

Annual Report
and
Group Company Financial Statements
for
EQL Pharma AB
556713-3425

Financial Year

2012

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The Board of Directors and the CEO of EQL Pharma AB hereby present the annual report and consolidated accounts for the financial year 2012.

The Board of Directors report

Business Concept and Overview

The company is a subsidiary of Fårö Capital AB , 556594-3023 , which owns 51.9 % of the shares.

The company's business is to manufacture , develop and trade its medical , diagnostic, pharmaceutical and chemical products as well as to acquire and grant licenses and agencies for such products.

Significant events during the financial year

The work during the year consisted primarily of launching previously licensed products, procure new licenses and development projects and to pursue on-going development. The new licenses and development projects are expected to generate revenues in 2014 and 2015. The year has yielded a loss mainly due to delays in delivery of products but also due to the fact that the launch of the long-term profitable products is delayed by 6-12 months and these products will provide income only in 2013 and later.

The expected future development

The company will launch a handful of new products in 2013 for the Nordic market and will continue to work with the sales and supply of already launched pharmaceutical products. Furthermore, EQL Pharma will continue its efforts to identify interesting new generic products and to either license these from competitive manufacturers or develop these together with partners.

The outlook is considered bright.

Summary over the years

	2012	2011	2010	2009	2008
Net turnover	16 670 452	11 765 857	19 584 754	8 503 925	306 557
Profit/loss after financial items	-5 527 814	-8 299 752	3 961 154	331 992	-3 740 189
Income for the period	-5 527 814	-8 299 752	3 343 710	868 338	-3 740 189
Financial strength (%)	11	36	45	49	26
Return on equity (%)	neg	neg	62	neg	neg

Proposed Appropriation of Result

At the disposal of the Annual General Meeting are the following earnings:

balanced result	5 511 490
share premium reserve	1 715 100
loss for the year	-5 199 175
	2 027 415

The Board of Directors proposes as follows, retained earnings

to be carried forward	2 027 415
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The Group Company non-restricted equity

The Group's non-restricted equity amounts to 2,192,601 Skr. No transfer to restricted funds shall be made.

The Group's and parent company's result and financial position are shown in the following income statements, balance sheets and in the additional information.

Group Company Income Statement

	Note	2012-01-01 -2012-12-31	2011-01-01 -2011-12-31
Operating income			
Net turnover		16 670 452	11 765 857
Other operating income		105 364	41 146
		16 775 816	11 807 003
Operating expenses			
Raw materials and consumables		-12 907 630	-8 831 424
Other external costs	2	-3 497 639	-3 722 339
Personnel costs	3	-4 458 440	-4 102 101
Depreciation and write-down of tangible and intangible assets	4	-1 147 207	-3 313 942
		-22 010 916	-19 969 806
		-5 235 100	-8 162 803
Results from financial items			
Other interest income and similar items		51 235	101 432
Interest expenses and similar items		-343 950	-238 381
		-5 527 814	-8 299 752
Tax on profit for the year	5	0	0
		-5 527 814	-8 299 752

Group Company Balance Sheet

	Note	2012-12-31	2011-12-31
Assets			
Fixed assets			
<i>Intangible assets</i>			
Capitalized expenditure	6	351 201	439 100
License and registrations fees pharmaceuticals	7	4 848 516	4 140 965
		5 199 717	4 580 065
<i>Tangible assets</i>			
Equipment, tools, fixtures and fittings	8	141 243	207 174
<i>Financial assets</i>			
Other long-term investments		1 000	1 000
Deferred tax receivables	5	295 245	295 245
Total fixed assets		5 637 205	5 083 484
Current assets			
<i>Inventories etc.</i>			
Raw materials and consumables		5 202 680	3 344 153
<i>Current receivables</i>			
Accounts receivables		4 088 251	3 116 175
Other receivables		470 664	269 180
Prepaid expenses and accrued income		291 675	323 151
		4 850 590	3 708 506
Cash and bank balances		5 021 576	4 963 581
Total current assets		15 074 846	12 016 240
Total assets		20 712 051	17 099 724

