

Interim report April - September 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.

Interim report

July - September

- Consolidated sales for the second quarter amounted to SEK 17.9 (13.3) million, an increase of 35%.
- Gross profit for the quarter amounted to SEK 9.3 (8.0) million, an increase of 16%.
- EBITDA for the quarter amounted to SEK 2.3 (2.1) million.
- Earnings per share were 0:04 (0:05) SEK for the quarter.
- Cash flow from operating after change in working capital amounted to SEK 5.8 (-0.0) million for the quarter.
- Cash and cash equivalents was SEK 18.9 (0.4) million at the end of the period.

April - September

- Consolidated sales for the first six months amounted to SEK 32.3 (23.9) million, an increase of 35%.
- Gross profit for the period amounted to SEK 17.9 (13.9) million, an increase of 29%.
- EBITDA for the period amounted to SEK 3.6 (3.0) million.
- Earnings per share were 0:04 (0:05) SEK for the period.
- Cash flow from operating after change in working capital amounted to SEK 3.3 (-4.8) million for the period.
- Cash and cash equivalents was SEK 18.9 (0.4) million at the end of September.

Operations

CEO's comments

Financially

The investments EQL Pharma made in its product portfolio in recent years continue to provide good returns. For the second quarter in a row, sales increased by more than 30 percent compared to the same period last year. Quarterly sales are also the company's best since the company was founded. Through efficient working capital financing, cash liquidity is good despite large continued investments in the product portfolio.

Market

During the quarter, EQL Pharma got its first hospital product approved. The product is approved for sale in Sweden, Denmark, Norway and Finland. Sales of hospital products are through a procurement procedure, a new sales channel for EQL. Over time, EQL will begin to report hospital sales as its own segment, but sales must first reach a relevant size.

Expansion of the product portfolio

EQL Pharma conducts extensive development work in collaboration with leading contract manufacturers and major pharmaceutical companies in, for example, India and China. Several important products are now approaching submission to the various pharmaceutical authorities.

Strategic initiatives

In addition to the strategic initiative (1) expansion of the product portfolio (see above), the company has also successfully worked with other initiatives (2) improved logistics chain, (3) geographical expansion and (4) unique products. The initiatives are aimed at ensuring long-term and sustainable profitability growth.

Significant events during the second quarter

- At the end of August, EQL Pharma's first hospital product was approved. The drug Hevicain Spinal Heavy 5mg / ml solution for injection was approved by the Swedish and Danish pharmaceutical authorities for sale. In September, the drug was also approved by the Norwegian and Finnish authorities.
- In September, Aripiprazole EQL Pharma, oral solution, was also approved by the Swedish Medicines Agency for sale. The product is also expected to be launched during the first quarter, 2020.

Significant events after the second quarter

- On October 31, Spotlight launched its new segment Next. A segment where Spotlight describes that the vision is to create a place for companies that are ready to take the next step in their growth journey.
EQL Pharma is one of the eight companies that has been approved from the start and lives up to the requirements set in the segment.

Market

EQL Pharma has an aggressive growth strategy driven by the launch of new products in combination with expansion into new markets. EQL Pharma's products are generally generic to originals that have been in Sweden and the Nordic countries for a very long time. The quarter approved Hevicain Spinal Tung has i.e. an original that has been sold in Sweden continuously since 1983 without competition. This means that the markets we come to are generally mature, but also that there are few, if any, generic competitors to our products and that it is unlikely that new ones will emerge.

Marketed products

No changes were made to the product portfolio during the quarter. However, compared with Q2 2018/19, the number of products in the portfolio has increased by four (40%). Paracetamol EQL Pharma was launched in Q3 2018/19. The product is a generic to Alvedon ©, well-known and popular pain-relieving product in Sweden. In Q4 2018/19, we launched both Magnesium EQL Pharma, a prescription mineral supplement, and Clindamycin EQL Pharma, an antibiotic for the treatment of skin and soft tissue infections. Finally, in Q1, Pregabalin EQL Pharma was launched in the current financial year for the treatment of nerve-related pain and epilepsy.

