

Year-end report January 2017 – March 2018

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 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.

Year-end report

EQL Pharma decided at the AGM 2017-05-15 to extend the financial year 2017 to 2018-03-31. The year-end report therefore refers to 15 months and the comparative figures for the nearest financial year are therefore not fully comparable.

The fifth quarter, January-March 2018, compares with January-March 2017 to get as fair a comparison as possible.

January - March and January 2017 – March 2018

- Consolidated sales for the fifth quarter amounted to SEK 7.0 (5.3) million, an increase of 32%. For the period January 2017 – March 2018 the consolidated sales amounted to SEK 33.9 (28.2) million.
- Gross profit for the quarter amounted to SEK 3.7 (4.1) million, a decrease of 9%. For the period January - March gross profit amounted to SEK 21.6 (19.7) million.
- EBITDA for the quarter amounted to SEK -0.6 (0.3) million. EBITDA for January – March amounted to SEK 1.3 (5.1) million.
- Earnings per share were -0:02 (0:14) SEK for the quarter.
- Cash and cash equivalents was SEK 8.9 (26.6) million at the end of the period.

Significant events during the fifth quarter of 2017/2018

- In mid-January, Axel Schörling took over the position of COO at EQL Pharma. Axel has a background as management consultant at BearingPoint and comes from a role as Director of Perstorp's Business Controlling team. Axel holds a degree in technical physics from Chalmers and a degree from the School of Economics in Gothenburg. Axel will play a key role in EQL's continued development and expansion.
- On March 1st, EQL Pharma launched the drug Potassium chloride on the Swedish market. Potassium chloride EQL Pharma is part of EQL Pharmas long-term commitment to new strategic niche generics with little or no competition. The total turnover in Sweden and Denmark is approximately SEK 140 million annually and there is one generic competitor in addition to the original company.
- During the fifth quarter, the drug Paracetamol EQL Pharma has been approved for sale by the Swedish Medicines Agency. Paracetamol is a very common drug and sells in high volumes in all markets in Europe. EQL Pharma has found their niche by choosing strengths and packaging variants that are less competitive. This niche market turnover of approximately SEK 20 million annually and is home to a few competitors, in line with the EQL Pharma's long-term strategy.
- During the quarter, EQL Pharma Hydroxyzine products received renewed approval of the authorities by a new bioequivalence study approved and EQL has started the sale of the drug back on the Swedish and Danish markets.

Significant events after the fifth quarter of 2017/2018

- After the end of the fifth quarter, the drug Prednisolon EQL Pharma has been approved for sale by the Swedish Medicines Agency. Prednisolone EQL Pharma is used in conditions requiring attenuation of the body's inflammatory reactions such as rheumatoid arthritis, asthma and other allergic diseases, severe colon and ulcerative colitis. In the Nordic region, the Swedish market is the largest with about 25 MSEK in annual sales. There are only a few competitors in the Nordic region.
- On May 1st, Eletriptan was launched on the Danish market. Eletriptan EQL Pharma belongs to a group of drugs called selective serotonin (5HT1) receptor agonists. Eletriptan is used in adults to treat migraine headache, 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.

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) 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

In January, EQL further strengthened the organization through the appointment of Axel Schörling as the new COO. During recent years, EQL has invested heavily in investment in new drug development and has a time of strong growth ahead. In this context, Axel's competence will play a key role in the company. EQL now has an organization well-equipped for the major investment that has been made and continues.

Both during and after the end of the quarter, new products have been approved for sale. Among these, Potassium chloride has already been launched on the Swedish market, and other drugs such as Paracetamol and Prednisolon will be launched during the year.

Fifth quarter sales are in line with expectations. Profitably, the quarter is affected by write-downs of development products in connection with the financial statements and the negative accrual effect of revenues for outlicensing. The latter income will instead be credited in Q1, 2018/2019.

From this fiscal year, EQL will apply a much more restrictive accounting principle regarding development costs, which means we will expense large parts of these directly. This will have an impact

on earnings of around -10 MSEK. Nevertheless, we expect a result just above the zero line for the coming fiscal year.

We estimate that sales for the 2018/2019 fiscal year will be more than 30% higher than the comparable period - April 2017 to March 2018.

