i>	<i>51%</i>
Operating expenses	-5 057	-3 792	-20 373
EBITDA	886	67	1 266
Depreciation / amortization	-776	-255	-1 781
EBIT	110	-188	-514
Net financial items	-1	0	-2
Profit after financial items	110	-188	-516
Items affecting comparability / Appropriations	0	0	0
Tax	0	0	0
Net profit for the period	110	-188	-516

Consolidated changes in equity 2018-04-01 – 2018-06-30

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			
Translation differences			0
Profit for the period			110
Balance at end of period	1 121	43 334	12 388

Parent company

Balance sheet

Amounts in SEK thousands			
	2018-06-30	2017-06-30	2018-03-31
Assets			
Intangible assets	36 504	24 480	36 593
Tangible fixed assets	274	62	298
Financial assets	391	391	391
Total fixed assets	37 169	24 934	37 282
Total current assets	24 456	35 274	28 705
Total assets	61 624	60 208	65 986
Liabilities and equity			
Total equity	56 495	55 721	56 306
Long-term liabilities	0	0	0
Current liabilities	5 129	4 486	9 681
Total equity and liabilities	61 624	60 208	65 986

Income statement

Amounts in SEK thousands	2018-04-01	2017-04-01	2017-01-01
	2018-06-30	2017-06-30	2018-03-31
	Q1	Q2	comp. 15 mo
Net sales	9 377	4 203	24 698
Capitalized work	0	689	4 312
Other operating income	0	0	0
Direct costs	-3 651	-1 993	-11 292
Gross profit	5 726	2 899	17 718
	61%	53%	54%
Operating expenses	-4 821	-3 577	-19 321
EBITDA	905	-678	-1 603
Depreciation / amortization	-714	-245	-1 690
EBIT	190	-923	-3 293
Net financial items	-1	0	-2
Profit after financial items	190	-923	-3 295
Items affecting comparability / Appropriations	0	0	2 400
Tax	0	0	0
Net profit for the period	190	-923	-895

Cash flow

Amounts in SEK thousands	2018-04-01	2017-04-01	2017-01-01
	2018-06-30	2017-06-30	2018-03-31
	Q1	Q2	comp. 15 mo
Cash flow from operations during the period	904	-678	795
Change in working capital	-4 033	-2 849	-3 992
Cash flow from operating after change in working capital	-3 128	-3 527	-3 197
Cash flow from investments	-602	-2 256	-18 062
Cash flow from financing operations	0	-10	-24
Cash flow during period	-3 730	-5 793	-21 284
Cash / cash equivalents at beginning of period	5 788	25 557	27 072
Cash / cash equivalents at end of period	2 058	19 764	5 788