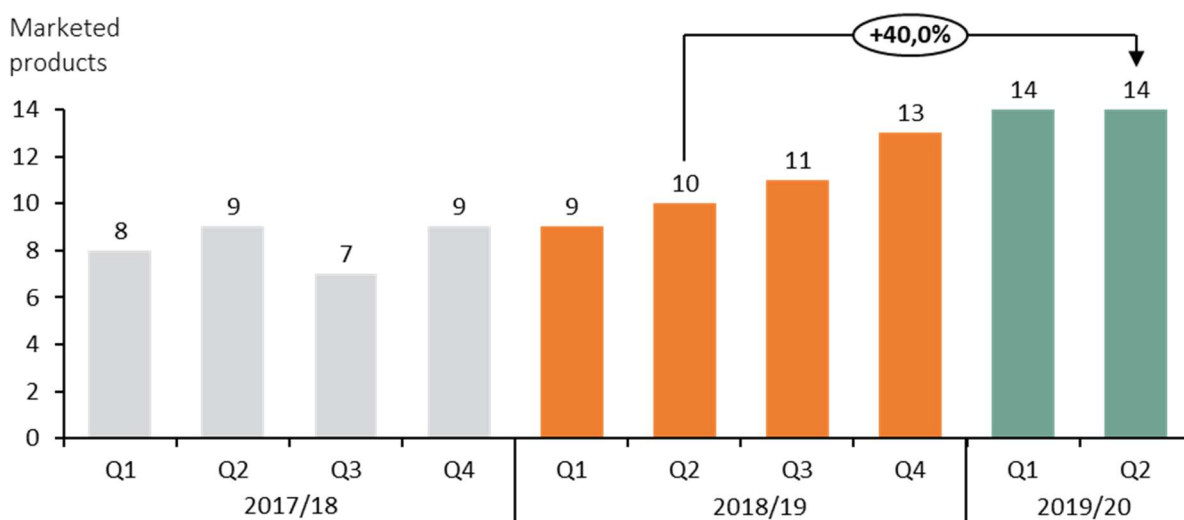


Figure 1. The company's product portfolio, ie marketed products, per quarter from fiscal year 2017/18 through the reporting period for the current fiscal year. The Y axis is the number of products marketed.

Geographic markets

Today, EQL Pharma operates directly in the generic markets in Sweden and Denmark. In the other Nordic countries, including Iceland, our products are currently sold indirectly through partners.

In 2020 and beyond, EQL Pharma will both directly and indirectly expand its geographical presence in Europe.

Segment

EQL Pharma currently develops and sells only prescription drugs. In this category there are a number of interesting segments. So far, the company has only focused on the (a) segment of interchangeable generics in outpatient care. The intention is to expand the portfolio in the future to include (b) injection care products and (c) unique products / formulations. Injection products are generally sold through public procurement in the Nordic countries, while the unique products achieve sales only through prescription specific of our product.

Segments (b) and (c) are new to EQL Pharma. But they are not new to the company's staff who have many years of experience in these particular market segments from previous employers.

Product development

Pipeline

EQL Pharma's reporting of the pipeline takes place at a general level and does not include, with the exception of launch phase products, the names of individual products or the products' current or expected market. Our goal is to provide better guidance to shareholders without disclosing information to competitors and without our pipeline being interpreted as a financial prospect. The information is updated in connection with the quarterly reports.

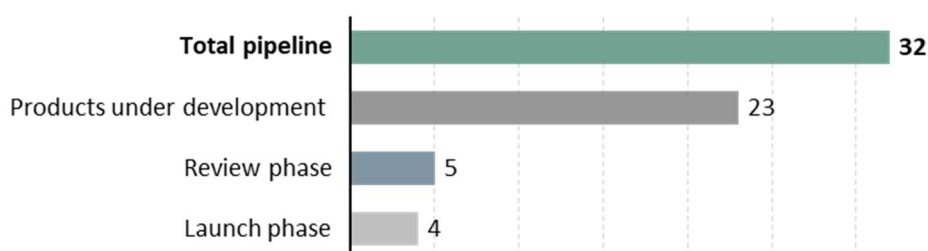


Figure 3. Total pipeline of products and how many products are in Review phase and Launch phase respectively.

Products in the Development phase

The development phase is used here as a general term. In this term, all products EQL Pharma actually develops together with partners in, for example, India or the EU. But in addition to these products, the term also includes all products on which EQL Pharma has signed licensing or distribution agreements for one or more geographical markets, although EQL does not develop the product itself.

When a product is fully developed, the application is submitted to the Medicines Agency in the markets where we intend to sell the product. The Agency's then initiate an audit, which generally takes about one year from application to approval. We call this step Review phase. At the end of the quarter, EQL Pharma had five products in the review phase.

After approval, when we know that the product is approved, we can place orders for manufacturing and delivery. In parallel with this, we apply for government subsidies and tenders to the extent that tenders are available. We call this step the launch phase and usually it takes about six months from approval until the first package is delivered to pharmacies.

