

Interim report

April – December 2019

(SEK million)	Okt-Dec 2019	Okt-Dec 2018	April-Dec 2019	April-Dec 2018	April-March 2019
Net sales	20,94	11,43	53,27	35,34	49,98
Sales growth %	83	47	51	64	75
Gross margin %	49	54	52	57	56
EBITDA	2,63	0,03	6,21	2,99	3,37
The result of the period	1,47	-1,82	2,55	-0,48	-1,51
Total cash flow	-3,91	26,83	-6,73	18,36	12,82

Sales record in the third quarter

Oktober - December

- Consolidated sales during the second quarter amounted to SEK 20.9 M (11.4), an increase of 83%.
- Gross profit amounted to SEK 10.4 (6.1) million for the quarter, an increase of 70%.
- EBITDA for the quarter was SEK 2.6 (0.0) million.
- Earnings per share were SEK 0:05 (-0: 07) for the quarter.
- Cash flow from operating activities amounted to SEK -0.5 (10.8) million for the quarter.
- Cash and cash equivalents were SEK 15.0 (27.2) million at the end of the quarter.

April - December

- Consolidated sales during the period April-December amounted to SEK 53.3 (35.3) million, an increase of 51%.
- Gross profit for the same period amounted to SEK 28.3 (20.0) million, an increase of 41%.
- EBITDA for April-December amounted to SEK 6.2 M (3.0).
- Earnings per share were SEK 0:09 (-0: 02) for the period.
- Cash flow from operating activities amounted to SEK 2.8 M (6.1) for April-December.
- Cash and cash equivalents were SEK 15.0 (27.2) million at the end of December.



CEO's comments

The third quarter of fiscal year 2019/20 was a strong quarter for EQL with growth of 83 percent and sales of SEK 20.1 (11.4) million. It is thus EQL Pharma's best quarter ever from a sales perspective and the second quarter in a row we set sales records.

Profitability was good with an EBITDA of SEK 2.6 (0.0) million, corresponding to an operating margin of 13 percent.

During the quarter, EQL Pharma launched Methenamine hippurate, the only generic besides the original.

The product is important, among other things, as a prophylaxis against recurrent urinary tract infections, and does not contribute to the development of resistance as it does not act as an antibiotic.

Updated outlook for 2019/20

The strong sales development triggers EQL to adjust its growth forecast for the fiscal year 2019/20. Our new estimate for sales growth for the current fiscal year is around 40% (from around 30%) compared to the previous fiscal year. We also expect EBITDA to grow by around 100% (from around 30%) compared to the previous fiscal year. It is worth noting that our EBITDA is still quite small, so changes in percentages are often large.

The third quarter, yet another record in terms of sales

Organization

In the coming quarters, EQL Pharma will complete and submit close to a dozen registration dossiers to regulatory agencies. To cope with the growing volume of Regulatory Affairs, a recruitment process has been initiated and our hope is to have a new colleague in place during the spring.

Graphic profile

Today EQL Pharma launches a new look on our interim report, part of the work on a new graphic profile. The goal is to deepen the presentation of EQL Pharma at the same time as we want to make it clearer. Soon a new website will also be presented.



Christer Fåhraeus
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Significant events

During the quarter

EQL Pharma is preparing a listing on Nasdaq Stockholm

The Board of Directors of EQL Pharma has decided to evaluate the conditions for listing the Company's share on Nasdaq Stockholm's main list.

EQL Pharma's share has been listed on Spotlight Stock Market since 2013 and in Spotlight's new segment Next since October 31st, 2019. Companies traded in this segment follow stricter rules regarding, among other things, accounting principles than other companies listed on Spotlight Stock Market. The requirements correspond in several respects to the requirements set out on Nasdaq Stockholm's main list.

The Company's Board of Directors and management will now initiate the work required to prepare the Company for a listing on Nasdaq Stockholm.

"We believe that EQL Pharma is ready to be listed on Nasdaq Stockholm's main list. A listing on Nasdaq Stockholm is a quality stamp and with the list change we are now taking the next step to gain access to the international capital market and facilitate for more institutional investors to become owners of the company," says Christer Fåhraeus, CEO of EQL Pharma.

