

Quarterly Report
January – March 2017
EQL Pharma AB

EQL

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

Quarterly Report

January – March 2017

- Consolidated sales for the first quarter amounted to SEK 5.3 (12.9) million, a decrease of 58%.
- Gross profit for the quarter amounted to SEK 4.1 (8.0) million, a decrease of 49%.
- Gross profit for the quarter amounted to SEK 0.3 (4.0) million, a decrease of 92%.
- Earnings per share were 0:00 (0:15) SEK for the quarter.
- Cash and cash equivalents was SEK 25.6 (26.6) million at the end of the period.

Significant events during the first quarter of 2017

- The European Medicines Agency EMA recommended a temporary withdrawal of several drugs for which bioequivalence studies were conducted at Micro Therapeutic Research Labs, India, due to potential issues with data handling. Among the drugs involved are EQL Pharma's hydroxyzine products in Sweden and Denmark. The temporary withdrawal is in force until new study data has been presented and approved. This is estimated to take approximately one year. The loss of income for 2017 is expected to be 3-4 MSEK, which is expected to impair earnings by around 2 MSEK.

Significant events after the first quarter of 2017

- The drug Potassium chloride EQL Pharma has been approved by the Danish Medicines Agency in a DCP. National marketing authorisations for Sweden, Denmark, Norway and Finland are expected within a month. The total turnover in the four markets is around 140 MSEK annually. Currently there is one generic competitor in addition to the original Kaleorid® (LEO Pharma). EQL Pharma's goal is to start selling the product by Q1 2018.

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 five niche generics in the Swedish, Danish and Finnish markets. In addition to these, there is a significant pipeline of additional niche generics for launch in 2017 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 has had a quarter that compared to the record quarter 2016 is significantly weaker, in line with the financial goal for 2017 from the year-end report. During the quarter, our top seller EQL Hydroxyzine, has been recommended for temporary withdrawal by EMA. This will affect our turnover for the full year by SEK 3-4 million and impair earnings by approximately SEK 2 million.

The quarter has been characterized by high degree of activity in business development. Several products are in the final stages of negotiation booth for in-licensing and for new development. EQL expects to close most of these negotiations in the next few quarters. After the quarter EQL signed one new products, bringing the total pipe-line to 31.

The existing development projects have also developed well in the quarter and we expect that several of these will be submitted to the authorities in the Nordic during the year.

After the end of the first quarter, the important potassium chloride product, EQL Potassium chloride, has been blant approved in a DCP covering Sweden, Denmark, Finland and Norway. Turnover in the Nordic region is around 140 MSEK, with sales start for EQL in 2018.

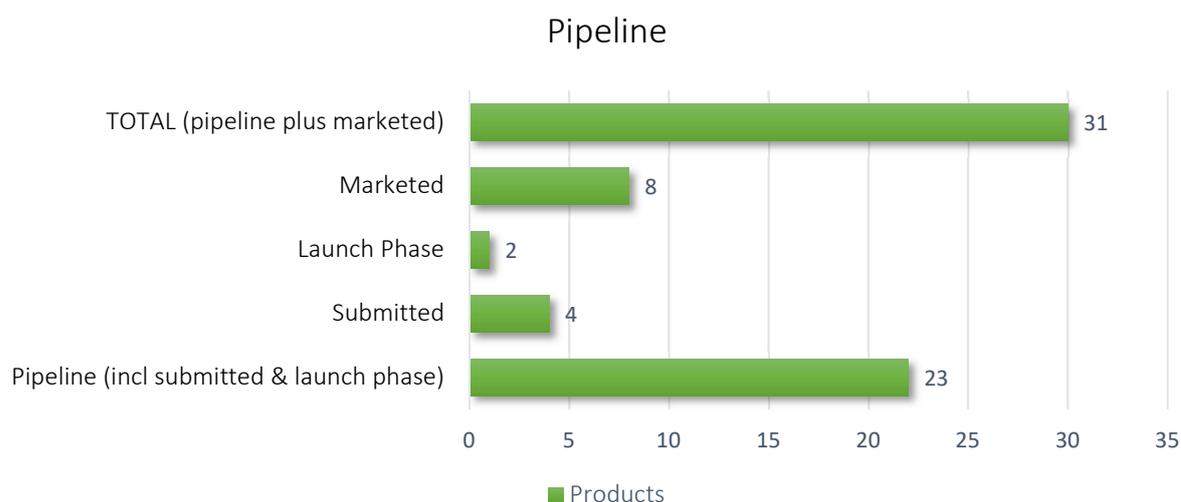
Pipeline

EQL intends to present our pipeline of products throughout 2017. The presentation 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 total pipeline currently consists of 23 products, out of which four (4) are under review by the authorities, and two (2) is approved and in launch phase, the other 17 are under development. In addition to our pipeline, we have 8 approved and marketed products. Our pipeline is under continuous development and new products are expected to be added during the year.