Group Company Balance Sheet

	Note	2012-12-31	2011-12-31
Equity and liabilities			
Shareholders equity	10		
<i>Restricted equity</i>			
Restricted equity		162 400	157 500
		162 400	157 500
<i>Non-restricted equity</i>			
Non-restricted equity		7 720 415	14 336 474
Profit/loss for the year		-5 527 814	-8 299 752
		2 192 601	6 036 722
Total equity		2 355 001	6 194 222
Long-term liabilities			
Liabilities to credit institutions	12	2 400 000	1 650 000
Other long-term liabilities	13	2 000 000	0
		4 400 000	1 650 000
Current liabilities			
Bank overdrafts facilities	11	1 653 814	1 343 246
Liabilities to Parent Company		427 398	427 398
Accounts payable		7 659 579	5 228 499
Other liabilities		2 066 368	1 389 598
Accrued expenses and deferred income	14	2 149 891	866 761
		13 957 050	9 255 502
Total equity and liabilities		20 712 051	17 099 724
Assets pledged for other liabilities			
<i>For own liabilities and provisions</i>			
Chattel mortgages		2 500 000	2 000 000
Pledge receivables		2 000 000	2 000 000
		4 500 000	4 000 000
Contingent liabilities		None	None

**Parent Company
Income Statement**

	Note	2012-01-01 -2012-12-31	2011-01-01 -2011-12-31
Operating income			
Net turnover	1	16 594 011	10 858 176
Other operating income		105 364	41 146
		16 699 375	10 899 322
Operating expenses			
Raw materials and consumables		-12 717 033	-7 613 755
Other external costs	2	-3 156 484	-3 309 120
Personnel costs	3	-4 361 262	-4 076 598
Depreciation and write-down of tangible and intangible assets	4	-1 147 207	-3 313 942
		-21 381 986	-18 313 415
Operating profit/loss		-4 682 611	-7 414 093
Results from financial items			
Results from participations in group companies		-225 015	0
Other interest income and similar items		50 993	101 432
Interest expenses and similar items		-342 542	-237 845
Results after financial items		-5 199 175	-7 550 506
Tax on profit for the year		0	0
Net profit/loss for the year		-5 199 175	-7 550 506

Parent Company Balance Sheet

	Note	2012-12-31	2011-12-31
Assets			
Fixed assets			
<i>Intangible assets</i>			
Capitalized expenditure for research and similar items	6	351 200	439 100
License and registrations fees pharmaceuticals	7	4 848 516	4 140 965
		5 199 716	4 580 065
<i>Tangible assets</i>			
Equipment, tools, fixtures and fittings	8	141 243	207 174
		141 243	207 174
<i>Financial assets</i>			
Participation in group companies	9	200 000	32 911
Other long-term investments		1 000	1 000
		201 000	33 911
Total fixed assets		5 541 959	4 821 150
Current assets			
<i>Inventories etc.</i>			
Raw materials and consumables		5 192 397	3 132 390
		5 192 397	3 132 390
<i>Current receivables</i>			
Accounts receivable		4 077 592	3 083 028
Receivables from group companies		0	179 612
Other receivables		445 600	118 858
Prepaid expenses and accrued income		290 450	198 799
		4 813 642	3 580 297
Cash and bank balances		4 909 168	4 941 531
		4 909 168	4 941 531
Total current assets		14 915 207	11 654 218
Total assets		20 457 166	16 475 368

Parent Company Balance Sheet

	Note	2012-12-31	2011-12-31
Equity and liabilities			
Shareholders equity			
<i>Restricted equity</i>			
Restricted equity		162 400	157 500
		162 400	157 500
<i>Non-restricted equity</i>			
Balanced result		5 511 490	5 434 496
Share premium reserve		1 715 100	7 627 500
Profit/loss for the year		-5 199 175	-7 550 506
		2 027 415	5 511 490
Total equity		2 189 815	5 668 990
Long-term liabilities			
Liabilities to credit institutions	12	2 400 000	1 650 000
Other liabilities	13	2 000 000	0
		4 400 000	1 650 000
Current liabilities			
Bank overdraft facilities	11	1 653 814	1 343 246
Accounts payable		7 602 027	5 174 129
Liabilities to group companies		427 398	427 398
Other liabilities		2 064 591	1 387 946
Accrued expenses and deferred income	14	2 119 521	823 659
		13 867 351	9 156 378
Total equity and liabilities		20 457 166	16 475 368
Assets pledge for other liabilities			
For own liabilities			
Chattel mortgages		2 500 000	2 500 000
Pledge receivable		2 000 000	2 000 000
		4 500 000	4 500 000
Contingent liabilities		None	None

Supplementary Disclosures

Accounting principles

General principles

The accounting standards applied are in accordance with the Annual Accounts Act and the professional ethics for accountants.

