ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR EQL PHARMA AB

Corporate ID No 556713-3425

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EQL Pharma in brief

EQL Pharma is a company specialising in the development and supply of generics, that is, medicines that are medically equivalent to originator products. The company is currently marketing five niche generics in the Swedish, Danish and Finnish markets; in addition to these we have a significant pipeline of other niche generics that are due to be launched from 2017 onwards. At present operations are entirely focused on prescription medicines in the Nordic region. Based in Lund, EQL Pharma has 7 (8) employees and is listed on AktieTorget. EQL Pharma is running an extensive development programme in collaboration with leading contract manufacturers and large pharmaceutical companies in countries including India and China.

CEO's report

During 2016 EQL Pharma's main focus was to continue to build on our niche generics pipeline whilst at the same time capitalising on products that are already on the market. At the end of the year we had 30 agreed products in the pipeline, including the 7 products already being marketed.

During 2017 we will continue to expand our product portfolio and we will outline how the portfolio develops in our quarterly reports. Our pipeline comprises a mixture of in-licensing and product development from baseline. If possible in-licensing is used; however, for a number of products we are looking to launch in the Nordic market this option is not available and we will therefore need to compile dossiers for regulatory approval ourselves. As a result of our upscaling our pipeline we have recruited Alexander Brising as head of business development and Catarina Helm who will focus on development projects.

In the course of the year Satellite Overseas (Holdings) Limited, a wholly owned subsidiary of Cadila Pharmaceuticals Limited ('Cadila') has exercised 973,000 TO 3 share warrants which has resulted in an income of SEK 6.3 million for EQL Pharma. The new shares were registered with Bolagsverket and Euroclear after the end of the year. Once the registration has been completed EQL Pharma will have 24,911,666 registered shares.

Christer Fåhraeus, CEO

Annual sales in 2016 have been in line with 2015 due to the fact that no new products were launched during the year. At a product level, the biggest sellers during the year were hydroxyzine and doxycycline but metformin and phenoxymethylpenicillin also sold well. During the year Zonisamid (a Zonegran generic) was approved in Denmark.

Christer Fåhræus,
CEO and board member of EQL Pharma AB (publ)

EQL Pharma – niche generics

Founded in 2006 by Christer Fåhræus and Karin Wehlin, EQL Pharma specialises in the development and supply of generics, that is, medicines that are medically equivalent to originator products. On 31 December 2016 EQL Pharma had nine niche generics on the market. In addition to these there is a significant pipeline of other niche generics that are due to be launched from 2017 onwards. More information on this can be found in the Pipeline section. At present operations are entirely focused on prescription medicines in the Nordic region. With operations based in Lund, EQL Pharma has 7 (8) employees and is listed on AktieTorget. EQL Pharma has an extensive development programme in collaboration with leading contract manufacturers and large pharmaceutical companies in countries including India and China.

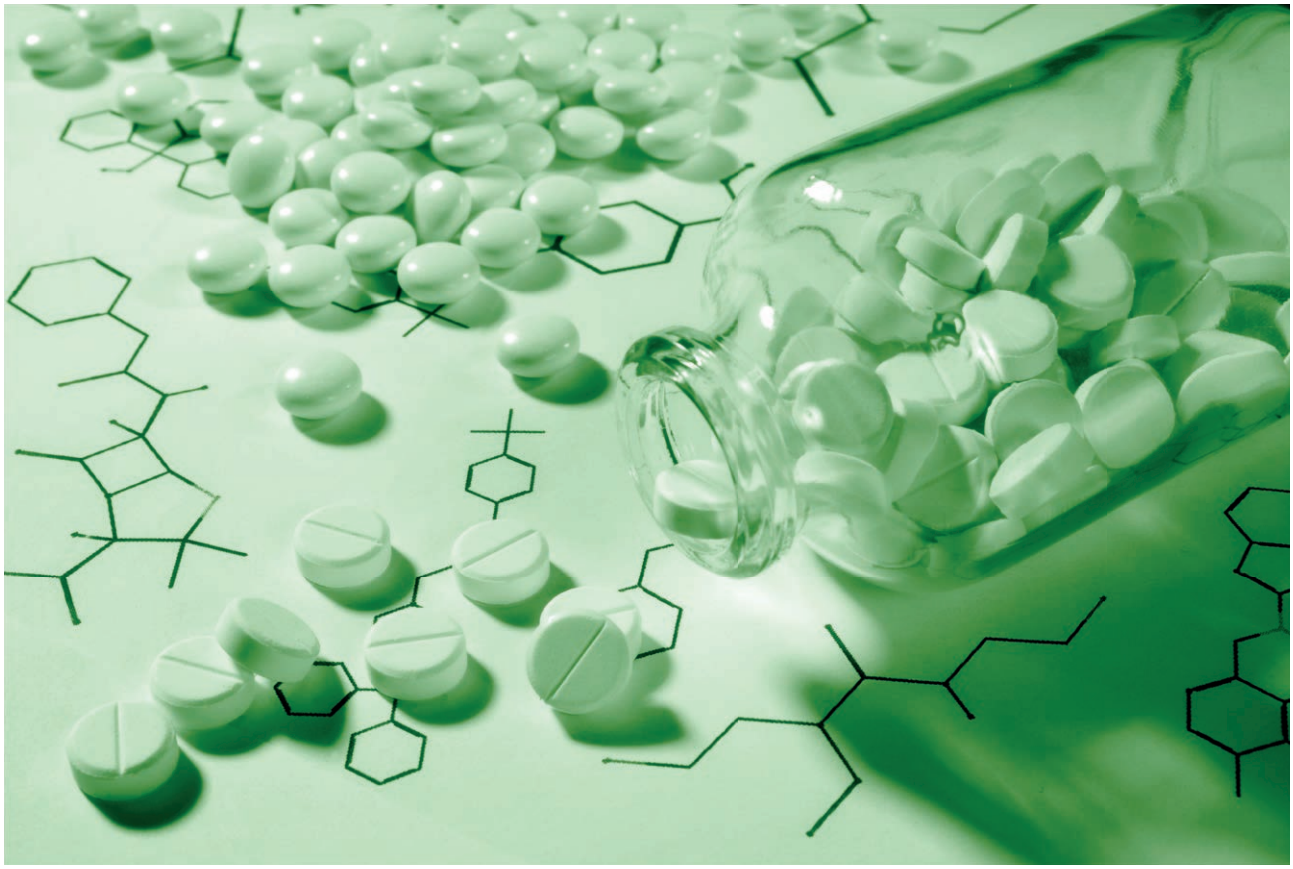
More specifically EQL Pharma is targeting generic medicines with no or few competitors in the Nordic region, other than the originator product. We refer to these as niche generics. When EQL Pharma started the company focused on 'broader' generics with larger volumes and also more competition. However, from 2009 onwards the company has elected to focus exclusively on a niche strategy. The main reason EQL Pharma is targeting areas with low levels of competition is that the more competitors for a generic product, the more the price will be forced downwards. EQL Pharma's products are typically small in a global context but larger in the Nordic region. For this reason major international generics companies have not considered these local products worth pursuing since sales both in terms of value (euro) and number of tablets (units) has been too low. Because these products are not offered for sale as fully developed projects, EQL Pharma is running an extensive development programme for these niche generics through development partners and contract manufacturers.

How are generics sold?

Sweden, Denmark, Finland and Norway all have specific legislation and regulations that are applied to keep down the cost of prescription medications to society. Under the Pharmaceutical Benefits Act, products included in the pharmaceutical benefits scheme (högkostnadsskyddet) must be substituted with the least expensive equivalent product containing the same active ingredient and in the same formulation.[1] Originator products tend to remain on the market in Sweden, Denmark, Finland and Norway even after generic competitors have appeared, but unless there are special circumstances a cheaper alternative will be dispensed to the patient.