Products in the Launch phase

At the end of the quarter, EQL Pharma has four products in the launch phase. Methenamine EQL Pharma for the treatment of acute and chronic urinary tract infection was approved by the Medicine Agency's in Sweden, Denmark and the United Kingdom in May and is expected to be launched in the third quarter of the financial year (Oct - Dec). Metronidazole EQL Pharma for the treatment of fungal infections was approved by the Swedish Medicines Agency in May and is expected to be launched in the fourth quarter of the financial year (Jan-Mar). Hevicain Spinal Tung is EQL Pharma's first inpatient injection product. Hevicain Spinal Tung was approved in Denmark and Sweden in August, as well as Finland and Norway in September. Expected launch during the fourth quarter of the financial year. Aripiprazole EQL Pharma oral solution was approved in Sweden during September and is also expected to be launched during the fourth quarter.

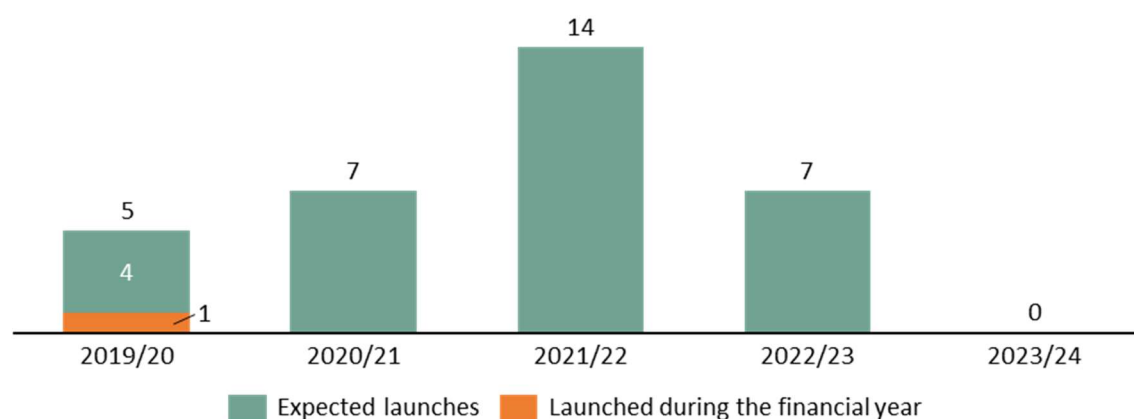


Figure 2. The company's product launches for the current fiscal year and expected product launches up to and including fiscal year 2023/24.

Risks

At all stages from the development phase to the launch phase, situations can arise that risk delaying a launch or even making it impossible. Both EQL Pharma and our well-selected partners do everything we can to prevent these situations from occurring, but there are always risk factors beyond our control.

Financial statement

Sales

Sales development

The second quarter of the financial year 2019/20 was another quarter of good growth for EQL Pharma. In total, our sales amounted to MSEK 17.9 (13.3), which corresponds to a growth of 35 percent compared with the corresponding quarter last year. This is slightly higher than our financial target of at least 30 percent average annual growth. In addition to good growth, quarterly sales of SEK 17.9 million are a new sales record for the company.

Sales growth is driven mainly by the launches made since Q2 2018/19. EQL Pharma's sales have also benefited from the fact that some competitors did not have products in stock during the quarter, especially for the products Hydroxyzine and Paracetamol.