EQL Pharma has hired the law firm HWF Advokater as legal advisor for the planned list change.

During the quarter, the company launched Methenamine Hippurat EQL Pharma as the only replaceable generic for the drug Hiprex®.

Methenamine is used in the treatment of, and as prophylaxis of, recurrent urinary tract infections. As an alternative treatment to antibiotics, Methenamine plays an important role in health care to stop the development of antibiotic-resistant bacteria. Antibiotic resistance is a major problem in the treatment of recurrent urinary tract infections in women.

Methenamine Hippurate substance has been available as an alternative treatment for a long time in Sweden but has only become internationally recognized in recent years when the need for alternatives to antibiotics has become acute. As a result, EQL Pharma, in collaboration with a local partner, also launched Methenamine in the UK during the quarter

After the quarter

EQL Pharma today launches a new look on its interim report, part of the work on a new graphic profile. The aim is to present EQL Pharma in a clear and easy-to-understand way. The graphic profile consists of fonts, colors, graphic elements, image manners and logo.

"It's a good time to upgrade now so that our graphic profile feels modern. The change will also be a clear indication that the company is at a new stage on our journey, says Christer Fåhraeus, CEO of EQL Pharma".

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 drug Methenamine Hippurat EQL Pharma launched during the quarter, for example, has an original that has been sold in Sweden continuously since 1973 without generic 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

During the quarter, the company launched Methenamine Hippurat EQL Pharma as the only replaceable generic for the drug Hiprex®.

Methenamine is used in the treatment of, and as prophylaxis of, recurrent urinary tract infections. As an alternative treatment to antibiotics, Methenamine plays an important role in health care to stop the development of antibiotic-resistant bacteria. Antibiotic resistance is a major problem in the treatment of recurrent urinary tract infections in women. Methenamine Hippurate substance has been available as an alternative treatment for a long time in Sweden but has only become internationally recognized in recent years when the need for alternatives to antibiotics

has become acute. As a result, EQL Pharma, in collaboration with a local partner, also launched Methenamine in the UK during the quarter.

Geographic markets

Today, EQL Pharma operates directly on the generic markets in Sweden and Denmark. In the other Nordic countries and Europe, 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 several 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 market segments from previous employers.

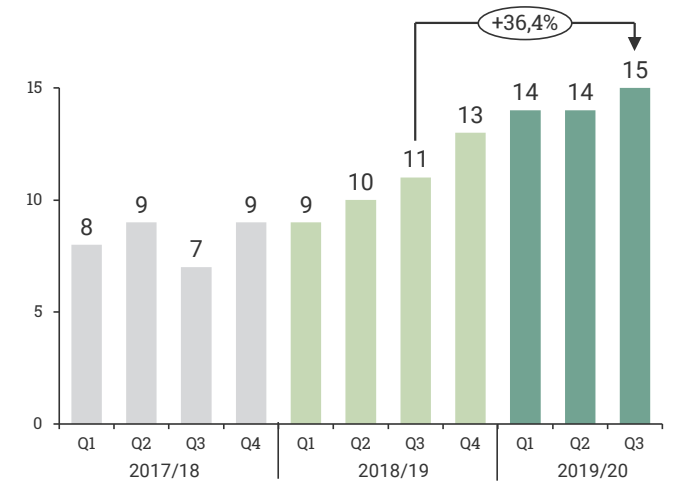


Figure 1. The company's product portfolio, ie marketed products, per quarter from fiscal year 2017/18 through the reporting period for the current fiscal year. The Y axis is the number of products marketed.

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.

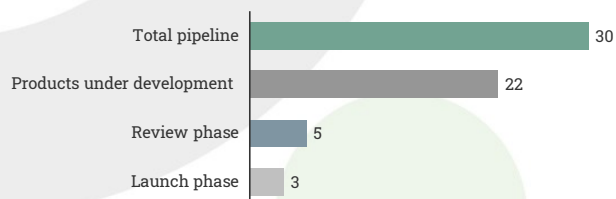


Figure 2. Total pipeline of products and how many products are in Review phase and Launch phase respectively.