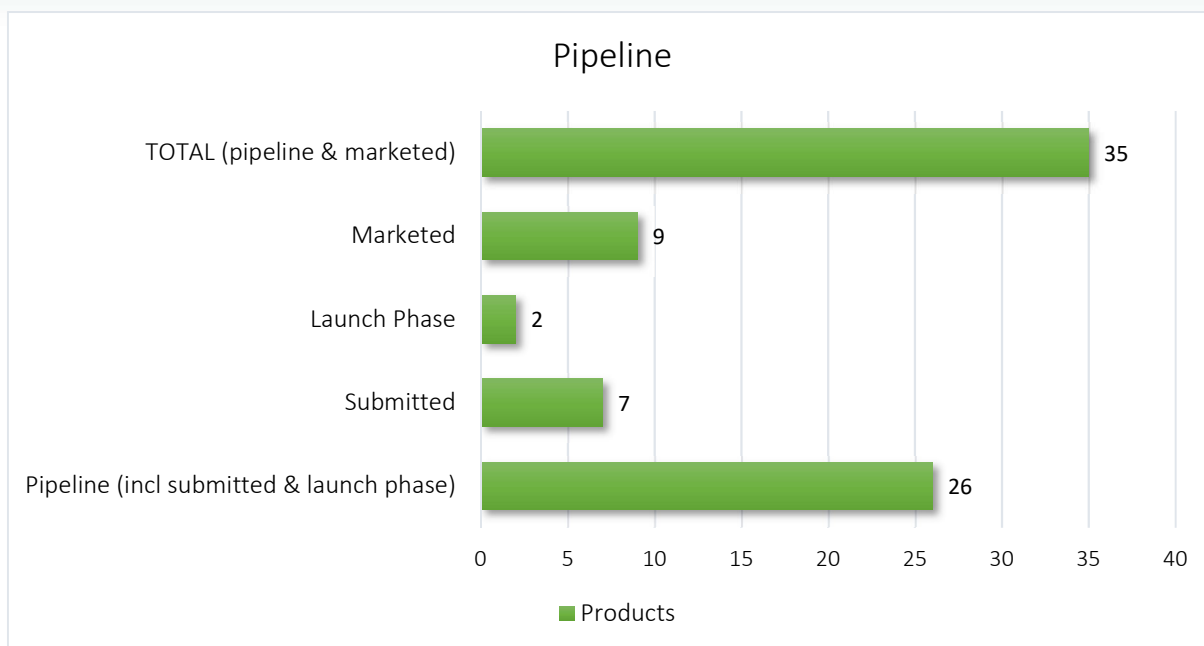
Pipeline

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)

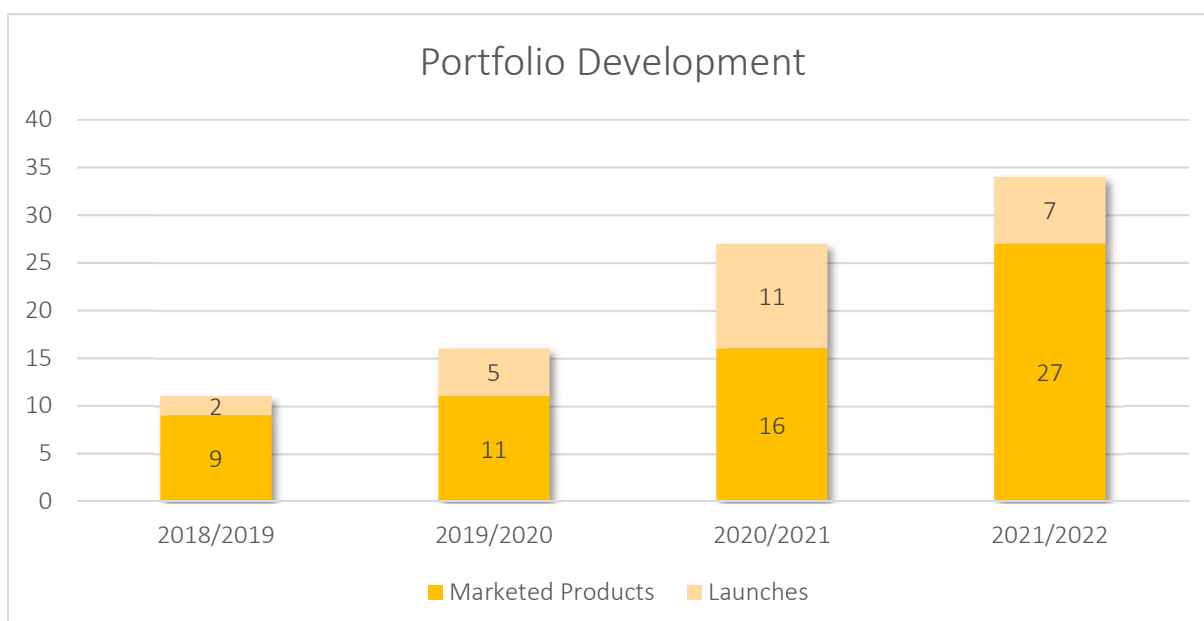
EQL's Pipeline is constantly changing. Products are added and disappear as the product evaluation process progresses. EQL's total pipeline currently consists of 26 (23) products, out of which 7 are under review by the authorities, and 2 are approved and in launch phase, the other 17 (17) are under development. In addition to our pipeline, we have 9 (8) approved and marketed products. Our pipeline is under continuous development and new products are expected to be added during the year.