In many cases several different generics are available on the market for a single originator product. To decide which generic product gets to replace the originator product in Sweden, each generics company wishing to participate as a competitor submits pricing applications on a monthly basis to the Swedish Dental and Pharmaceutical Benefits Agency (Tandvårds- och läkemedelsförmånsverket, TLV). TLV selects the cheapest generic and circulates information on its choice to pharmacies. Whenever an EQL Pharma product is selected, information is also sent directly to the company's distribution partners, such as Oriola or Tamro, who in turn ensures that the generic is promptly distrubuted to all pharmacies.

Apart from Sweden, EQL Pharma also has ongoing product sales in Denmark and Finland. The company also plans to commence sales operations in Norway later as new products



are launched. In Sweden pricing applications are submitted to TLV once a month. In Denmark this process takes place once a fortnight and in Finland once every three months. In Norway the above process differs slightly in that promotion and pricing negotiations are conducted with pharmacy chains directly.

Generic product development

As part of the development of an originator product the manufacturer will apply for patent protection. The product is granted exclusivity for 20 years from the time of patent approval, with the option of an extension of up to 5 years in case of a prolonged development process. In reality, the period of market exclusivity will be significantly shorter than 20 years since the patent application is typically filed many years ahead of launch.

Once the patent expires, EQL Pharma and other players in the generics marketplace are able to develop medicines that are identical to the originator product. Once marketing authorisation has been granted by the regulatory authority in the relevant country, the new generic product can be promoted and sold. Increased competition in the marketplace with multiple suppliers will in turn typically lead to reduced prices. Many countries also have legislation to ensure that the least expensive versions of prescription medications are available. It should be stressed that all medicines offered on the market are subject to the same quality and safety testing.

Developing a new generic, from the time of EQL Pharma commencing the work to approval by the regulatory authority, generally takes around 30 – 40 months. At the start of the process the constituents of the new generic product are formulated and an agreement is signed with a so-called CRO (Contract Research Organisation) which will support EQL Pharma throughout the development process, including with regulatory affairs and compilation of documentation (a so-called dossier) for the subsequent regulatory submission. Clinical studies, so-called bioequivalence studies, are performed on healthy volunteers to demonstrate that the generic product is medically equivalent and of the same quality as the originator product. After around two years the development process and clinical studies are completed and the dossier is submitted to the regulatory authority. It takes approximately one year from submitting the dossier to the regulatory authority before EQL Pharma obtains the final report and potential approval, and sales can commence.

Products

EQL Pharma's marketed portfolio currently comprises eight products: hydroxyzine, clarithromycin, cilostazol, doxycycline, zonisamide, metformin (only some dosages and pack sizes), mometasone (cream and ointment), and phenoxymethylpenicillin. The majority of these are marketed in several dosages and pack sizes. All products are included in the pharmaceutical benefits scheme and are subject to limited competition. In addition to this the company has a number of ongoing development projects which will be launched from 2016 onwards.

Development

EQL Pharma develops niche generics based on their estimated return on investment. Since a large number of projects have been identified, generics are selected on the basis of providing the best return on investment with a reasonable level of risk from a competition, regulatory and development perspective. Costs incurred on development projects are capitalised. EQL Pharma is currently not providing subsidies to other research organisations or to universities.

Markets

EQL Pharma operations are currently focused on the Nordic countries of Sweden, Denmark, Finland and Norway. Sales have commenced in Sweden, Denmark and Finland. In addition sales are planned to commence in Norway in connection with the planned launch of new products. The main rationale for the current marketing territory is that Sweden, Denmark and Finland all have specific legislation and regulations that are applied to keep down the cost of prescription medications to society. Under the Pharmaceutical Benefits Act, products included in the pharmaceutical benefits scheme (högkostnadsskyddet) must be substituted with the least expensive equivalent product containing the same active ingredient and in the same formulation.[2]

Sweden
The generic substitution scheme is well developed and widely accepted, and in the board's opinion working efficiently. New prices are established every month. In Sweden annual sales of generics amount to approximately SEK 5.0 billion, which accounts for around 16.5 per cent of total sales of prescription medicines in Sweden.[3]

Sweden is currently EQL Pharma's main market, accounting for approximately 85 per cent of overall company revenue.

Denmark
The generic substitution scheme is working well in the board's opinion. New prices are established every other week. In Denmark annual sales of generics amount to approximately SEK 4.2 billion, which accounts for just under 23 per cent of the country's total sales of prescription medicines.[4]

Finland
Finland too has a principle where the cheapest version of a medicine should be sold. However, the Finnish scheme allows substitution with any generic product that is priced no higher than SEK 15 above the cheapest product in a given group. This means it is considerably more difficult to achieve a large market share in Finland even with the lowest price. Although pharmacies 'should' dispense the cheapest available alternative, the board reckons in reality the most well-known product will be chosen, which will often be a Finnish brand. New reference prices, or maximum prices, are established at three-month intervals; however, adjustments can be made on a fortnightly basis. The Finnish generics market has annual sales of approximately SEK 3.1 billion or just under 16 per cent of the total prescription medicines market in Finland.[5]

Norway
Norway operates a scheme under which pharmacies are allowed to negotiate directly with pharmaceutical companies and then set a price as appropriate within the price limit set by the state (70 per cent of the price of the originator product at the commencement of generic competition, with further stepwise reductions down to 20 percent of the price of the originator product after 18 months). All generics in Norway are therefore sold at the highest possible price, the so-called 'maximum price', even though the pharmacy purchase price may be only 1–2 per cent of the originator price. It is therefore the board's opinion that access to Norwegian pharmacy chains requires unique generic products so that the pharmacies will not be able to play one company against another. In Norway annual sales of generics amount to approximately SEK 1.6 billion, which accounts for just over 10 per cent of the country's total sales of prescription medicines.[6]

Other potential markets for workup
A potential future new geographic market for EQL Pharma is Germany, where a new scheme has been introduced recently which is based on the principle of the lowest price. Other market niches that EQL Pharma are considering include parallel imports, mainly in Sweden and Denmark. Briefly, parallel import involves purchasing originator products in certain EU countries where the prices of originator products are low, such as Poland, and then importing and repackaging these for sale in another EU country such as Sweden.

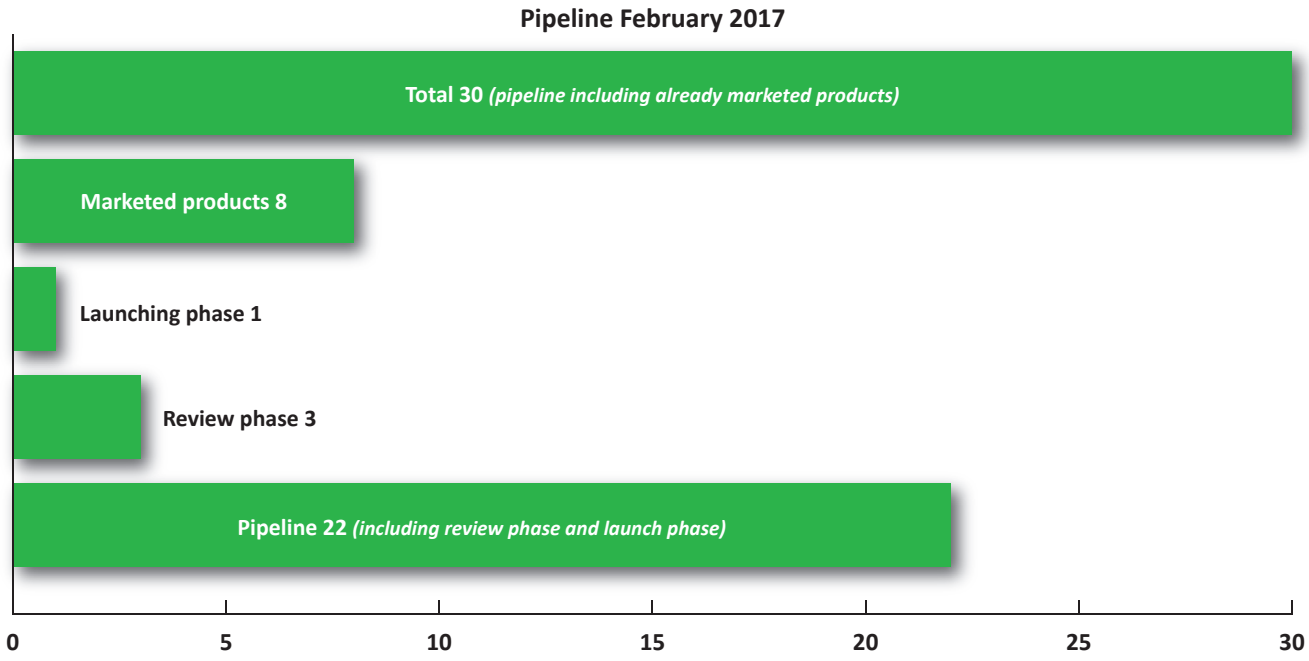
[1, 2] *http://www.lakemedelsverket.se/malgrupp/Halso---sjukvard/Forskrivning/Utbytbara-lakemedel-/Fragor-och-svar-om-utbytbarhet/*
[3, 4, 6] *IMS Health*
[5] *DLi-MI*