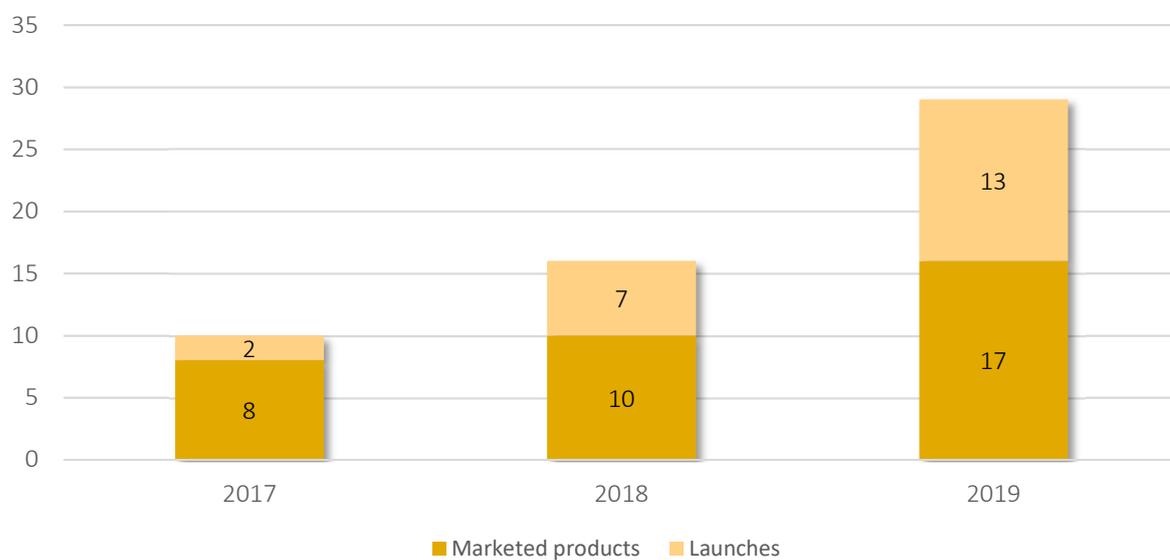
Pipeline April 2017	Products
Pipeline (incl submitted & launch phase)	23
<i>Submitted</i>	4
<i>Launch Phase</i>	2
Marketed	8
TOTAL (pipeline plus marketed)	31



Number of marketed and launched products year by year

Most of our 31 contracted products are expected to be launched during the next three years. At the beginning of 2017, we have 8 products on the market, and we plan to have 17 products on the market at the beginning of 2019. From the chart, it also follows that we plan to have 30 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.

Portfolio development



Year	Marketed products	Launches
2017	8	2
2018	10	7
2019	17	13

Financial statement

Profit and loss

Amounts in SEK thousands	2017-01-01	2016-01-01	2016-01-01
	2017-03-31	2016-03-31	2016-12-31
	Q1	Q1	jmf 12 mån
Net sales	5 324	12 874	28 200
Capitalized work	1 056	531	2 470
Other operating income	0	0	1
Direct costs	-2 316	-5 365	-10 951
Gross profit	4 064	8 040	19 720
Operating expenses	-3 725	-4 045	-14 609
EBITDA	339	3 995	5 112
Depreciation / amortization	-255	-357	-1 562
EBIT	84	3 638	3 549
Net financial items	0	-5	-8
Profit after financial items	84	3 633	3 541
Items affecting comparability	0	0	0
Tax	0	0	0
Net profit for the period	84	3 633	3 541

During the first quarter, net sales amounted to SEK 5.3 (12.9) million.

Gross profit for January - March amounted to SEK 4.1 (8.0) million and gross margin amounted to till 57 (58) % for the quarter.

EBITDA for the quarter amounted to SEK 0.3 (4.0) million. The net profit amounted to SEK 0.08 (3.6) million for January - March.

Earnings per share were 0:00 (0:15) SEK for the quarter.

Total operating expenses, excluding depreciation and amortization, amounted to SEK -3.7 (-4.0) million during the first quarter.

Depreciation and amortization during the quarter amounted to SEK -0.3 (-0.4) million.

Net financial items amounted to SEK 0,0 (-0,0) million for the quarter.

Cash flow, investments and financing

Amounts in SEK thousands	2017-01-01	2016-01-01	2016-01-01
	2017-03-31	2016-03-31	2016-12-31
	Q1	Q1	jmf 12 mån
Cash flow from operations during the period	339	3 989	5 104
Change in working capital	1 376	-2 653	-4 059
Cash flow from operating after change in working capital	1 715	1 337	1 045
Cash flow from investments	-2 272	-1 463	-7 002
Cash flow from financing operations	-15	0	6 328
Cash flow during period	-572	-125	370
Cash / cash equivalents at beginning of period	27 179	26 809	26 809
Cash / cash equivalents at end of period	26 607	26 683	27 179

Cash Flow

Cash flow from operating activities before changes in working capital amounted to SEK 0.3 (4.0) million for the quarter. Changes in working capital was SEK 1.4 (-2.7) MSEK for January - March.