Pipeline January 2018	Products
Pipeline (incl submitted & launch phase)	26
<i>Submitted</i>	7
<i>Launch Phase</i>	2
Marketed	9
TOTAL (pipeline plus marketed)	35



Number of marketed and launched products year by year

Most of our 35 (31) contracted products are expected to be launched during the next three years. At the beginning of fiscal year 2018/2019, we have 9 (8) products on the market, and we plan to have 11 products on the market at the beginning of our next fiscal year, 2019/2020. From the chart, it also follows that we plan to have 27 marketed products by March 2021. 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
2018/2019	9	2
2019/2020	11	5
2020/2021	16	11
2021/2022	27	7

Financial statement

Profit and loss

Amounts in SEK thousands	2018-01-01 2018-03-31 Q5	2017-01-01 2017-03-31 Q1	2017-01-01 2018-03-31 comp. 15 mo	2016-01-01 2016-12-31 comp. 12 mo
Net sales	7 046	5 324	33 905	28 200
Capitalized work	691	1 056	4 312	2 470
Other operating income	0	0	0	1
Direct costs	-4 034	-2 316	-16 575	-10 951
Gross profit	3 702	4 064	21 642	19 720
Operating expenses	-4 304	-3 725	-20 374	-14 609
EBITDA	-602	339	1 268	5 112
Depreciation / amortization	-693	-255	-1 781	-1 562
EBIT	-1 295	84	-513	3 549
Net financial items	-1	0	-2	-8
Profit after financial items	-1 296	84	-515	3 541
Items affecting comparability / Appropriations	0	0	0	0
Tax	0	0	0	0
Net profit for the period	-1 296	84	-515	3 541

During the fifth quarter, net sales amounted to SEK 7.0 (5.3) million and during January – March net sales amounted to SEK 33.9 (28.2) million.

Gross profit for the period amounted to SEK 3.7 (4.1) million and gross margin amounted to till 43 (56) % for the quarter. For January - March, gross profit amounted to SEK 21.6 (19.7) million and gross margin to 51 (61) %.

EBITDA for the quarter amounted to SEK -0.6 (0.3) million and SEK 1.7 (5.1) million for January-March. The net profit for the quarter amounted to SEK -1.3 (0.8) million and for January - March, SEK -0.5 (3.5) million.

Earnings per share were -0:02 (0:14) SEK for the quarter.

Total operating expenses, excluding depreciation and amortization, amounted to SEK -4.3 (-3.7) million during the quarter and during January – March, SEK -20.4 (-14.6) million.

Depreciation and amortization during the quarter amounted to SEK -0.7 (-0.3) million and for January - March, SEK -1.8 (-1.6) million.

Net financial items amounted to SEK -0,0 (0,0) million for the quarter as well as for the period January - March.

Cash flow, investments and financing

Amounts in SEK thousands	2018-01-01 2018-03-31 Q5	2017-01-01 2017-03-31 Q1	2017-01-01 2018-03-31 comp. 15 mo	2016-01-01 2016-12-31 comp. 12 mo
Cash flow from operations during the period	-603	339	1 265	5 104
Change in working capital	5 026	1 376	-1 083	-4 059
Cash flow from operating after change in working capital	4 423	1 715	182	1 045
Cash flow from investments	-7 094	-2 272	-18 468	-7 002
Cash flow from financing operations	3	-15	-19	6 328
Cash flow during period	-2 668	-572	-18 306	370
Cash / cash equivalents at beginning of period	11 541	27 179	27 179	26 809
Cash / cash equivalents at end of period	8 873	26 607	8 873	27 179

Cash Flow

Cash flow from operating activities before changes in working capital amounted to SEK -0.6 (0.3) million for the quarter. Changes in working capital was SEK 5.0 (1.8) MSEK for the quarter. During January – March cash flow from operating activities before changes in working capital amounted to SEK 1.3 (5.1) million and changes in working capital amounted to -1.1 (-4.1) million for the period.

Investments

Cash flow from investments amounted to SEK -7.1 (-2.3) million for the fifth quarter and for January – March, SEK -18.5 (-7.0) million.

Financing

Cash flow from financing operations amounted to SEK 0,0 (-0.0) million for the quarter and for January – March SEK -0.0 (6.3) million.

Financial position as of March 31st, 2018

Cash and cash equivalents

Cash and cash equivalents amounted to SEK 8.9 (26.6) million at the end of March. During the year, the company invested heavily in its development portfolio. In the case of a retained investment strategy, a new capital contribution may be required.