Pipeline

It is the intention of EQL Pharma to begin highlighting our product pipeline from 2017. This information will be reported at a high level and will not include names of single products or their current or anticipated markets. Our intention is to provide better guidance for shareholders without divulging information to competitors and without enabling financial forecasting based on our pipeline. The information will be updated regularly, mainly through quarterly reporting.

Number of marketed products and products in development (pipeline)

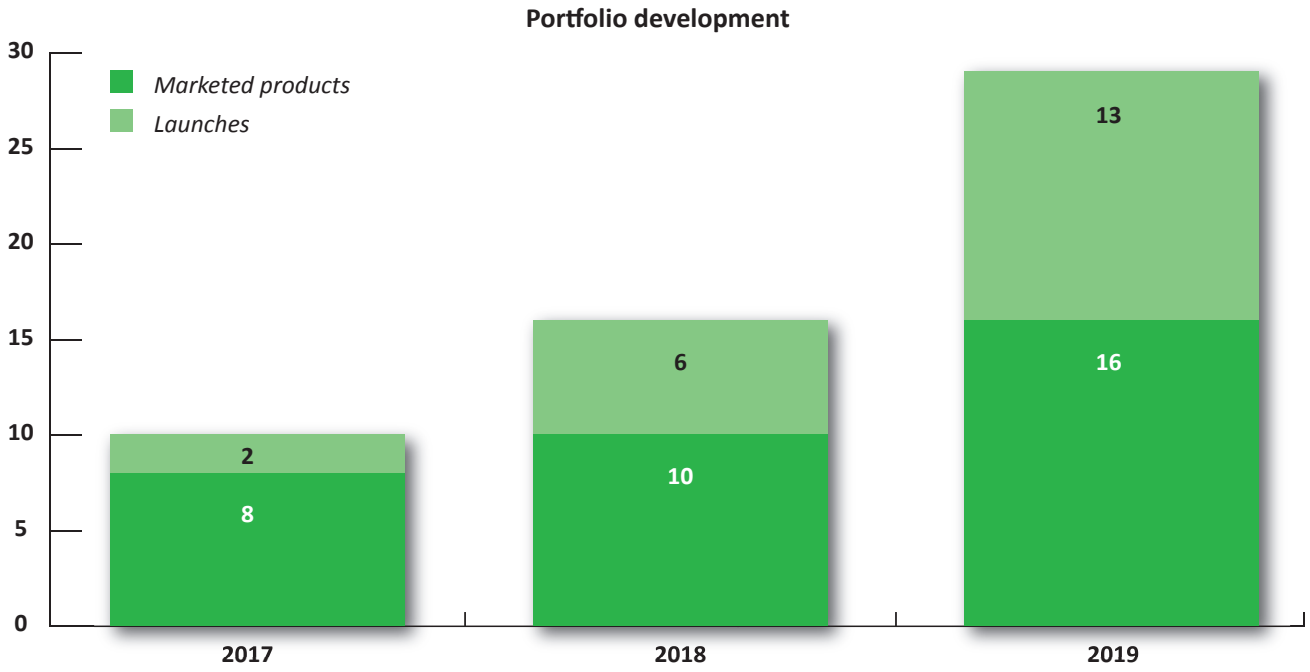
EQL Pharma's total pipeline currently comprises 22 products, three (3) of which are undergoing regulatory assessment, one (1) has been approved and is in launch phase, and the remaining 18 are in development. In addition to our pipeline we have 8 approved and marketed products. Our pipeline is in continuous development and it is expected that new products will be added during the year.



Number of marketed and lauched products year on year

The majority of our total of 30 agreed products are expected to be launched in the coming three-year period. At the start of 2017 we had 8 products on the market. We plan to have a total of 16 products on the market at the start of 2019.

The chart also shows that we expect to have 29 marketed products at the start of 2020. New in-licensing and product development projects are expected during the year; however, some products may be cancelled and others may be delayed.



Board of directors and auditors

Rajiv I Modi
Member of the board since 2015.
Born: 1960

Chairman and CEO of Cadila Pharmaceuticals. Chairman of the CII National Committee on Pharma 2015–2016 and 2017–2018, Chairman of the Board of Governors of the Indian Institute of Technology, Guwahati, India. Former chairman of CII Gujarat State Council.
Shareholding: 7,473,000 through companies.

Christer Fåhraeus
Member of the board since 2006 and CEO. Co-founder of EQL Pharma.
Born: 1965

Other roles: Chairman of FlatFrog Laboratories AB, Respiratorius AB (publ) and Longboat Explorers AB. Board member of CellaVision AB (publ), Reccan AB and LU innovation AB. Mr Fåhræus has previosuly served as CEO of CellaVision AB (publ), Anoto Group AB (publ), FlatFrog Laboratories and Agellis Group AB (publ).
Shareholding: 6,674,873 through companies.

Maria Öhlander
Member of the board since 2015.
Born: 1968

Chief Scientific Officer at Smartfish AS. Board member of Neuronano AB and Paxman AB. Former positions include VP Clinical Development and Regulatory Affairs at Karo Bio AB and Study Delivery Director at AstraZeneca. Has a total of 20 years' experience within project management and clinical trials in pharmaceutical companies and CROs.
Shareholding: 0.

Ingemar Kihlström
Chairman of the board since 2015.
Born: 1952

Other roles: Independent consultant for over 10 years at Ingemar Kihlström AB. Prior to this, positions held within R&D and business development in Astra AB and Pharmacia AB for 20 years. Also previous roles as adviser and analyst in the financial sector for 8 years. Currently chairman of BoMill Holding AB, Spectracure AB and Miris Holding AB. Board member of Emplicure AB HealthInvest Partners AB, Prolight Diagnostics AB, Attana AB and Respiratorius AB. Appointed as an external reviewer of Vinnova applications within the healthcare sector.
Shareholding: 316,800 including companies.

Björn Beermann
Member of the board since 2013.
Born: 1941

Other roles: Physician, specialist in internal medicine and clinical pharmacology, senior lecturer at Karolinska Institute. Has been active for over 20 years as a member of the executive team and professor at the Swedish Medical Products Agency; experienced as head of the medical products information, inspections, and adverse event reporting units during different periods. 2007–2012 member of the Committee for Orphan Medicinal Products (COMP) at the European Medicines Agency (EMA) in London. Has also held government appointments as a member of the Swedish Medical Research Council and the Swedish Research Council.
Shareholding: 8,500 including companies.

Lars Holmqvist
Member of the board since 2009.
Born: 1955

Other roles: From 2005 positions including Senior Advisor to BearingPoint, and 2010–2015 Senior Advisor to IKEA Industry Investment & Development. Chair of Recyctec Holding AB since 2014. Long experience both with listed and unlisted companies, and as both founder, owner and CEO of companies in the IT, R&D, VC, and retail industry.
Shareholding: 487,432 including companies.

Olov Strömberg
Chartered accountant,
Crowe Horwath Osborne AB.