Investments

Cash flow from investments amounted to SEK -2.3 (-1.5) million for the first quarter.

Financing

Cash flow from financing operations amounted to SEK -0,0 (0) million for the quarter.

Financial position as of March 31st, 2017

Cash and cash equivalents

Cash and cash equivalents amounted to SEK 26,6 (26,7) million at the end of March.

Equity

Equity amounted on March 31st, 2017 to SEK 57,3 (51,0) million and equity per share amounted to SEK 2:30 (2:13).

Equity ratio

The equity ratio was 89,2 (87,7) % 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 first quarter amounted to SEK 4,0 (12,9) million. EBITDA amounted to SEK -0,3 (4,2) million for the quarter.

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 will be published:

Financial calendar:	
Q2 2017:	2017-08-21
Q3 2017:	2017-10-24
Year-end report and Q4 2017:	2018-02-06

Accounting principles

This interim report has been prepared in accordance with K3 for 2017. For the Parent Company this interim report has been prepared in accordance with K3 for 2017. 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 for EQL Hydroxyzine from the market, sales for 2017 are expected to be around SEK 4-5 million lower than in 2016. Therefore, the profit for 2017 is expected to decline to around minus 2 million SEK for the year.

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 May 15th, 2017

Björn Beermann

Christer Fåhraeus

Lars Holmqvist

Ingemar Kihlström

Rajiv I Modi

Maria Öhlander

The Group

Balance sheet

Amounts in SEK thousands		
	2017-03-31	2016-12-31
Assets		
Intangible assets	22 735	20 711
Tangible fixed assets	68	75
Financial assets	296	296
Total fixed assets	23 099	21 083
Total current assets	41 205	42 505
Total assets	64 305	63 588
Liabilities and equity		
Total equity	57 338	57 269
Long-term liabilities	0	0
Current liabilities	6 967	6 319
Total equity and liabilities	64 305	63 588

Income statement

Amounts in SEK thousands	2017-01-01	2016-01-01	2016-01-01
	2017-03-31	2016-03-31	2016-12-31
	Q1	Q1	jmf 12 mån
Net sales	5 324	12 874	28 200
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Gross profit	4 064	8 040	19 720
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EBITDA	339	3 995	5 112
Depreciation / amortization	-255	-357	-1 562
EBIT	84	3 638	3 549
Net financial items	0	-5	-8
Profit after financial items	84	3 633	3 541
Items affecting comparability	0	0	0
Tax	0	0	0
Net profit for the period	84	3 633	3 541

Consolidated changes in equity

2017-01-01 - 2017-03-31

Amounts in SEK thousands	Share capital	Restricted reserves	Unrestricted reserves	Profit / Loss for the period
Balance at beginning of period	1 077	2 160	50 490	3 541
Reclassification of results			3 541	-3 541
Fund development expenses		1 056	-1 056	
New share issue	44	-44		
Share issue costs			-14	
Translation differences			0	
Profit for the period				84
Balance at end of period	1 121	3 173	52 961	84

Parent company

Balance sheet

Amounts in SEK thousands		
	2017-03-31	2016-12-31
Assets		
Intangible assets	22 463	20 443
Tangible fixed assets	68	75
Financial assets	391	391
Total fixed assets	22 922	20 909
Total current assets	39 933	42 255
Total assets	62 855	63 164
Liabilities and equity		
Total equity	56 654	57 225
Long-term liabilities	0	0
Current liabilities	6 201	5 939
Total equity and liabilities	62 855	63 164

Income statement

Amounts in SEK thousands			
	2017-01-01 2017-03-31 Q1	2016-01-01 2016-03-31 Q1	2016-01-01 2016-12-31 jmf 12 mån
Net sales	4 018	12 874	27 473
Capitalized work	1 056	531	2 278
Other operating income	0	0	1
Direct costs	-1 774	-5 365	-10 468
Gross profit	3 300	8 040	19 284
Operating expenses	-3 612	-3 844	-14 099
EBITDA	-312	4 196	5 185
Depreciation / amortization	-245	-357	-1 362
EBIT	-557	3 839	3 823
Net financial items	0	-5	-8
Profit after financial items	-557	3 834	3 815
Items affecting comparability	0	0	0
Tax	0	0	0
Net profit for the period	-557	3 834	3 815

Cash flow

Amounts in SEK thousands	2017-01-01	2016-01-01	2016-01-01
	2017-03-31	2016-03-31	2016-12-31
	Q1	Q1	jmf 12 mån
Cash flow from operations during the period	-312	4 191	5 177
Change in working capital	1 069	-2 906	-4 111
Cash flow from operating after change in working capital	757	1 284	1 066
Cash flow from investments	-2 258	-1 413	-7 059
Cash flow from financing operations	-14	0	6 325
Cash flow during period	-1 515	-128	331
Cash / cash equivalents at beginning of period	27 072	26 741	26 741
Cash / cash equivalents at end of period	25 557	26 612	27 072