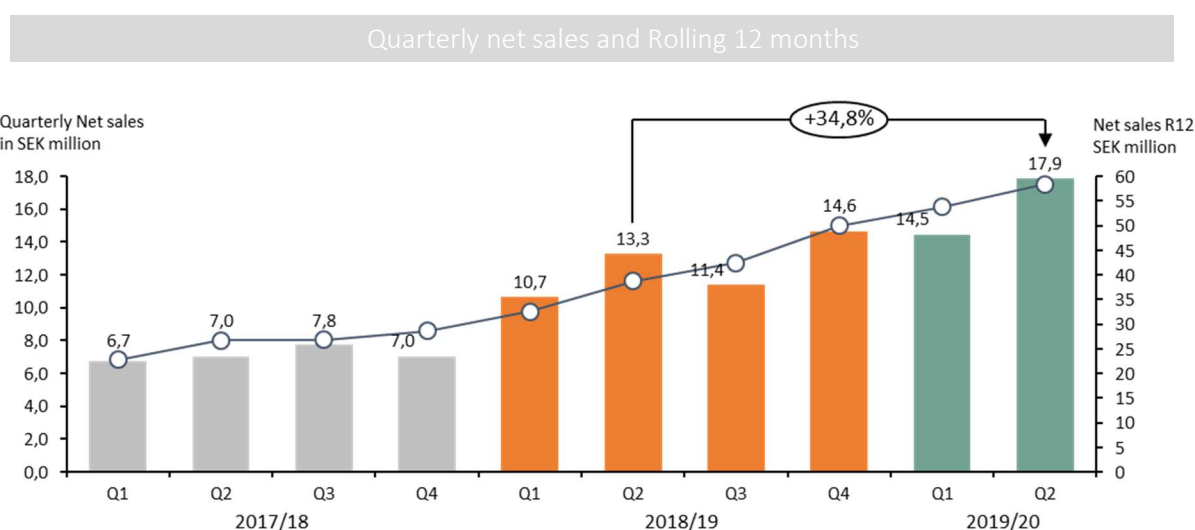


Figure 4. Net sales trend fiscal year 2017/18 through reporting period for the current fiscal year. Left Y-axis quarterly turnover in SEK million. Right Y-axis rolling 12-months sales expressed in SEK million.

Profit performance

Second-quarter gross profit amounted to SEK 9.3 M (8.0), corresponding to an increase of 16 percent. The gross margin was 51% (60%). The lower gross margin is a product mix effect that results from natural fluctuations in which products are sold during a given quarter. The lower gross margin, in turn, has an impact on gross profit growth, which is therefore lower than sales growth.

EBITDA increased to SEK 2.3 (2.1) million, corresponding to an increase of 10%. Fixed costs have increased slightly compared to the previous year. This is mainly due to the larger product portfolio that drives costs such as distribution and annual fees, but the company has also invested in its staff with two new full-time employees compared to the comparison quarter.

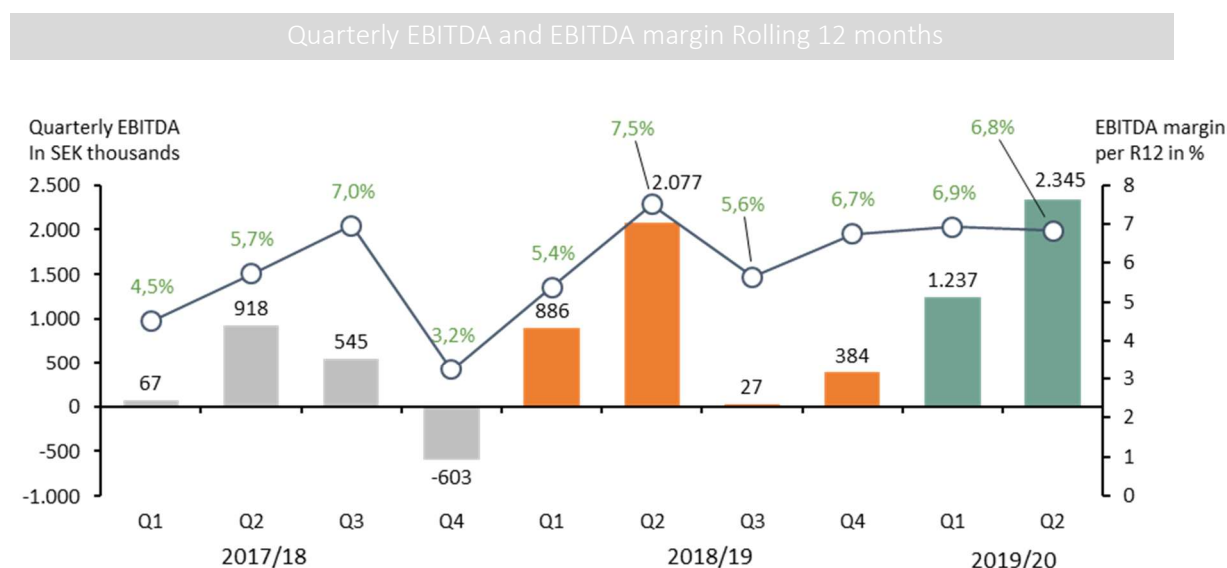


Figure 5. Operating profit trend (EBITDA) for fiscal year 2017/18 through the reporting period for the current fiscal year, the bars are EBITDA in SEK thousands and the line is EBITDA margin (%) on rolling 12-month sales. Left Y-axis EBITDA per quarter in SEK thousands and right Y-axis EBITDA margin (%) on rolling 12-month sales.