Executive team

Christer Fåhraeus
CEO and group president

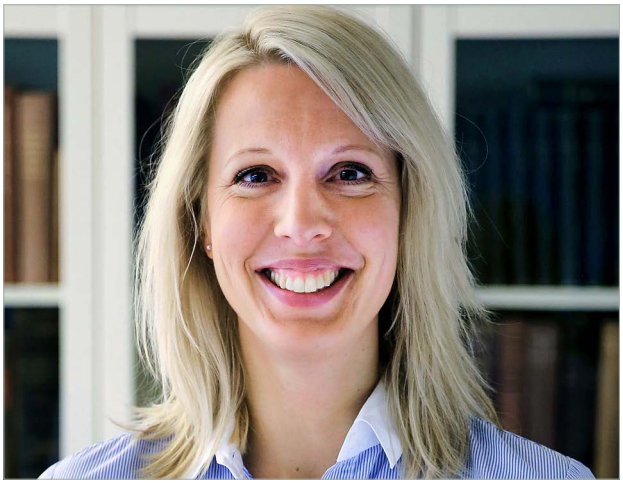
See board of directors above.

Jennie Sterning
CFO

Jennie has 12 years of experience within the accounting and auditing industry. Prior to joining EQL Pharma she held a position as a chartered accountant (FAR) and office head at Resursgruppen Ekonomi & Revision AB in Lund. Since the start of EQL Pharma in 2006 Jennie has been in charge of book-keeping and year-end accounts. At this time she is responsible also for consolidated financial statements and financial reporting.

Fredrik Trawén
COO

Master of Engineering, Industrial Economics, Luleå University of Technology. Prior to joining EQL Pharma Fredrik held a position as Key Account Manager at ST Microelectronics. Fredrik also has several years of experience from working with strategic purchasing within Sony Ericsson, both in Lund and in Tokyo.



Charlotte Enochsson
Regulatory Affairs &
Drug Safety Manager

Master of Medical Science, Lund University. Prior to joining EQL Pharma Charlotte held a position as Regulatory Affairs Associate within Global Regulatory Affairs at Ferring Pharmaceuticals. She also has two years' experience of market analyses of European pharmaceutical companies.

Executive team (cont.)

Anna Rytter
Regulatory Affairs &
Quality Assurance Manager

Msc. Molecular biology, PhD, Lund University. Anna has several years of regulatory experience from working as a Regulatory Affairs Professional at Leo Pharma. Prior to this she worked in medical research for more than 10 years, specialising in neuro-biology and oncology.

Catarina Hjelm
Regulatory Affairs Manager

Msc. Chemistry and Mathematics, Lund University. Catarina joined the company from the department of Clinical Genetics within Skåne Regional Council, where she held a position as quality manager. Prior to that she worked in drug development within AstraZeneca for more than 10 years.

Joakim Larsson
Manager Parallel Import

Bsc. Industrial Economics, Gävle University College. Specialist on global purchasing and logistics with several years of experience from various senior positions within the Ericsson group, including being based in Beijing for a prolonged period of time.

Alexander Brising
Business Development Director

Alexander Brising has held a series of marketing and business development positions within the pharmaceutical industry; he joined the company from Sandoz Nordic headquarters in Copenhagen where he held the position of Commercial Head Sweden. He has an MBA from Gothenburg School of Economics.

Directors' report

The Board of Directors and CEO of EQL Pharma AB (publ), corporate identification number 556713-3425 with registered offices in Lund, hereby submit the annual accounts for operations in the Group and parent company for the financial year 1 January 2016 to 31 December 2016.

Operations

EQL Pharma AB specialises in developing and selling generics, that is, drugs that are pharmacologically identical to the original drug. The company currently markets nine niche generics on the Swedish, Danish and Finnish markets. Moreover, there is a substantial pipeline of additional niche generics for launch in 2017 and beyond. For further details, see 'Pipeline' on page 7. Operations are currently entirely focused on prescription drugs in the Nordics. With operations based in Lund, EQL Pharma has 7 (8) employees and is listed on AktieTorget. EQL Pharma is running an extensive development programme in collaboration with leading contract manufacturers and large pharmaceutical companies in countries including India and China.

Significant events during the financial year

In 2016, EQL Pharma continued to build its pipeline and earnings are largely consistent with last year's level.

During the year, Danish authorities approved the drug Zonisamid (generic of Zonegrad).

At the product level, Hydroxyzin and Doxycyklin were the best sellers in 2016, but Metformin and PenV also sold well.

During the year the company continued to focus on development projects in the pipeline and also worked on replenishing products for 2017 and beyond. Work on several of the development projects has progressed well.

The company continued its strategic collaboration with Cadila Pharmaceuticals in 2016. One of the key reasons behind the collaboration was to forge closer ties to a development partner in niche generics.

During the year Satellite Overseas (Holdings) Limited, a wholly owned subsidiary of Cadila exercised 973,000 warrants (TO 3), generating proceeds of just over SEK 6.3 million for EQL Pharma.

The company decided to increase its stock of niche generics in 2016 to enable delivery of an individual product each month for an extended period. This ties up a certain amount of working capital, but improves our sales opportunities for products that are exposed to limited competition.

The share

The company's share has been listed on AktieTorget since 17 December 2013. The number of shares in the company at the end of the period was 23,938,666 (23,938,666), with a quotient value of SEK 0.045 per share. At year-end, 973,000 shares were subscribed to but not registered. These were registered on 12 January 2017.

New share issue

During the year, 973,000 warrants (TO 3) were exercised, generating proceeds of just over SEK 6.3 million for EQL Pharma.

Shareholders

The number of shareholders totalled around 900 at the start of the year, and about 1,100 at the end of 2016.

Dividend policy

The Board of Directors does not intend to propose a dividend until the company is generating healthy cash flows that cannot be put to better use through reinvestment in the business. EQL Pharma has not issued a dividend since the company was founded in 2006.

Change in equity – Group

	Share capital	Other contributed capital	Other capital including profit for the year
Amount at start of year	**1,077**	**37,077**	**9,246**
New share issue, unregistered		6,325	
Issue expenses			
Translation difference for the year			3
Profit for the year			3,541
Amount at end of year	**1,077**	**43,402**	**12,790**

Change in equity – parent company

	Share capital	Other restricted equity	Other non-restricted equity	Profit for the year	Total non-restricted equity
Amount at start of year	**1,077**	**0**	**42,286**	**3,722**	**46,008**
Appropriation of profit per AGM decision			3,722	-3,722	
Development expenditure fund		2,116	-2,116		-2,116
New share issue, unregistered		44	6,281		6,281
Issue expenses					
Profit for the year				3,815	3,815
Amount at end of year	**1,077**	**2,160**	**50,173**	**3,815**	**53,988**

Financial statements

Earnings
Consolidated net sales totalled SEK 28.2 million (26.9).

Gross profit amounted to SEK 17.2 million (16.7) for the year and the gross margin was 58 percent (62). Calculation of the gross margin for full-year 2016 was adjusted by a total of SEK 0.8 million relating to a reversed provision against a supplier and for stock uncertainty.

EBITDA totalled SEK 5.1 million (5.5).

Earnings for the period amounted to SEK 3.5 million (3.7). Earnings per share reached SEK 0.14 (0.16).

Total operating expenses, excluding depreciation/amortisation, amounted to SEK 14.6 million (13.0) during the year. Depreciation/amortisation during the year totalled SEK -1.6 million (-1.3).

Net finance items amounted to SEK -0.0 million (-0.4).

Cash flow
Cash flow from operating activities, before changes in working capital amounted to SEK 5.1 million (5.1). Changes in working capital totalled SEK -4.1 million (-5.5).

Investments
Cash flow from investing activities amounted to SEK -7.0 million (-7.0).

Financing
Cash flow from financing activities totalled SEK 6.3 million (34.3).

Financial position at 31 December 2016

Cash and cash equivalents
Cash and cash equivalents at 31 December 2016 totalled SEK 27.1 million (26.8).

Equity
Equity at 31 December 2016 was SEK 57.3 million (47.4) and equity per share was SEK 2.39.

Equity/assets ratio
The equity/assets ratio was 89.9 percent (89.2) at year-end.

