

# Interim report January – September 2017

EQL Pharma AB

The logo for EQL Pharma AB, consisting of the letters 'EQL' in a bold, green, sans-serif font. The letters are positioned above a horizontal line, and a faint, semi-transparent reflection of the letters is visible below the line.

*EQL Pharma AB is a pharmaceutical company specializing in niche generics, i.e. generic drugs with no or limited competition. EQL Pharma was founded in 2006 by Christer Fåhræus and Karin Wehlin.*

## Interim report

### July – September and January – September 2017

- Consolidated sales for the second quarter amounted to SEK 7.0 (3.1) million, an increase of 127%. For the period January – September the consolidated sales amounted to SEK 19.1 (20.6) million, a decrease of 7%.
- Gross profit for the quarter amounted to SEK 4.7 (3.5) million, an increase of 35%. For the first nine (9) months gross profit amounted to SEK 12.6 (15.5) million, a decrease of 19%.
- EBITDA for the quarter amounted to SEK 0.9 (0.4) million, an increase of 120%. EBITDA for January – September amounted to SEK 1.3 (4.9) million, a decrease of 73%.
- Earnings per share were 0:03 (0:00) SEK for the quarter.
- Cash and cash equivalents was SEK 15.7 (28.3) million at the end of the period.

### Significant events during the third quarter of 2017

- The drug Zonisamid EQL Pharma has been launched on the Danish market. Zonisamid EQL Pharma is an anti-epileptic, and is used in the treatment of epilepsy. The original is called Zonegran (Eisai Limited). The total turnover of Zonisamid in Denmark is approximately SEK 10 million annually. Currently the original and 3 competitors are on the market.
- The drug Eletriptan EQL Pharma has been approved within the framework of a decentralized procedure (a common approval procedure used when more than one country is involved). Eletriptan is used in adults to treat migraine, with or without aura. The total turnover in Sweden and Denmark is approximately SEK 15 million annually. Currently, only the original Relpax (Pfizer) is available on the market in Sweden. In the Danish market, there are two generic competitors in addition to the original. EQL Pharmas goal is to start selling the product by Q1 2018.

### Significant events after the third quarter of 2017

- In October, Katarina Wallentin was employed as Senior Regulatory Affairs Manager. Katarina has a B.Sc in Chemistry from Lund University and over 10 years of experience in Regulatory Affairs from various positions in addition to 14 years as an analytical chemist. Katarina previous assignment was with Glenmark Pharmaceuticals.

### About EQL Pharma

EQL Pharma is specialized in developing and selling generics, i.e. drugs that are medically equivalent to the original medicines. The company currently markets nine (9) niche generics in the Swedish, Danish and Finnish markets. In addition to these, there is a significant pipeline of additional niche generics (generics with little or no competition except for the original) for launch in 2018 and onwards. The business is currently entirely focused on prescription pharmaceuticals in the Nordic region. EQL Pharma is based in Lund, Sweden, employs 7 (8) people and is listed on AktieTorget. EQL Pharma also conducts extensive development in cooperation with leading contract manufacturers developers and major pharmaceutical companies in, amongst other countries, India and China.

## Operations

### CEO's comments

EQL Pharma continues to show weak numbers in parity with our previously announced financial outlook. The temporary withdrawal of Hydroxyzine EQL Pharma continues to effect sales and earnings.

During the quarter, the drug Zonisamid EQL Pharma has been launched on the Danish market, while at the same time the drug Eletriptan EQL Pharma has been approved within the framework of a DCP.

We continue to develop our portfolio and in total our pipeline has been expanded with three products, both in licensed products and developmental products are represented in the expansion.

We are also strengthening our staff in order to handle a growing number of development projects and MAAs to the Medicinal Product agencies in the Nordic. In October, Katarina Wallentin was employed as Senior Regulatory Affairs Manager. Katarina has 10 years of experience in Regulatory Affairs in different positions and over 14 years of experience as an analytical chemist.