The accounting standards are the same as last year.

Valuation principles, etc.

Receivables are entered at the amount in which they are expected to be received.

Other assets and liabilities have been valued at acquisition value unless otherwise stated.

Accrual accounting of income and expenses have been in accordance with the professional ethics for accountants.

Group Company Financial Statements

Accounting

In preparing the consolidated financial statements, guidance is sought from Accounting Standards Council's recommendation (RR 1:00).

The basis for classification as subsidiary

The consolidated financial statements include the companies in which the parent company directly or indirectly holds more than half of the votes for all shares, or otherwise has a controlling interest in accordance with Annual Accounts Act (AAA 1:4).

Consolidation Method

The consolidated financial statements are prepared using the acquisition method. On the acquisition method, a company acquisition of a subsidiary is seen as a transaction whereby the parent company indirectly acquires the assets and assumes its liabilities.

Subsidiaries with another currency.

The balance sheets are translated at the closing rate of balance day and income statement are translated at monthly average rates during the respective month. Translation differences are recognized directly in consolidated shareholders' equity.

Notes

1 Net turnover Parent Company

Of the company's sales, SEK 0 , 0%, of total sales, last year SEK 2,302,551, 21%. No purchases have been made to group companies.

2 Remuneration and expenses reimbursement Group Company and Parent Company

Audit assignment is defined as statutory audit, audit activities are different quality assurance activities.
Other services are other than audit assignment, audit activities or tax consultancy.
Audit assignment is defined as statutory audit, audit activities are different quality assurance activities.

	2012	2011
Audit assignment, Olov Strömberg Revision AB	40 000	40 000
Other assignment, Olov Strömberg Revision AB	35 600	26 600
	75 600	66 600

3 Employees and personnel expenses Group Company and Parent Company

	2012	2011
Average number of employees		
Women	4	4
Men	1	1
	5	5
Wages, salaries etc.		
Wages and other remunerations to The Board of Directors and CEO	200 000	200 000
Wages and other remunerations to other employees	2 093 431	2 007 217
Pension costs to other employees	219 105	210 170
Other social costs	787 595	782 263
Invoice remunerations	840 000	840 000
	4 140 131	4 039 650

To the CEO Christer Fahraeus own company, fees of SEK 840 000 have been paid in 2013, the previous year SEK 840 000.

4 Depreciation and impairments Parent Company

Fixed assets are depreciated over their expected useful life in view of the significant residual value. The following depreciation rates are applied:

Intangible assets

License pharmaceuticals year 1	45 %
License pharmaceuticals year 2	35 %
License pharmaceuticals year 3	20 %

Fixed assets

Equipment, tools, fixtures and fittings	20 %
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5 Taxes on the result for the year Group Company

	2012	2011
Current tax	0	0
Deferred tax	0	0
	0	0

The total accumulated losses of the business in Sweden amounts to 13 650 721kronor. Nominal value of deferred tax at the rate of 22% is 3,003,158 Skr and have been recorded at 295,245 Skr in the consolidated balance sheet, to be offset against income tax expense in future years.

Not busy tax 2,707,913 Skr will be recognized as an asset when the company / group reports stable profits.

6 Capitalized expenditure for research and similar items Group Company and Parent Company

	2012-12-31	2011-12-31
Accumulated acquisition value		
Opening accumulated acquisition value	597 000	439 500
Purchases	0	157 500
Closing accumulated acquisition value	597 000	597 000
Accumulated depreciation		
Opening accumulated depreciation	-157 900	-70 000
Depreciation for the year	-87 899	-87 900
Closing accumulated depreciation	-245 799	-157 900
Booked value	351 201	439 100

7 License, development and registration expenses for new pharmaceuticals Group Company and Parent Company

License fees are fees for the rights to manufacture, market and sell pharmaceutical products in a given territorial area. Development charges are costs for developing new drugs. In order to have the right to market a particular drug a marketing authorization application (registration) must also be submitted to the Authority in each country for each medicine. In connection with the payment of license and registration fees, these are capitalized. Depreciation is made with 45%, 35% and 20% per year respectively over a total of 3 years.