The annual accounts are prepared in thousands of Swedish krona.

Five-year comparison, Group

	2016	2015	2014	2013	2012
Net sales	28,200	26,872	17,589	22,172	16,670
Profit after financial items	3,541	3,722	-8,785	-7,710	-5,528
Profit for the year	3,541	3,722	-8,785	-7,710	-5,528
Equity/assets ratio, %	90	89	35	26	11
Return on equity, %	14	14	neg.	neg.	neg.

*For key ratio definitions, see supplementary disclosures.

Parent company

EQL Pharma AB is the parent company in the EQL Pharma Group. Net sales for 2016 reached SEK 27.5 million (26.9), and operating profit (EBITDA) totalled SEK 5.2 million (5.6).

Going concern

The company assesses that conditions exist for a going concern for a period of 12 months from the end of the reporting period. Were the business to change its focus, increase the tempo of in-licensing or acquire more businesses than have been planned to date, it is possible that additional financing may be required.

Future development

The company's anticipated future development

In 2017, the company will focus on the sale and the supply of drugs that have already been launched. Furthermore, EQL Pharma will continue its work with identifying new and interesting generic products and either licensing them in from competitive manufacturers or developing them in cooperation with partners. During the year the company will place considerable emphasis on the development of its pipeline of niche generics.

Outlook

The company has continued with its target of achieving average growth of at least 30 percent per year over a five-year period from 2016 until 2020, and aims for growth in operating earnings to at least match that of sales growth. Growth of 30 percent per year will be distributed unevenly across the five-year period.

We anticipate that sales for 2017 will fall slightly short of the figure for 2016. Earnings for 2017 are expected to be around zero due to the vigorous expansion of the product portfolio and associated increased product development expenses (staff, offices, consultants and external services). There will be few new launches in 2017, and certain former top sellers have gained competitors and are therefore expected to generate lower profitability this year.

Personnel

The Group employs 7 (8) people, 4 (3) of whom are women. In addition to permanent staff there are also consultants with expertise in GMP, pharmacovigilance and wholesale operations linked to the parent company.

Risk factors

EQL Pharma is exposed to several risk factors that can have a negative impact on the business. It is therefore extremely important to take account of relevant risks alongside the company's growth opportunities. Following is a description of risk factors, in no particular order. The list is not exhaustive.

Delays to breakthroughs on new markets may cause a decline in earnings for the company and it therefore cannot be ruled out that EQL Pharma may need to obtain additional capital in future. An extensive investment and product development from a competitor may entail risks in the form of a decline in sales and profitability. Increased competition may cause negative sales and earnings effects for the company in the future.

External factors such as inflation, exchange rate and interest rate changes, access and demand and periods of high and low economic activity can impact on operating expenses, sales prices and the value of the company's shares. EQL Pharma's future revenue and share value may be negatively affected by these factors, which are beyond the company's control. A large portion of purchases are in EUR, the value of which can change significantly.

From now on, EQL Pharma will develop new products within its operating segment. The time and cost aspects of product development can be difficult to accurately determine in advance. This entails a risk that planned product development will incur greater costs than anticipated, or take longer than planned.

Naturally it is not possible to describe all risk factors without carrying out a combined evaluation of other information, together with a general assessment of the business environment. For a more detailed list of risks, please refer to EQL's memorandum dated 20 August 2013, pages 8–9.

Appropriation of earnings

Proposed appropriation of company profit

At the disposal of the AGM:	
share premium reserve	50,173
profit for the year	3,815
	53,988
The Board of Directors proposes that	
the following amount be carried forward	53,988
	53,988

Retained earnings are offset against the share premium reserve.

The company's earnings for the financial year and financial position at 31 December 2016 are detailed in the attached financial statements with accompanying notes, which comprise an integral part of these annual accounts.

EQL Pharma AB
Corp. ID no. 556713-3425

Financial overview

Income statement

		Group		Parent company	
		2016-01-01 2016-12-31	2015-01-01 2015-12-31	2016-01-01 2016-12-31	2015-01-01 2015-12-31
Operating income, etc.	Note				
Net sales	1	28,200	26,872	27,473	26,872
Capitalised work for own account		2,470	1,813	2,278	1,813
Other operating income		1	5	1	5
		30,671	**28,690**	**29,752**	**28,690**
Operating expenses					
Goods for resale		-10,951	-10,173	-10,468	-10,173
Other external costs	2, 14	-7,510	-7,832	-7,000	-7,733
Employee expenses	3	-7,099	-5,183	-7,099	-5,181
Depreciation/amortisation and impairment of property, plant and equipment and intangible assets		-1,562	-1,331	-1,362	-1,331
		-27,122	**-24,518**	**-25,929**	**-24,418**
Operating profit		**3,549**	**4,171**	**3,823**	**4,272**
Profit/loss from financial items					
Profit from investments in Group companies	4	0	0	0	-100
Other interest income and similar profit/loss items		0	1	0	0
Interest expense and similar profit/loss items		-8	-450	-8	-450
		-8	**-449**	**-8**	**-549**
Profit after financial items		**3,541**	**3,722**	**3,815**	**3,722**
Tax on profit/loss for the year	5	0	0	0	0
PROFIT FOR THE YEAR		**3,541**	**3,722**	**3,815**	**3,722**
Attributable to: Parent company shareholders		3,541	3,722		

Balance sheet

		Group		Parent company	
		2016-12-31	2015-12-31	2016-12-31	2015-12-31
ASSETS	Note				
Non-current assets					
Intangible assets					
Capitalised expenditure	6	3,607	1,651	3,607	1,651
Licensed and development products	7	17,104	13,616	16,836	13,391
		20,711	**15,266**	**20,443**	**15,041**
Property, plant and equipment					
Equipment, tools, fixtures and fittings	8	75	80	75	80
		75	**80**	**75**	**80**
Non-current financial assets					
Investments in Group companies	9	0	0	390	90
Participations in other companies		1	1	1	1
Deferred tax asset	10	295	295	0	0
		296	**296**	**391**	**91**
Total non-current assets		**21,083**	**15,643**	**20,909**	**15,212**
Current assets					
Inventories, etc.					
Goods for resale		5,759	4,096	5,176	4,096
Advance payments to suppliers		170	946	170	946
		5,929	**5,042**	**5,346**	**5,042**
Current receivables					
Trade receivables		8,183	5,236	7,380	5,236
Receivables from Group companies		0	0	1,461	178
Other receivables		189	59	81	50
Prepaid expenses and accrued income		1,026	327	914	327
		9,398	**5,623**	**9,837**	**5,791**
Cash and bank balances					
Cash and bank balances	11	27,179	26,809	27,072	26,741
		27,179	**26,809**	**27,072**	**26,741**
Total current assets		**42,505**	**37,473**	**42,255**	**37,573**
TOTAL ASSETS		**63,588**	**53,116**	**63,164**	**52,786**

Balance sheet

		Group		Parent company	
		2016-12-31	2015-12-31	2016-12-31	2015-12-31
EQUITY AND LIABILITIES	Note				
Consolidated equity					
Share capital (23,938,666 shares)		1,077	1,077		
Other contributed capital		43,402	37,077		
Other equity including profit for the year		12,790	9,246		
Total consolidated equity		**57,269**	**47,400**		
Equity – parent company					
Restricted equity					
Share capital (23,938,666 shares)				1,077	1,077
Unregistered share capital				44	0
Development expenditure fund				2,116	0
				3,237	**1,077**
Non-restricted equity					
Retained earnings				50,173	42,286
Profit for the year				3,815	3,722
				53,988	**46,008**
Total equity – parent company				**57,225**	**47,085**
Current liabilities					
Overdraft facilities	13	0	0	0	0
Invoice factoring	13	0	14	0	14
Trade payables		3,585	2,690	3,398	2,689
Other liabilities		1,677	1,812	1,505	1,812
Accrued expenses and deferred income	12	1,057	1,200	1,037	1,185
Total current liabilities		**6,319**	**5,716**	**5,939**	**5,700**
TOTAL EQUITY AND LIABILITIES		**63,588**	**53,116**	**63,164**	**52,786**