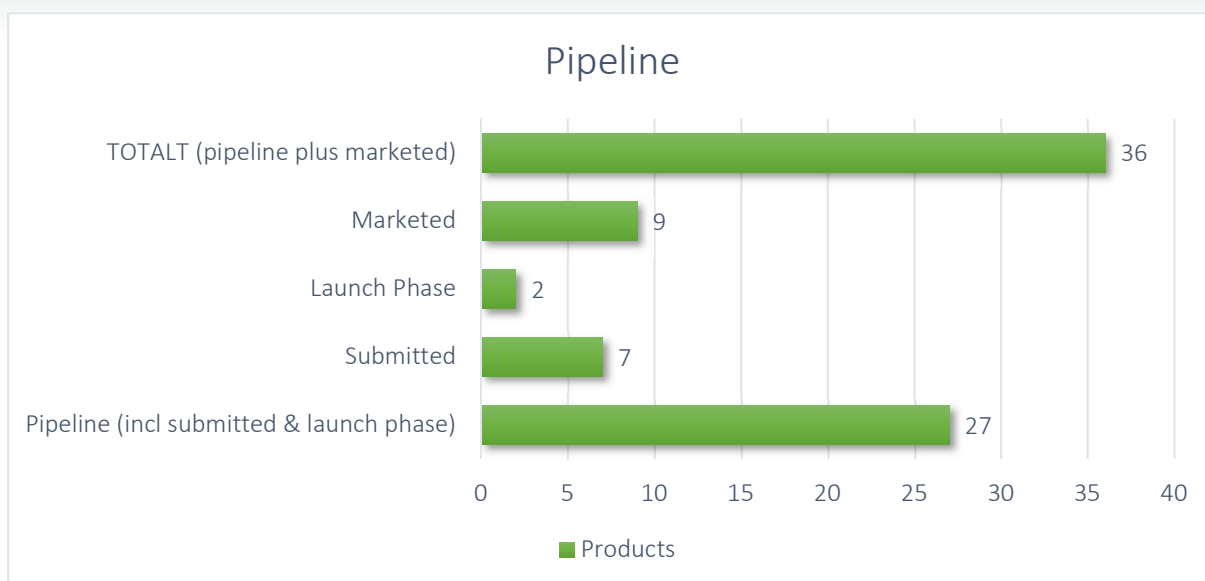
### Pipeline

EQL presentation of the pipeline is at a high level and does not include the names of individual products nor the products' current or expected market size. Our intention is to provide better guidance to shareholders without divulging information to competitors and without implying that the pipeline is interpreted as a financial outlook. Our intention is to update the information regularly, mainly in the quarterly reports.

### Number of marketed products and products in development phase (pipeline)

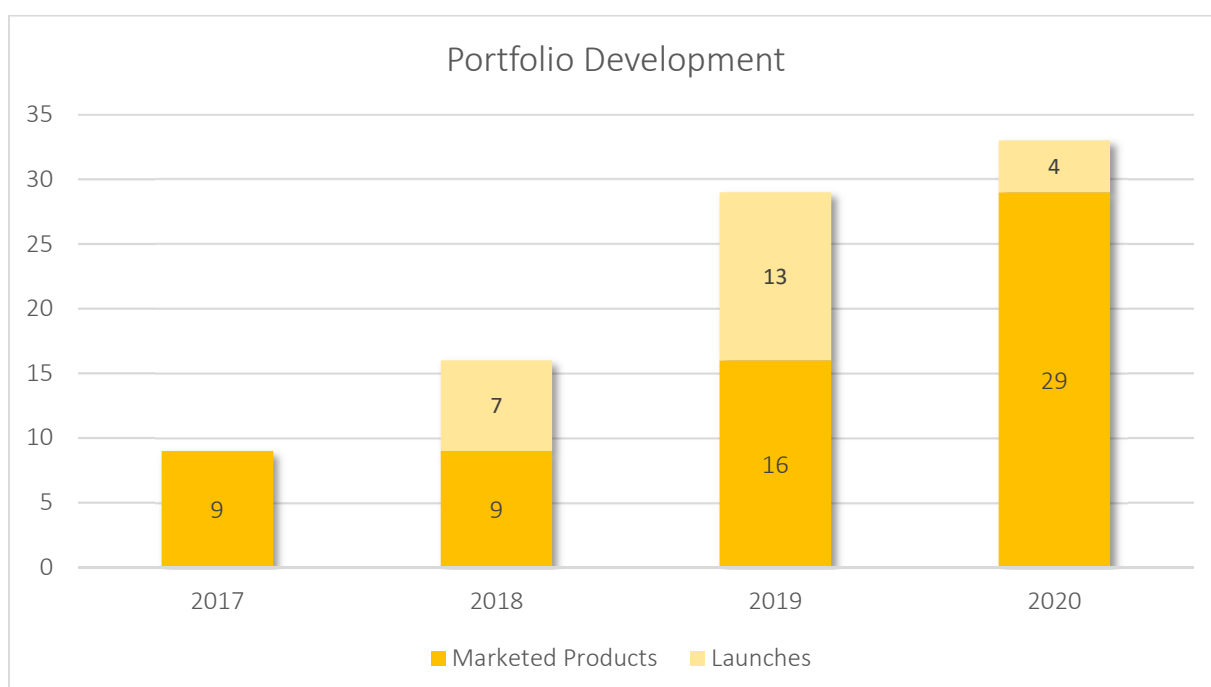
EQL's Pipeline has been expanded during the quarter with three new products. EQL's total pipeline currently consists of 27 products, out of which seven (7) are under review by the authorities, and two (2) are approved and in launch phase, the other 18 are under development. In addition to our pipeline, we have 9 approved and marketed products. Our pipeline is under continuous development and new products are expected to be added during the year.