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 three products in the launch phase. Metronidazole EQL Pharma was approved by the Swedish Medicines Agency in May 2019 and Hevicain Spinal Tung was approved in Denmark and Sweden in August, and Finland and Norway in September 2019. In September,

Aripiprazole EQL Pharma in Sweden was also approved. Metronidazole and Hevicain are expected to be launched during the first quarter of 2020/21, and Aripiprazole in the second quarter of 2020/21.

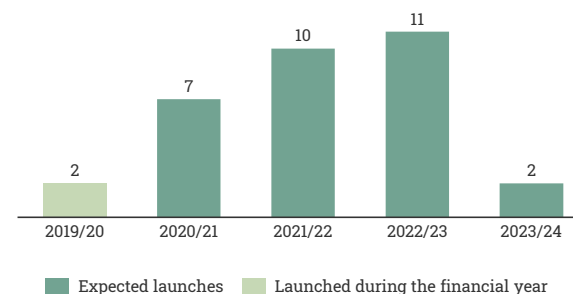


Figure 3. The company's product launches for the current fiscal year and expected product launches up to and including fiscal year 2023/24.

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 information

Sales

Sales development

The third quarter of the 2019/20 financial year was another quarter with good growth for EQL Pharma. In total, our sales amounted to SEK 20.9 (11.4) million, corresponding to a growth of 83 percent compared to the corresponding quarter last year. This is significantly higher than our financial target of at least 30 percent average annual growth. In addition to good growth, quarterly sales of SEK 20.9 million are a new sales record for the company.

Sales growth is driven mainly by the launches made since Q3 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.

Quarterly net sales and Rolling 12 months (R12)

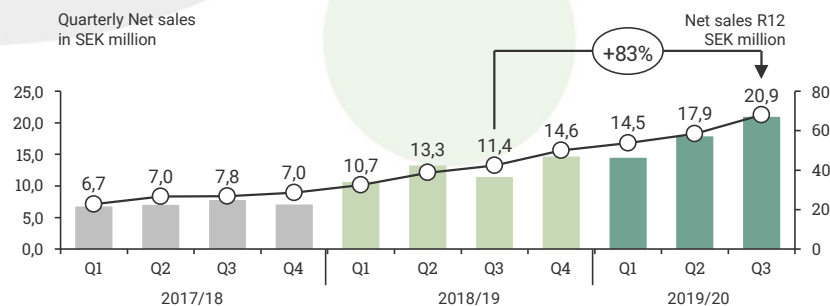


Figure 4. Net sales trend fiscal year 2017/18 through reporting period for the current fiscal year. Left Y-axis quarterly turnover in SEK million. Right Y-axis rolling 12-months sales expressed in SEK million.

Profit performance

Third-quarter gross profit amounted to SEK 10.4 (6.1) million, which represents an increase of 70 percent. The gross margin was 49 (54) percent. 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 (70 compared to 83 percent).

EBITDA increased to SEK 2.6 (0.0) million. Fixed costs have increased slightly compared to the previous year. This is mainly due to the larger product portfolio that runs 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.

Quarterly EBITDA and EBITDA Rolling 12 months (R12)

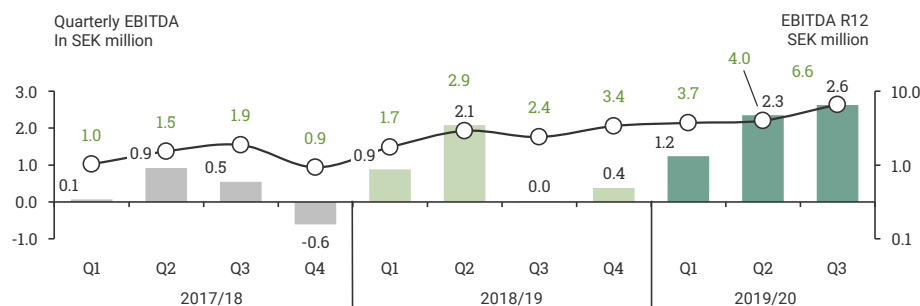


Figure 5. Operating profit trend (EBITDA) for fiscal year 2017/18 through the reporting period for the current fiscal year, the bars are EBITDA and the line is rolling 12-month EBITDA. The left Y-axis EBITDA per quarter expressed in SEK million and the right Y-axis is rolling 12-month EBITDA expressed in SEK million.