Cash flow statement

		Group		Parent company	
		2016-12-31	2015-12-31	2016-12-31	2015-12-31
Operating activities	Note				
Operating profit		3,541	3,722	3,815	3,722
Adjustments for items not included in cash flow		1,563	1,331	1,362	1,431
Cash flow from operating activities before changes in working capital		**5,104**	**5,053**	**5,177**	**5,154**
Cash flow from changes in working capital					
Decrease (+)/increase (-) in inventories		-887	-1,883	-304	-1,883
Decrease (+)/increase (-) in receivables		-3,776	-1,042	-4,127	-1,101
Decrease (-)/increase (+) in current liabilities		604	-2,595	320	-2,607
Cash flow from operating activities		**1,045**	**-467**	**1,066**	**-437**
Investing activities					
Investment in capitalised expenditure	6	-2,353	-1,813	-2,353	-1,813
Investment in licensed and development products	7	-4,614	-5,173	-4,371	-5,173
Investment in equipment	8	-36	-56	-36	-56
Contributions/acquisitions of Group companies	9	0	0	-300	-100
Cash flow from investing activities		**-7,003**	**-7,042**	**-7,060**	**-7,142**
Financing activities					
New issues during the year		6,325	37,419	6,325	37,419
Amortisation of long-term loans		0	-3,100	0	-3,100
Translation difference		3	-2	0	0
Cash flow from financing activities		**6,328**	**34,318**	**6,325**	**34,319**
Change in cash and cash equivalents		**370**	**26,809**	**331**	**26,741**
Opening cash and cash equivalents		26,809	0	26,741	0
Closing cash and cash equivalents		**27,179**	**26,809**	**27,072**	**26,741**

Supplementary disclosures

General disclosures

Accounting policies
The annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and BFNAR 2012:1 Annual and consolidated accounts.

The policies are the same as last year.

Valuation principles

Receivables
Receivables have been stated at the amounts expected to be received.

Other assets, provisions and liabilities
Other assets, provisions and liabilities have been measured at cost, unless otherwise stated below.

Reporting of distribution costs
In the past, EQL Pharma has included pharmaceutical distribution costs in direct goods expenses. However, the pharmaceutical industry regards distribution as an operating activity and therefore includes these costs in sales and marketing costs, i.e. operating expenses. In order to facilitate the calculation of efficiency measures and production of comparative analyses vis-à-vis the pharmaceutical industry, EQL Pharma reports distribution costs under other external costs, in line with the pharmaceutical industry.

Revenue recognition
Revenue is recognised at the fair value of what has been received or what will be received. The company therefore recognises revenue at a nominal amount (invoice amount) if remuneration is received in cash immediately upon delivery. Deductions are made for discounts.

Property, plant and equipment
Property, plant and equipment is recognised at cost less accumulated depreciation and any impairment losses. Assets are depreciated on a straight-line basis over the assets' estimated useful life. Useful life is reviewed at every balance sheet date. The following useful life periods are applied:

	No. years
Equipment, tools and machinery	5

Intangible assets
Non-current intangible assets are recognised at cost less accumulated amortisation and any impairment losses. Useful life is reviewed at every balance sheet date.

Licensed products relate to rights for the company to manufacture pharmaceuticals and to market and sell them within a specific territorial area. Development products pertain to costs relating to the development of new pharmaceuticals. In order to obtain the right to market a particular drug, a new drug application also has to be submitted to the authority in the respective country for each drug. These are capitalised in connection with payment of licence and registration fees. Depreciation of finished products, or licensed products, is carried out at 45 percent in year 1, 35 percent in year 2 and 20 percent in year 3. Proprietary products, or development products, are depreciated on a straight-line basis at 20 percent per year. Depreciation begins once the products have been launched.

In cases where it emerges that the potential for the products is fulfilled before three or five years respectively have elapsed since the launch, the remaining value is depreciated immediately.

	No. years
Capitalised expenditure	5
Licensed products	3
Development products	5
Registration fees licensed products	3
Registration fees development products	5

Inventories
Inventories are measured at the lower of cost and net realisable value. Net realisable value has been calculated at sales value less estimated selling expenses.

Income tax
Current tax is income tax for the current financial year that relates to taxable profit for the year and the portion of previous financial years' income tax that has not yet been recognised.

Current tax is measured at the likely amount according to the tax rates and tax rules that apply on the balance sheet date.

Deferred tax is income tax for taxable earnings relating to future financial years resulting from previous transactions or events.

Deferred tax is calculated on temporary differences. A temporary difference exists when the carrying amount of an asset or liability differs from its tax value. Temporary differences are not considered in differences attributable to investments in subsidiaries, branches, associates or joint ventures if the company is able to determine the timing of reversal of the temporary differences, and it is not evident that the temporary difference will be reversed within the foreseeable future. Neither do differences deriving from initial recognition of goodwill or on initial recognition of an asset or liability, provided the attributable transaction is a business combination or affects tax or recognised earnings, constitute temporary differences.

Deferred tax assets regarding loss carryforwards or other future taxable deductions are recognised to the extent that it is highly likely that deductions can be offset against future taxable profit.

Deferred tax liabilities attributable to untaxed reserves are not recognised separately; untaxed reserves are recognised at gross amounts in the balance sheet.

Consolidated Financial Statements
Subsidiaries
Subsidiaries are companies in which the parent company directly or indirectly holds more than 50 percent of the votes or in other ways exercises a controlling interest. A controlling interest means the right to govern a company's financial and operating strategies with a view to deriving economic benefits. Business combinations are accounted for using the economic unit approach. This means that the acquisition analysis is prepared on the date the acquirer obtains a controlling interest. From this date, the acquirer and the acquired entity are treated as a reporting unit. The application of the economic unit approach also means that all assets (including goodwill) and liabilities, as well as revenue and expenses, are included in their entirety, even for part-owned subsidiaries.

The acquisition cost of subsidiaries is estimated at the sum of the fair value on the acquisition date of assets paid, plus liabilities arising and assumed and equity instruments issued, expenses directly attributable to the business combination and any additional consideration. The acquisition analysis establishes the fair value, with some exceptions, on the acquisition date of acquired identifiable assets and assumed liabilities, as well as minority interests. Minority interests are measured at fair value on the acquisition date. From the acquisition date, the acquired company's revenue and expenses, identifiable assets and liabilities and any goodwill or negative goodwill arising are included in the consolidated accounts.

Translation of foreign subsidiaries
The accounts of foreign subsidiaries have been translated into Swedish krona in accordance with the current rate method. The current rate method means that all assets, provisions and other liabilities are translated at the rate on the balance sheet date and all items in the income statement are translated at the average exchange rate for the year. Translation differences arising are recognised directly in consolidated equity.

Elimination of transactions between Group companies and associates
Intra-Group receivables and liabilities, income and expenses and unrealised gains or losses arising on transactions between Group companies, are eliminated in their entirety. Unrealised gains arising on transactions with associates are eliminated in proportion to the Group's interests in the company. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no indication of any impairment.

Disclosures for individual items

Note 1 Intra-Group purchases and sales	Group		Parent company	
	2016	2015	2016	2015
Portion of purchases that concern Group companies	0	0	84	84

Note 2 Remuneration to auditors	Group		Parent company	
	2016	2015	2016	2015
Olov Strömberg Revision AB				
Audit engagement	0	107	0	101
Other services	0	28	0	28
Crowe Horwath Osborne				
Audit engagement	148	0	128	0
Other services	14	0	14	0
	162	**135**	**142**	**129**

Audit engagement refers to the auditor's work concerning the statutory audit and auditing services include various types of quality assurance services. Other services include such services that are not part of the audit engagement, auditing services or tax advice.