Pipeline October 2017	Products
Pipeline (incl submitted & launch phase)	27
<i>Submitted</i>	7
<i>Launch Phase</i>	2
Marketed	9
TOTAL (pipeline plus marketed)	36



#### Number of marketed and launched products year by year

Most of our 36 contracted products are expected to be launched during the next three years. At the beginning of the fourth quarter 2017, we have 9 products on the market, and we plan to have 16 products on the market at the beginning of 2019. From the chart, it also follows that we plan to have 29 marketed products at the beginning of 2020. New in-licensing and new product development projects are expected to be added during the year, some may be shut down and some may be delayed.



Year	Marketed products	Launches
2017	9	0
2018	9	7
2019	16	13
2020	29	4

## Financial statement

### Profit and loss

Amounts in SEK thousands	2017-01-01 2017-09-30 jmf 9 mån	2016-01-01 2016-09-30 jmf 9 mån	2017-07-01 2017-09-30 Q3	2016-07-01 2016-09-30 Q3	2016-01-01 2016-12-31 jmf 12 mån
Net sales	19 089	20 603	7 028	3 098	28 200
Capitalized work	2 408	1 844	663	614	2 470
Other operating income	0	1	0	0	1
<b>Direct costs</b>	<b>-8 890</b>	<b>-6 948</b>	<b>-3 007</b>	<b>-252</b>	<b>-10 951</b>
<b>Gross profit</b>	<b>12 608</b>	<b>15 499</b>	<b>4 685</b>	<b>3 459</b>	<b>19 720</b>
<b>Operating expenses</b>	<b>-11 284</b>	<b>-10 589</b>	<b>-3 767</b>	<b>-3 042</b>	<b>-14 609</b>
<b>EBITDA</b>	<b>1 324</b>	<b>4 910</b>	<b>918</b>	<b>418</b>	<b>5 112</b>
Depreciation / amortization	-765	-1 153	-255	-410	-1 562
<b>EBIT</b>	<b>559</b>	<b>3 757</b>	<b>663</b>	<b>7</b>	<b>3 549</b>
Net financial items	0	-8	0	-3	-8
<b>Profit after financial items</b>	<b>559</b>	<b>3 749</b>	<b>663</b>	<b>5</b>	<b>3 541</b>
Items affecting comparability	0	0	0	0	0
Tax	0	0	0	0	0
<b>Net profit for the period</b>	<b>559</b>	<b>3 749</b>	<b>663</b>	<b>5</b>	<b>3 541</b>

During the second quarter, net sales amounted to SEK 7.0 (3.1) million and during January – September net sales amounted to SEK 19.1 (20.6) million.

Gross profit for the period amounted to SEK 4.7 (3.5) million and gross margin amounted to 57 (92) % for the quarter. For the first nine months, gross profit amounted to SEK 12.6 (15.5) million and gross margin to 53 (66) %.