Profit and loss

Amounts in SEK thousands	2019-07-01 2019-09-30 Q2	2018-07-01 2018-09-30 Q2	2019-04-01 2019-09-30 6 months	2018-04-01 2018-09-30 6 months	2018-04-01 2019-03-31 FY
Net sales	17 868	13 258	32 327	23 915	49 984
Capitalized work	0	0	0	0	0
Other operating income	115	0	230	0	0
Direct costs	-8 722	-5 300	-14 693	-10 013	-22 099
Gross profit	9 261	7 958	17 864	13 902	27 885
<i>Gross margin</i>	<i>51%</i>	<i>60%</i>	<i>55%</i>	<i>58%</i>	<i>56%</i>
Operating expenses	-6 916	-5 881	-14 282	-10 939	-24 511
EBITDA	2 345	2 077	3 582	2 963	3 374
Depreciation / amortization	-1 193	-849	-2 349	-1 625	-4 798
EBIT	1 152	1 228	1 233	1 338	-1 424
Net financial items	-90	-1	-157	-1	-89
Profit after financial items	1 062	1 227	1 076	1 337	-1 513
Items affecting comparability / Appropriations	0	0	0	0	0
Tax	0	0	0	0	0
Net profit for the period	1 062	1 227	1 076	1 337	-1 513

Cash flow, investments and financing

Amounts in SEK thousands	2019-07-01 2019-09-30 Q2	2018-07-01 2018-09-30 Q2	2019-04-01 2019-09-30 6 months	2018-04-01 2018-09-30 6 months	2018-04-01 2019-03-31 FY
Cash flow from operations during the period	2 253	2 076	3 424	2 962	3 285
Change in working capital	3 587	-2 098	-116	-7 709	2 633
Cash flow from operating after change in working capital	5 841	-22	3 308	-4 748	5 918
Cash flow from investments	-2 271	-3 114	-6 137	-3 716	-16 082
Cash flow from financing operations	2	-2	3	-2	22 985
Cash flow during period	3 572	-3 138	-2 825	-8 465	12 821
Cash / cash equivalents at beginning of period	15 295	3 543	21 692	8 870	8 870
Cash / cash equivalents at end of period	18 866	405	18 866	405	21 692

Cash Flow

Cash flow from operations continue to show a positive cash flow, with SEK 2.3 (2.1) million for the quarter. The change in working capital is also positive during the quarter, SEK 3.6 (-2.1) million. The positive working capital is a result of the working capital financing solution that the company secured with a larger bank just over a year ago. Cash flow from operations, including the change in working capital, thus amounts to SEK 5.8 (-0.0) million for the quarter.

Investments

EQL Pharma continues to invest in development projects. During the period, 2.3 (3.1) million were invested in both ongoing and new projects.

Financing

Cash flow from financing operations amounted to SEK 0.0 (0.0) million for the quarter.

Financial position as of September 30th, 2019

Cash and cash equivalents

Cash and cash equivalents amounted to SEK 18.9 (0.4) million at the end of the quarter.

Equity

Equity amounted on September 30th, 2019 to SEK 79.3 (58.1) million and equity per share amounted to SEK 2:73 (2:33).

Equity ratio

The equity ratio was 71.7 (85.6) % 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). Listed on Spotlight NEXT from October 31st, 2019.

Parent company

EQL Pharma AB is the parent company of the Group EQL Pharma. Net sales during the second quarter amounted to SEK 16.8 (10.7) million. EBITDA amounted to SEK 2.6 (1.5) million for the quarter.

Additional information

Personnel

The Group employs 9 (7) persons, out of whom 6 (4) are women. The number of full-time employees is 9 (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.

Upcoming reports

Future reports for 2019/2020 will be published:

Financial calendar:	
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 2019/2020. For the Parent Company this interim report has been prepared in accordance with K3 for 2019/2020. 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, November 11th, 2019

Christer Fåhraeus

Lars Holmqvist

Anders Månsson

Ingemar Kihlström

Rajiv I Modi

Maria Bech

The Group

Balance sheet

Amounts in SEK thousands			
	2019-09-30	2018-09-30	2019-03-31
Assets			
Intangible assets	52 095	39 314	48 234
Tangible fixed assets	452	251	524
Financial assets	296	296	296
Total fixed assets	52 843	39 861	49 054
Total current assets	57 682	27 967	53 084
Total assets	110 525	67 828	102 138
Liabilities and equity			
Total equity	79 284	58 068	78 205
Long-term liabilities	0	0	0
Current liabilities	31 241	9 760	23 933
Total equity and liabilities	110 525	67 828	102 138