The Group

Consolidated profit and loss statement

Alla amounts in '000	Okt - Dec 2019	Okt - Dec 2018	April - Dec 2019	April - Dec 2018	April - March 2019
Net sales	20 939	11 426	53 266	35 341	49 984
Other operating income	115	0	344	0	0
Direct costs	-10 643	-5 287	-25 336	-15 300	-22 099
Gross profit	10 410	6 139	28 274	20 041	27 885
Gross margin	49%	54%	52%	57%	56%
Operating expenses	-7 785	-6 113	-22 067	-17 051	-24 511
EBITDA	2 625	27	6 207	2 990	3 374
Depreciation / amortization	-1 022	-1 818	-3 370	-3 443	-4 798
EBIT	1 604	-1 791	2 837	-453	-1 424
Net financial items	-134	-26	-292	-27	-89
Profit after financial items	1 469	-1 817	2 545	-480	-1 513
Items affecting comparability / Appropriations	0	0	0	0	0
Tax	0	0	0	0	0
Net profit for the period	1 469	-1 817	2 545	-480	-1 513

The Group

Cash flow, investments and financing

Alla amounts in '000	Okt - Dec 2019	Okt - Dec 2018	April - Dec 2019	April - Dec 2018	April - March 2019
Cash flow from operations excluding changes in working capital	2 491	1	5 915	2 963	3 285
Change in working capital	-3 040	10 824	-3 155	3 114	2 633
Cash flow from operations	-549	10 825	2 760	6 077	5 918
Cash flow from investments	-3 356	-6 981	-9 492	-10 697	-16 082
Cash flow from financing operations	-3	22 985	0	22 983	22 985
Total cash flow during period	-3 907	26 829	-6 732	18 364	12 821
Cash / cash equivalents at beginning of period	18 866	405	21 692	8 870	8 870
Cash / cash equivalents at end of period	14 959	27 234	14 959	27 234	21 692

Cash flow

Cash flow from operating activities remains positive, SEK 2.5 million (0.0) for the quarter. The quarter shows a negative change in working capital of SEK -3.0 (10.8) million in October to December, which generates a negative cash flow from operating activities, including the change in working capital, of SEK -0.5 (10.8) million for the period.

Investments

EQL Pharma continues to invest in development projects. During the period, SEK 3.4 (7.0) million was invested in both ongoing and new projects.

Financing

Cash flow from financing operations totaled SEK 0.0 (23.0) million during October to December.

Cash and cash equivalents

Cash and cash equivalents amounted to SEK 15.0 (27.2) million at the end of the quarter.

Equity

As of December 31st, equity amounted to SEK 80.8 (79.2) million and equity per share to SEK 2:78 (2:73).

Equity ratio

The equity / assets ratio was 65.9 (78.4) percent at the end of the period.

EQL Pharma's share

The company's share has been listed on Spotlight Stock Market since December 17th, 2013. The total number of registered shares in the company at the end of the period was 29,063,610 (29,063,610). Listed on Spotlight NEXT since October 31st, 2019.

Additional information

Parent company

EQL Pharma AB is the parent company of the EQL Pharma group. Net sales for the Parent Company during the third quarter amounted to SEK 19.9 (10.1) million. Operating profit EBITDA amounted to SEK 3.0 (-0.0) million for the quarter.

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. 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:

Current fiscal year:

Year-end report April - March

2020-05-04

Additional information

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

The company has an unchanged goal to grow by at least 30 percent 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 percent per year will be distributed unevenly over the 5-year period.

We adjust the estimate for the turnover growth for the current financial year (2019/20) to around 40% (from around 30%) compared to the previous financial year. Furthermore, we expect EBITDA to grow by around 100% (from around 30%)

compared to the previous financial year. It is worth noting that our EBITDA is still quite small, so changes in percentages are often large.