EBITDA for the quarter amounted to SEK 0.9 (0.4) million and SEK 1.3 (4.9) million for January-September. The net profit for the quarter amounted to SEK 0.7 (0.0) million and for the first nine months, SEK 0.6 (3.7) million.

Earnings per share were 0:03 (0:00) SEK for the quarter.

Total operating expenses, excluding depreciation and amortization, amounted to SEK -3.8 (-3.0) million during the quarter and during January – September, SEK -11.3 (-10.6) million.

Depreciation and amortization during the quarter amounted to SEK -0.3 (-0.4) million and for the first nine months, SEK -0.8 (-1.2) million.

Net financial items amounted to SEK 0,0 (0,0) million for the quarter as well as for the first nine months.

## Cash flow, investments and financing

Amounts in SEK thousands	2017-01-01	2016-01-01	2017-07-01	2016-07-01	2016-01-01
	2017-09-30	2016-09-30	2017-09-30	2016-09-30	2016-12-31
	jmf 9 mån	jmf 9 mån	Q3	Q3	jmf 12 mån
Cash flow from operations during the period	1 323	4 902	918	415	5 104
Change in working capital	-5 703	2 468	-3 926	-128	-4 059
<b>Cash flow from operating after change in working capital</b>	<b>-4 380</b>	<b>7 371</b>	<b>-3 008</b>	<b>287</b>	<b>1 045</b>
Cash flow from investments	-7 071	-5 876	-2 526	-3 014	-7 002
Cash flow from financing operations	-25	3	-1	2	6 328
<b>Cash flow during period</b>	<b>-11 476</b>	<b>1 497</b>	<b>-5 535</b>	<b>-2 726</b>	<b>370</b>
Cash / cash equivalents at beginning of period	27 179	26 809	21 238	31 031	26 809
<b>Cash / cash equivalents at end of period</b>	<b>15 703</b>	<b>28 306</b>	<b>15 703</b>	<b>28 306</b>	<b>27 179</b>

### Cash Flow

Cash flow from operating activities before changes in working capital amounted to SEK 0.9 (0.4) million for the quarter. Changes in working capital was SEK -3.9 (-0.1) MSEK for July - September. During January – September cash flow from operating activities before changes in working capital amounted to SEK 1.3 (4.9) million and changes in working capital amounted to -5.7 (2.5) million for the period.

### Investments

Cash flow from investments amounted to SEK -2.5 (-3.0) million for the first quarter and for the first nine months, SEK -7.1 (-5.9) million.

### Financing

Cash flow from financing operations amounted to SEK -0,0 (0.0) million for the quarter and for January – September SEK -0.0 (0.0) million.

## Financial position as of September 30<sup>th</sup>, 2017

### Cash and cash equivalents

Cash and cash equivalents amounted to SEK 15.7 (28.3) million at the end of June.

### Equity

Equity amounted on September 30<sup>th</sup>, 2017 to SEK 57,8 (51,2) million and equity per share amounted to SEK 2:32 (2:41).

### Equity ratio

The equity ratio was 92,1 (88,6) % at the end of the period.

### EQLs share

The share is listed on AktieTorget since December 17th, 2013. The total number of shares at the end of the period was 24.911.666 (23.938.666).

### Parent company

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

Net sales during the second quarter amounted to SEK 5.4 (3.1) million. EBITDA amounted to SEK 0.5 (0.5) million for the quarter. During the first nine months net sales amounted to SEK 13.6 (20.6) million and EBITDA to -0.5 (5.1) million.

## Additional information

### Personnel

The Group employs 7 (8) persons, out of whom 4 (3) are women. The number of full-time employees is seven (7) persons at the Swedish parent company.

In addition to the permanent staff, there are long-term consultant 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 are 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 costlier than planned or takes longer than planned.

All risk factors can naturally not be described without a complete evaluation of additional information, together with a general assessment has been made. For a more detailed list of the risks, we refer to the EQL's memorandum of 20 August 2014, pages 8-9.