Note 3 Employees	Group		Parent company	
	2016	2015	2016	2015
Average no. of employees				
The average number of employees is based on paid attendance hours related to normal working hours.				
Average no. of employees has been	7.00	4.00	7.00	4.00
of which, women	4.00	2.00	4.00	2.00
of which, men	3.00	2.00	3.00	2.00
Salaries, remuneration etc.				
Salaries, remuneration, social security contributions and pension costs have been paid in the following amounts:				
Board of Directors:				
Salaries and remuneration	437	368	437	368
Invoiced fees	1,684	1,260	1,684	1,260
	2,120	**1,628**	**2,120**	**1,628**
Other employees:				
Salaries and remuneration	3,287	2,516	3,287	2,516
Pension costs	427	332	427	332
	3,714	**2,847**	**3,714**	**2,847**
Social security contributions	1,277	1,087	1,277	1,087
Total Board and other employees	**7,111**	**5,563**	**7,111**	**5,562**

Fees have been paid in the amount of SEK 170 thousand to the Chairman of the Board in 2016, previous year SEK 150 thousand. Fees have been paid in the amount of SEK 70 thousand per member to the other members of the Board, totalling SEK 437 thousand, previous year SEK 368 thousand.

Fees have been paid to CEO Christer Fåhraeus' company affiliate in the amount of SEK 1,684 thousand in 2016, previous year SEK 1,260 thousand.

Note 4 Profit from investments in Group companies	Group		Parent company	
	2016	2015	2016	2015
Impairment losses	0	0	0	-100
	0	**0**	**0**	**-100**

Note 5 Tax on profit for the year	2016	2015
Group		
Reconciliation of effective tax		
Profit before tax	**3,541**	**3,722**
Tax expense 22.00% (22.00%)	-779	-819
Tax effect of:		
Non-deductible costs	-7	-6
Non-taxable income	0	0
Tax adjustments	0	97
Loss carryforwards utilised this year	786	728
Total	**0**	**0**
Parent company		
Reconciliation of effective tax		
Profit before tax	**3,815**	**3,722**
Tax expense 22.00% (22.00%)	-839	-819
Tax effect of:		
Non-deductible costs	-7	-6
Non-taxable income	0	0
Tax adjustments	0	97
Impairment of shares in subsidiaries	0	-22
Loss carryforwards utilised this year	846	750
Total	**0**	**0**

The parent company and Group's combined business losses amount to SEK 25.5 million, previous year SEK 29 million. The nominal value of deferred tax assets attributable to loss carryforwards in Sweden, at a tax rate of 22 percent, is SEK 5.6 million, previous year SEK 6.4 million. SEK 0.3 million of this figure has been recorded in the balance sheet. Tax assets that have not been recorded regarding loss carryforwards will be recorded as assets in the balance sheet when the company/Group reports stable profits.

Note 6 Capitalised expenditure	Group		Parent company	
	2015-12-31	2016-12-31	2015-12-31	2015-12-31
Opening cost	2,512	699	2,512	699
Purchases	2,353	1,813	2,353	1,813
Closing accumulated cost	**4,865**	**2,512**	**4,865**	**2,512**
Opening depreciation	-862	-525	-862	-525
Depreciation for the year	-396	-336	-396	-336
Closing accumulated depreciation	**-1,258**	**-862**	**-1,258**	**-862**
Closing carrying amount	**3,607**	**1,651**	**3,607**	**1,651**

Scheduled depreciation is calculated based on a useful life of 5 years.

Note 7 Licensed and development products	Group		Parent company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Opening cost	18,354	13,181	18,129	12,956
Purchases	4,614	5,173	4,371	5,173
Sales/disposals	-200	0	0	0
Closing accumulated cost	**22,767**	**18,354**	**22,500**	**18,129**
Opening depreciation	-4,738	-3,797	-4,738	-3,797
Sales/disposals	200	0	0	0
Depreciation for the year	-1,125	-941	-925	-941
Closing accumulated depreciation	**-5,663**	**-4,738**	**-5,663**	**-4,738**
Closing carrying amount	**17,104**	**13,616**	**16,836**	**13,391**

Licensed products are depreciated over three years from launch. In cases where it emerges that the potential for the product is fulfilled before three years have elapsed since the launch, the remaining value is depreciated immediately. Development products are depreciated over five years from launch. In cases where it emerges that the potential for the product is fulfilled before five years have elapsed since the launch, the remaining value is depreciated immediately.

Note 8 Equipment, tools, fixtures and fittings	Group		Parent company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Opening cost	407	351	407	351
Purchases	36	56	36	56
Sales/disposals	-63	0	-63	0
Closing accumulated cost	**380**	**407**	**380**	**407**
Opening depreciation	-327	-273	-327	-273
Sales/disposals	63	0	63	0
Depreciation for the year	-41	-55	-41	-55
Closing accumulated depreciation	**-305**	**-327**	**-305**	**-327**
Closing carrying amount	**75**	**80**	**75**	**80**

Scheduled depreciation is calculated based on a useful life of five years.

Note 9 Investments in Group companies				2016-12-31	2015-12-31
Parent company					
Company	**Corporate ID no.**	**Registered office**	**No./Cap. share, %**	**Carrying amount**	**Carrying amount**
EQL Pharma Oy	2136140-3	Helsinki	100	40	40
EQL Pharma Int AB	556957-9484	Lund	100	350	50
				390	**90**

Note 10 Deferred tax	2016-12-31			2015-12-31		
Group	**Temporary difference**	**Deferred tax asset**	**Deferred tax liability**	**Temporary difference**	**Deferred tax asset**	**Deferred tax liability**
Tax loss carryforwards	0	295	0	0	295	0

Note 11 Overdraft facilities/Factoring credit	Group		Parent company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Available overdraft facilities amount to:	0	250	0	250
Available factoring credit amounts to:	0	500	0	500
	0	**750**	**0**	**750**

Note 12 Accrued expenses and deferred income	Group		Parent company	
	2016-12-31	2015-12-31	2015-12-31	2015-12-31
Accrued fees	447	675	447	675
Accrued holiday pay	178	130	178	130
Other interim liabilities	432	395	412	380
	1,057	**1,200**	**1,037**	**1,185**

Note 13 Pledged assets and contingent liabilities	Group		Parent company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Pledged assets				
Other pledged assets and thus comparable collateral				
Floating charges	3,100	2,500	3,100	2,500
Pledged trade receivables	500	500	500	500
	3,600	**3,000**	**3,600**	**3,000**
Contingent liabilities	**None**	**None**	**None**	**None**
Liabilities for which collateral has been pledged				
Overdraft facilities, drawn amount	0	0	0	0
Other liabilities, drawn amount				
Pledged trade receivables	0	14	0	14

Note 14 Operating leases	Group		Parent company	
	2016	2015	2016	2015
Future minimum lease payments to be paid regarding non-cancellable leases				
Payable within 1 year	563	611	563	611
Payable within 1–5 years	1,781	2,250	1,781	2,250
Payable after 5 years	0	94	0	94
Lease payments expensed during the period	611	608	611	600

In the company's financial statements, operating leases essentially comprise rented premises. Rental agreements for premises extend for a period of five years.

Lund, 31 March 2017

Christer Fåhraeus Chief Executive Officer	Maria Öhlander	Rajiv I Modi
Ingemar Kihlström	Lars Holmqvist	Björn Beermann

Our auditor's report was presented on 4 April 2017

Olov Strömberg
Authorised Public Accountant
Crowe Horwath Osborne AB

Auditor's report

To the Annual General Meeting of the shareholders of EQL Pharma AB
Corporate ID no. 556713-3425

Report on the annual accounts and consolidated accounts

Opinions
We have audited the annual accounts and consolidated accounts of EQL Pharma AB for the 2016 financial year.

In our opinion, the annual and consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company and Group at 31 December 2016 and of their financial earnings for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopt the income statement and balance sheet for the parent company and the Group.

Basis of opinion
We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibility according to these standards is described in more detail under the section 'Auditor's responsibility'. We are independent of the parent company and the Group, in accordance with the code of professional ethics for accountants in Sweden, and have fulfilled our ethical responsibilities in other respects according to these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other information besides the annual accounts and consolidated accounts
This document contains other information in addition to the annual accounts and consolidated accounts, which can be found on pages 2–10. The Board of Directors and the CEO are responsible for this other information.