Income statement

Amounts in SEK thousands					
	2019-07-01	2018-07-01	2019-04-01	2018-04-01	2018-04-01
	2019-09-30	2018-09-30	2019-09-30	2018-09-30	2019-03-31
	Q2	Q2	6 months	6 months	FY
Net sales	17 868	13 258	32 327	23 915	49 984
Capitalized work	0	0	0	0	0
Other operating income	115	0	230	0	0
Direct costs	-8 722	-5 300	-14 693	-10 013	-22 099
Gross profit	9 261	7 958	17 864	13 902	27 885
<i>Gross margin</i>	<i>51%</i>	<i>60%</i>	<i>55%</i>	<i>58%</i>	<i>56%</i>
Operating expenses	-6 916	-5 881	-14 282	-10 939	-24 511
EBITDA	2 345	2 077	3 582	2 963	3 374
Depreciation / amortization	-1 193	-849	-2 349	-1 625	-4 798
EBIT	1 152	1 228	1 233	1 338	-1 424
Net financial items	-90	-1	-157	-1	-89
Profit after financial items	1 062	1 227	1 076	1 337	-1 513
Items affecting comparability / Appropriations	0	0	0	0	0
Tax	0	0	0	0	0
Net profit for the period	1 062	1 227	1 076	1 337	-1 513

Consolidated changes in equity 2019-04-01 – 2019-09-30

Amounts in SEK thousands	Share capital	Other contributed capital	Other capital including profit for the period
Balance at beginning of period	1 308	66 133	10 764
New share issue / Share issue costs			
Translation differences			3
Profit for the period			1 076
Balance at end of period	1 308	66 133	11 843

Parent company

Balance sheet

Amounts in SEK thousands	2019-09-30	2018-09-30	2019-03-31
Assets			
Intangible assets	51 483	38 854	47 897
Tangible fixed assets	452	251	524
Financial assets	391	391	391
Total fixed assets	52 326	39 495	48 811
Total current assets	57 653	26 570	52 148
Total assets	109 979	66 066	100 960
Liabilities and equity			
Total equity	79 274	57 175	77 582
Long-term liabilities	0	0	0
Current liabilities	30 704	8 891	23 377
Total equity and liabilities	109 979	66 066	100 960

Income statement

Amounts in SEK thousands	2019-07-01	2018-07-01	2019-04-01	2018-04-01	2018-04-01
	2019-09-30	2018-09-30	2019-09-30	2018-09-30	2019-03-31
	Q2	Q2	6 months	6 months	FY
Net sales	16 799	10 667	30 336	20 044	43 977
Capitalized work	0	0	0	0	0
Other operating income	115	0	230	0	0
Direct costs	-7 867	-3 727	-13 120	-7 379	-18 148
Gross profit	9 048	6 939	17 446	12 665	25 830
<i>Gross margin</i>	<i>53%</i>	<i>65%</i>	<i>57%</i>	<i>63%</i>	<i>59%</i>
Operating expenses	-6 429	-5 472	-13 342	-10 292	-22 898
EBITDA	2 619	1 468	4 104	2 373	2 931
Depreciation / amortization	-1 144	-788	-2 256	-1 502	-4 552
EBIT	1 475	680	1 848	871	-1 620
Net financial items	-90	-1	-157	-1	-88
Profit after financial items	1 385	680	1 692	869	-1 709
Items affecting comparability / Appropriations	0	0	0	0	0
Tax	0	0	0	0	0
Net profit for the period	1 385	680	1 692	869	-1 709

Cash flow

Amounts in SEK thousands	2019-07-01	2018-07-01	2019-04-01	2018-04-01	2018-04-01
	2019-09-30	2018-09-30	2019-09-30	2018-09-30	2019-03-31
	Q2	Q2	6 months	6 months	FY
Cash flow from operations during the period	2 527	1 467	3 946	2 372	2 843
Change in working capital	3 241	-280	-588	-4 313	5 497
Cash flow from operating after change in working capital	5 769	1 187	3 358	-1 941	8 340
Cash flow from investments	-2 125	-3 114	-5 769	-3 716	-16 082
Cash flow from financing operations	0	0	0	0	22 986
Cash flow during period	3 644	-1 927	-2 411	-5 657	15 244
Cash / cash equivalents at beginning of period	14 978	2 058	21 032	5 788	5 788
Cash / cash equivalents at end of period	18 621	131	18 621	131	21 032