### Legal disclaimer

This financial report includes statements that are forward looking but actual future results may differ materially from those anticipated. In addition to the factors discussed, the earnings can be affected by delays and difficulties in the various phases of development, such as formulation, stability, preclinical and clinical trials, but also potentially competition, economic conditions, patent protection and the exchange rate and interest rate fluctuations, and political risks.

### Upcoming reports

Future reports for 2017/2018 will be published:

Financial calendar:	
Q4 2017:	2018-02-06
Q5 and Year End report:	2018-05-23

### Accounting principles

This interim report has been prepared in accordance with K3 for 2017/2018. For the Parent Company this interim report has been prepared in accordance with K3 for 2017/2018. The accounts of subsidiaries are translated to Swedish kronor using the current method. The current method means that all assets, provisions and other liabilities are translated at the closing rate and all income statement items are translated at the average rate. Any translation differences are recognized directly against equity. Amounts are expressed in MSEK (millions of Swedish Kronor) unless otherwise indicated. KSEK is an abbreviation for thousands of Swedish kronor.



## The Company's financial goals

### Financials goals

The company long term financial goal is to grow by at least 30% on average per year over the five-year period beginning 2016 and ending 2020. The company aims to growing profitability at least at the same rate as sales growth. The growth will be distributed unevenly over the 5-year period.

Due to the temporary withdrawal of Hydroxyzine EQL Pharma, Q1-Q4 sales for the 2017/2018 financial year are expected to be around SEK 4-5 million lower than in 2016. For the same reason, Q1 to Q4 profit for the 2017/2018 financial year is expected to deteriorate by a couple million against the forecast presented in the year-end report.

### The auditors' review

This interim report has not been audited by the auditor.

Christer Fåhraeus, VD

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

Lund October 24th, 2017

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## The Group

### Balance sheet

Amounts in SEK thousands			
	2017-09-30	2016-09-30	2016-12-31
<b>Assets</b>			
Intangible assets	27 037	19 987	20 711
Tangible fixed assets	56	83	75
Financial assets	296	296	296
<b>Total fixed assets</b>	<b>27 389</b>	<b>20 366</b>	<b>21 083</b>
<b>Total current assets</b>	<b>35 364</b>	<b>37 398</b>	<b>42 505</b>
<b>Total assets</b>	<b>62 752</b>	<b>57 764</b>	<b>63 588</b>
<b>Liabilities and equity</b>			
Total equity	57 802	51 152	57 269
Long-term liabilities	0	0	0
Current liabilities	4 950	6 612	6 319
<b>Total equity and liabilities</b>	<b>62 752</b>	<b>57 764</b>	<b>63 588</b>

### Income statement

Amounts in SEK thousands					
	2017-01-01 2017-09-30 jmf 9 mån	2016-01-01 2016-09-30 jmf 9 mån	2017-07-01 2017-09-30 Q3	2016-07-01 2016-09-30 Q3	2016-01-01 2016-12-31 jmf 12 mån
Net sales	19 089	20 603	7 028	3 098	28 200
Capitalized work	2 408	1 844	663	614	2 470
Other operating income	0	1	0	0	1
Direct costs	-8 890	-6 948	-3 007	-252	-10 951
<b>Gross profit</b>	<b>12 608</b>	<b>15 499</b>	<b>4 685</b>	<b>3 459</b>	<b>19 720</b>
Operating expenses	-11 284	-10 589	-3 767	-3 042	-14 609
<b>EBITDA</b>	<b>1 324</b>	<b>4 910</b>	<b>918</b>	<b>418</b>	<b>5 112</b>
Depreciation / amortization	-765	-1 153	-255	-410	-1 562
<b>EBIT</b>	<b>559</b>	<b>3 757</b>	<b>663</b>	<b>7</b>	<b>3 549</b>
Net financial items	0	-8	0	-3	-8
<b>Profit after financial items</b>	<b>559</b>	<b>3 749</b>	<b>663</b>	<b>5</b>	<b>3 541</b>
Items affecting comparability	0	0	0	0	0
Tax	0	0	0	0	0
<b>Net profit for the period</b>	<b>559</b>	<b>3 749</b>	<b>663</b>	<b>5</b>	<b>3 541</b>