In case it is found that the potential profit for the product is gone earlier than 3 years have elapsed from the time of launch, the remaining depreciated value is written off at once.

	2012-12-31	2011-12-31
Accumulated acquisition value		
Opening accumulated acquisition value	8 313 192	5 834 628
Purchases	1 700 927	2 478 564
Disposals	-866 403	0
Closing accumulated acquisition value	9 147 716	8 313 192
Accumulated depreciation		
Opening accumulated depreciation	-4 172 227	-1 008 069
Disposals	866 403	0
Depreciation for the year	-993 376	-3 164 158
Closing accumulated depreciation	-4 299 200	-4 172 227
Booked value	4 848 516	4 140 965

8 Equipment, tools, fixtures and fittings Group Company and Parent Company

	2012-12-31	2011-12-31
Accumulated acquisition value		
Opening accumulated acquisition value	389 814	178 723
Purchases	0	211 091
Sales/disposals	-75 182	0
Closing accumulated acquisition value	314 632	389 814
Accumulated depreciation		
Opening accumulated depreciation	-182 640	-120 756
Sales/disposals	75 182	0
Depreciation for the year	-65 931	-61 884
Closing accumulated depreciation	-173 389	-182 640
Booked value	141 243	207 174

9 Participation in Group Company Parent Company

	Share of- equity	Vote- right	Number of- equity	Booked value
EQL Pharma OY	100 %	100 %	100	200 000 200 000

Information about Corporate ID no. and registered office:

	Corporate ID no.	Office
EQL Pharma OY	2136140-3	Helsingfors

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10 Shareholders equity
Group Company

	Share capital	Unrestricted reserve	Net profit/loss for the year
Opening balance	157 500	14 336 474	-8 299 752
Distribution of profit/loss		-8 299 752	8 299 752
New issue of shares 2012	4 900	1 906 100	
Issue costs		-191 000	
Exchange differences		-31 407	
Net loss for the year			-5 527 814
Closing balance	162 400	7 720 415	-5 527 814

Parent Company

Opening balance of shares 1 575

Closing balance of shares 1 624

	Share Capital	Share premium-reserve	Balanced result	Net profit/loss for the year
Opening balance	157 500	7 627 500	5 434 496	-7 550 506
Appropriation of the results in accordance with the Annual General Meeting		-7 627 500	76 994	7 550 506
New issue of shares	4 900	1 906 100		
Issue costs		-191 000		
Net loss for the year				-5 199 175
Closing balance	162 400	1 715 100	5 511 490	-5 199 175

11 Bank overdraft facilities

Group Company and Parent Company

	2012-12-31	2011-12-31
Bank overdraft facilities granted	2 250 000	2 250 000
Bank overdraft facilities used	-1 653 814	-1 343 246

12 Liabilities to credit institutions

Group Company and Parent Company

	2012-12-31	2011-12-31
Due within 1 year	500 000	500 000
Due within 2-5 year	1 900 000	1 150 000
	2 400 000	1 650 000

13 Other long-term liabilities

Group Company and Parent Company

	2012-12-31	2011-12-31
Due within 2-5 year	2 000 000	0
	2 000 000	0

EQL Pharma AB
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14 Accrued expenses and deferred income

Group Company

	2012-12-31	2011-12-31
Accrued vacation pay and social costs	222 985	265 709
Accrued interest	216 279	89 754
Other accrued expense and deferred income	1 184 947	248 458
Accrued remuneration	525 680	262 840
	2 149 891	866 761

Parent Company

	2012-12-31	2011-12-31
Accrued wages, pension- and social costs	222 985	265 709
Accrued interest	216 279	89 754
Other accrued expense and deferred income	1 154 577	205 356
Accrued remuneration	525 680	262 840
	2 119 521	823 659

Lund

Christer Fåhraeus
CEO

Karin Wehlin

Johan Kördel

Lars Holmqvist

Jakob Johansson

My audit report was issued on.

Olov Strömberg
Auditor