The auditors' review

This interim report has not been audited by the auditor.

Questions regarding interim report

For further information or questions, please contact:

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Board of Directors EQL Pharma

Lund, February 5th, 2020.

Ingemar Kihlström,
Chairman

Christer Fåhraeus,
CEO and member

Lars Holmqvist,
Member

Anders Månsson,
Member

Maria Bech,
Member

Rajiv I Modi,
Member

The Group

Consolidated profit and loss statement

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Operating expenses	-7 785	-6 113	-22 067	-17 051	-24 511
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EBIT	1 604	-1 791	2 837	-453	-1 424
Net financial items	-134	-26	-292	-27	-89
Profit after financial items	1 469	-1 817	2 545	-480	-1 513
Items affecting comparability / Appropriations	0	0	0	0	0
Tax	0	0	0	0	0
Net profit for the period	1 469	-1 817	2 545	-480	-1 513

Consolidated balance sheet

Alla amounts in '000	December 2019	December 2018	March 2019
Intangible assets	54 476	44 501	48 234
Tangible fixed assets	404	227	524
Financial assets	296	296	296
Total fixed assets	55 177	45 024	49 054
Total current assets	67 410	56 106	53 084
Total assets	122 587	101 130	102 138
Total equity	80 750	79 236	78 205
Long-term liabilities	0	0	0
Current liabilities	41 837	21 894	23 933
Total equity and liabilities	122 587	101 130	102 138

The Group

Consolidated changes in equity April - December

Alla amounts in '000	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			0
Profit for the period			2 545
Balance at end of period	1 308	66 133	13 310

Parent company

Profit and loss statement

Alla amounts in '000	Okt - Dec 2019	Okt - Dec 2018	April - Dec 2019	April - Dec 2018	April - March 2019
Net sales	19 913	10 105	50 249	30 149	43 977
Other operating income	115	0	344	0	0
Direct costs	-9 804	-4 452	-22 923	-11 831	-18 148
Gross profit	10 224	5 653	27 670	18 318	25 830
Gross margin	51%	56%	54%	61%	59%
Operating expenses	-7 223	-5 726	-20 565	-16 018	-22 898
EBITDA	3 001	-73	7 105	2 300	2 931
Depreciation / amortization	-908	-1 756	-3 163	-3 259	-4 552
EBIT	2 093	-1 829	3 942	-959	-1 620
Net financial items	-134	-26	-292	-27	-88
Profit after financial items	1 959	-1 855	3 651	-985	-1 709
Items affecting comparability / Appropriations	0	0	0	0	0
Tax	0	0	0	0	0
Net profit for the period	1 959	-1 855	3 651	-985	-1 709

Parent company

Balance sheet

Alla amounts in '000	December 2019	December 2018	March 2019
Intangible assets	53 932	44 102	47 897
Tangible fixed assets	404	227	524
Financial assets	891	391	391
Total fixed assets	55 228	44 720	48 811
Total current assets	67 241	55 177	52 148
Total assets	122 468	99 897	100 960
Total equity	81 233	78 306	77 582
Long-term liabilities	0	0	0
Current liabilities	41 235	21 591	23 377
Total equity and liabilities	122 468	99 897	100 960

Cash flow

Alla amounts in '000	Okt - Dec 2019	Okt - Dec 2018	April - Dec 2019	April - Dec 2018	April - March 2019
Cash flow from operations excluding changes in working capital	2 867	-98	6 813	2 273	2 843
Change in working capital	-2 891	10 776	-3 479	6 463	5 497
Cash flow from operations	-24	10 678	3 334	8 736	8 340
Cash flow from investments	-3 810	-6 981	-9 579	-10 697	-16 082
Cash flow from financing operations	0	22 986	0	22 986	22 986
Total cash flow during period	-3 834	26 683	-6 245	21 025	15 244
Cash / cash equivalents at beginning of period	18 621	131	21 032	5 788	5 788
Cash / cash equivalents at end of period	14 788	26 813	14 788	26 813	21 032