## Consolidated changes in equity 2017-01-01 - 2017-09-30

Amounts in SEK thousands	Share capital	Other contributed capital	Other capital including profit for the period
<b>Balance at beginning of period</b>	<b>1 077</b>	<b>43 402</b>	<b>12 789</b>
Fund development expenses		-2 408	2 408
New share issue	44	-44	
Share issue costs		-24	
Translation differences			-1
Profit for the period			559
<b>Balance at end of period</b>	<b>1 121</b>	<b>40 925</b>	<b>15 756</b>

## Parent company

### Balance sheet

Amounts in SEK thousands	2017-09-30	2016-09-30	2016-12-31
<b>Assets</b>			
Intangible assets	26 748	19 514	20 443
Tangible fixed assets	56	83	75
Financial assets	391	91	391
<b>Total fixed assets</b>	<b>27 194</b>	<b>19 688</b>	<b>20 909</b>
<b>Total current assets</b>	<b>33 026</b>	<b>37 927</b>	<b>42 255</b>
<b>Total assets</b>	<b>60 221</b>	<b>57 615</b>	<b>63 164</b>
<b>Liabilities and equity</b>			
Total equity	55 980	51 052	57 225
Long-term liabilities	0	0	0
Current liabilities	4 240	6 563	5 939
<b>Total equity and liabilities</b>	<b>60 221</b>	<b>57 615</b>	<b>63 164</b>

## Income statement

Amounts in SEK thousands	2017-01-01	2016-01-01	2017-07-01	2016-07-01	2016-01-01
	2017-09-30	2016-09-30	2017-09-30	2016-09-30	2016-12-31
	jmf 9 mån	jmf 9 mån	Q3	Q3	jmf 12 mån
Net sales	13 641	20 603	5 419	3 098	27 473
Capitalized work	2 408	1 646	663	560	2 278
Other operating income	0	1	0	0	1
<b>Direct costs</b>	<b>-5 773</b>	<b>-6 923</b>	<b>-2 005</b>	<b>-252</b>	<b>-10 468</b>
<b>Gross profit</b>	<b>10 277</b>	<b>15 327</b>	<b>4 077</b>	<b>3 405</b>	<b>19 284</b>
Operating expenses	-10 762	-10 199	-3 574	-2 934	-14 099
<b>EBITDA</b>	<b>-486</b>	<b>5 128</b>	<b>504</b>	<b>472</b>	<b>5 185</b>
Depreciation / amortization	-735	-1 153	-245	-410	-1 362
<b>EBIT</b>	<b>-1 220</b>	<b>3 975</b>	<b>259</b>	<b>62</b>	<b>3 823</b>
Net financial items	0	-8	0	-3	-8
<b>Profit after financial items</b>	<b>-1 221</b>	<b>3 967</b>	<b>259</b>	<b>59</b>	<b>3 815</b>
Items affecting comparability	0	0	0	0	0
Tax	0	0	0	0	0
<b>Net profit for the period</b>	<b>-1 221</b>	<b>3 967</b>	<b>259</b>	<b>59</b>	<b>3 815</b>

## Cash flow

Amounts in SEK thousands	2017-01-01	2016-01-01	2017-07-01	2016-07-01	2016-01-01
	2017-09-30	2016-09-30	2017-09-30	2016-09-30	2016-12-31
	jmf 9 mån	jmf 9 mån	Q3	Q3	jmf 12 mån
Cash flow from operations during the period	-486	5 120	504	469	5 177
Change in working capital	-4 292	1 997	-2 512	-238	-4 111
<b>Cash flow from operating after change in working capital</b>	<b>-4 778</b>	<b>7 117</b>	<b>-2 008</b>	<b>231</b>	<b>1 066</b>
Cash flow from investments	-7 020	-5 629	-2 506	-2 960	-7 059
Cash flow from financing operations	-24	0	0	0	6 325
<b>Cash flow during period</b>	<b>-11 822</b>	<b>1 488</b>	<b>-4 514</b>	<b>-2 729</b>	<b>331</b>
Cash / cash equivalents at beginning of period	27 072	26 741	19 764	30 958	26 741
<b>Cash / cash equivalents at end of period</b>	<b>15 250</b>	<b>28 229</b>	<b>15 250</b>	<b>28 229</b>	<b>27 072</b>