My opinion with regard to the annual accounts and consolidated accounts does not extend to this information, and I do not provide a statement of assurance concerning such other information.

In connection with my audit of the annual accounts and consolidated accounts, it is my responsibility to read the information identified above and consider whether such information deviates significantly from the annual accounts or consolidated accounts. During the course of this review I also consider the knowledge I have otherwise obtained during the audit, and I make an assessment of whether the information in general appears to contain any material misstatements.

If, based on the work that has been carried out regarding this information, I conclude that the other information contains a material misstatement, I am obliged to report the matter. I have nothing to report in this regard.

Responsibilities of the Board of Directors and the CEO
The Board of Directors and CEO are responsible for ensuring that the annual accounts and consolidated accounts are prepared and that they provide a true and fair view in accordance with the Annual Accounts Act. The Board of Directors and the CEO are also responsible for such internal control as they deem necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

When preparing the annual accounts and consolidated accounts, the Board of Directors and CEO are responsible for analysing the company and Group's ability to continue operating. Where applicable, they provide notification of circumstances that could affect the ability to continue operations and to use the going concern assuption. The going concern assuption does not apply, however, if the Board of Directors and the CEO intend to liquidate the company, discontinue operations or do not have any realistic alternative to taking either of these options.

Auditor's responsibility
Our objectives are to achieve a reasonable level of assurance as to whether the annual accounts and the consolidated accounts as a whole do not contain any material misstatements, whether due to fraud or error, and to submit an auditor's report that contains our opinions. Reasonable assurance is a high level of assurance, but is no guarantee that an audit carried out in accordance with ISA and good auditing standards in Sweden will always detect a material misstatement if it exists. Misstatements may occur because of fraud or error and are deemed material if individually or together they could be expected to affect the financial decisions that users take based on the annual accounts and the consolidated accounts.

Auditor's report (cont.)

As part of an audit in accordance with ISA, we use our professional judgement and have adopted professional scepticism throughout the audit. In addition:

» we identify and assess risks of material misstatement in the annual accounts and consolidated accounts, whether due to fraud or error, we design and implement auditing procedures based in part on such risks and obtain audit evidence that is sufficient and appropriate to provide the basis for our opinions. The risk of not detecting a material misstatement as a result of fraud is greater than for a material misstatement due to error, as fraud may comprise actions involving collusion, falsification, intentional omission, incorrect information or disregard of internal control.

» we obtain an understanding of the part of the company's internal control that is of significance for our audit in order to develop auditing measures that are appropriate in view of the circumstances, but not in order to give an opinion on the effectiveness of such internal control.

» we evaluate the suitability of the accounting policies used and the reasonableness of the Board of Directors and CEO's estimates in the accounts and associated information.

» we draw a conclusion about the suitability of the Board of Directors and the CEO using the assumption of continued operations in preparing the annual accounts and the consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether there is any uncertainty relating to such events or circumstances that could lead to significant doubt over the company and Group's ability to continue operating. If we conclude that there is material uncertainty, our auditor's report must draw attention to the relevant information in the annual accounts and consolidated accounts about the material uncertainty or, if such information is insufficient, modify our opinion about the annual accounts and the consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or circumstances may result in a company and a group no longer being able to continue operating.

» we evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and the consolidated accounts reflect the underlying transactions and events in a manner that provides a fair view.

» we obtain sufficient and appropriate audit evidence regarding the financial information for the units or business activities within the Group in order to give an opinion on the consolidated accounts. We are responsible for the management, monitoring and implementation of the consolidated accounts. We are solely responsible for our opinions.

We must inform the Board of Directors about aspects such as the planned extent and focus of the audit and its date. We must also provide notification about significant observations during the audit, including significant deficiencies in internal control that we have identified.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the CEO of EQL Pharma AB for the 2016 financial year, and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Basis of opinion

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibility according to these standards is described in more detail under the section 'Auditor's responsibility'. We are independent of the parent company and the Group, in accordance with the code of professional ethics for accountants in Sweden, and have fulfilled our ethical responsibilities in other respects according to these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. Any proposed dividend contains, among other things, an assessment of whether the dividend is justifiable with regard to the requirements that the company and Group's type of business, size and risks place on the size of the parent company and Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and management of the company's affairs. This includes continually assessing the company and Group's financial situation and ensuring that the company's organisation is structured so that its accounting records, management of funds and the company's financial affairs in other respects are subject to satisfactory checks. The CEO must conduct ongoing management in accordance with the Board of Directors' guidelines and instructions and, for example, take the action necessary to ensure that the company's accounting records are implemented in compliance with the law and that management of funds is carried out satisfactorily.

Auditor's responsibility

Our objective for the audit of management, and therefore our statement on discharge from liability, is to obtain audit evidence to have a reasonable level of assurance to be able to assess whether any Board member or the CEO in any significant respect:

» has taken any action or is guilty of any negligence that could lead to a liability to the company, or

» has in some way acted in breach of the Swedish Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective for the audit of the proposed appropriation of the company's profit or loss, and therefore our statement about this, is to have a reasonable level of assurance to assess whether the proposal is consistent with the Swedish Companies Act.

Reasonable assurance is a high level of assurance, but is no guarantee that an audit carried out in accordance with good auditing standards in Sweden will always detect a material misstatement or negligence that could lead to a liability to the company, or that proposed appropriations of the company's profit or loss are not consistent with the Swedish Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we use our professional judgement and have adopted professional scepticism throughout the audit. The audit of management and the proposed appropriations of the company's profit or loss are mainly based on the audit of the financial statements. Additional auditing procedures are carried out according to our professional judgement based on risk and materiality. This means we focus the audit on such measures, areas and circumstances that are of significance to the business and in relation to which deviations and breaches would be of particular significance to the company's situation. We review decisions taken, documentation for decision-making, action taken and other circumstances that are relevant to our statement on discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we have examined whether the proposal is in accordance with the Companies Act.

Lund, 4 April 2017
Crowe Horwath Osborne AB

Olov Strömberg
Authorised Public Accountant

The Annual General Meeting and calendar

AGM

The Annual General Meeting of the shareholders of EQL Pharma AB (publ) will take place on Monday 15 May 2017 at 4.00 pm at EQL Pharma AB's offices at Stortorget 1 in Lund.

Notice convening the Annual General Meeting is available on EQL Pharma's website, www.eqlpharma.com.

Right to participate and registration

In order to participate in the Annual General Meeting, shareholders must be registered as a shareholder in the share register maintained by Euroclear Sweden AB on 9 May 2017, and notify the company by 9 May 2017, preferably before 4.00 pm, of their intention to attend the Annual General Meeting.

Notification of AGM attendance shall be submitted in writing, stating the shareholder's name, personal ID or corporate ID number, address, e-mail and telephone number, as well as the number of shares owned, to EQL Pharma AB for the attention of: Jennie Sterning, Stortorget 1, 222 23 LUND, or via e-mail to jennie.sterning@eqlpharma.com.

Share registration

Shareholders of holdings in custody through a nominee must temporarily register the shares in their own names with Euroclear Sweden AB to be entitled to participate in the meeting. Such registration must be completed no later than 9 May 2017 and should be requested of the nominee well in advance of this date.

Other information

Upcoming reporting dates

Interim Report, January–March	15 May 2017
Interim Report, January–June	21 August 2017
Interim Report, January–September	24 October 2017
Year-end Report and Q4 for 2017	6 February 2018

Financial reports, press releases and other information are available on EQL Pharma's website, www.eqlpharma.com, from the date of publication. You can subscribe to and download EQL Pharma's financial reports and press releases from the company's website, or via AktieTorget's website.

For environmental and cost reasons, EQL Pharma has decided to primarily distribute its annual report via the company's website. It will still be possible for those shareholders and stakeholders who request it to order a copy of the printed version of the annual report from the company to be sent by post. For further information, please contact Christer Fåhraeus, Chief Executive Officer, tel +46 (0)705-60 90 00 or email: info@eqlpharma.com.

Notes

English translation: Fluid Translation AB

www.eqlpharma.com