Equity

Equity amounted on March 31st, 2018 to SEK 56.7 (57.3) million and equity per share amounted to SEK 2:28 (2:30).

Equity ratio

The equity ratio was 84,6 (90,0) % 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.

Parent company

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

Net sales during the fifth quarter amounted to SEK 5.6 (4.0) million. EBITDA amounted to SEK -1.1 (-0.3) million for the quarter. During January - March net sales amounted to SEK 24.7 (27.5) million and EBITDA to -1.6 (5.2) million.

Additional information

Personnel

The Group employs 7 (8) persons, out of whom 4 (3) are women. The number of full-time employees is 7 (8) 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 is made in euro whose value can change significantly.

EQL Pharma will continue to develop new products in its field. Time and cost aspects of product development can be difficult to pre-determine with accuracy. This entails the risk that a proposed product is 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

The annual report will be available on the company's website on August 1st, 2018. The Annual General Meeting will be held at the company's premises at Stortorget 1 in Lund, August 22nd, 2018 at. 3 pm. Upcoming reports for 2018/2019 will be published:

Financial calendar:	
AGM	2018-08-22
Interim report April - June (Q1)	2018-08-22
Interim report April - September (Q2)	2018-11-15
Interim report April - December (Q3)	2019-02-27
Year-end Report and Q4	2019-05-08

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 continues to retain its target of growing at least 30% on average per annum over the 5-year period 2016 to 2020/2021, and aims at operating profit to grow at least the same rate as revenue growth. The assumed growth of 30% per annum will be distributed uneven over the 5-year period.

We estimate that sales for 2018/2019 will be more than 30% higher than for comparable period April 2017 – March 2018.

From this fiscal year, EQL will apply a much more restrictive accounting principle regarding development costs, which means we will expense large parts of these directly. This will have an impact on earnings of around -10 MSEK. Nevertheless, we expect a result just above the zero line for the coming fiscal year.

The company aims to continue investing in the development of its product portfolio. This objective is capital-intensive, and, in the case of continued strong investments, capital contributions may be required.

The auditors' review

This interim report has not been audited by the auditor.

Christer Fåhraeus, VD

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

Lund, May 23rd, 2018

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Lars Holmqvist

Ingemar Kihlström

Rajiv I Modi

Maria Öhlander

The Group

Balance sheet

Amounts in SEK thousands		
	2018-03-31	2016-12-31
Assets		
Intangible assets	37 176	20 711
Tangible fixed assets	298	75
Financial assets	296	296
Total fixed assets	37 770	21 083
Total current assets	29 272	42 505
Total assets	67 043	63 588
Liabilities and equity		
Total equity	56 734	57 269
Long-term liabilities	0	0
Current liabilities	10 308	6 319
Total equity and liabilities	67 043	63 588

Income statement

Amounts in SEK thousands	2018-01-01	2017-01-01	2017-01-01	2016-01-01
	2018-03-31	2017-03-31	2018-03-31	2016-12-31
	Q5	Q1	comp. 15 mo	comp. 12 mo
Net sales	7 046	5 324	33 905	28 200
Capitalized work	691	1 056	4 312	2 470
Other operating income	0	0	0	1
Direct costs	-4 034	-2 316	-16 575	-10 951
Gross profit	3 702	4 064	21 642	19 720
Operating expenses	-4 304	-3 725	-20 374	-14 609
EBITDA	-602	339	1 268	5 112
Depreciation / amortization	-693	-255	-1 781	-1 562
EBIT	-1 295	84	-513	3 549
Net financial items	-1	0	-2	-8
Profit after financial items	-1 296	84	-515	3 541
Items affecting comparability / Appropriations	0	0	0	0
Tax	0	0	0	0
Net profit for the period	-1 296	84	-515	3 541

Consolidated changes in equity 2017-01-01 – 2018-03-31

Amounts in SEK thousands	Share capital	Other contributed capital	Other capital including profit for the period
Balance at beginning of period	1 077	43 402	12 789
Fund development expenses		-3 621	3 621
New share issue	44	-44	
Share issue costs		-24	
Translation differences			2
Profit for the period			781
Balance at end of period	1 121	39 713	17 193

Parent company

Balance sheet

Amounts in SEK thousands		
	2018-03-31	2016-12-31
Assets		
Intangible assets	36 593	20 443
Tangible fixed assets	298	75
Financial assets	391	391
Total fixed assets	37 282	20 909
Total current assets	28 707	42 255
Total assets	65 989	63 164
Liabilities and equity		
Total equity	56 307	57 225
Long-term liabilities	0	0
Current liabilities	9 682	5 939
Total equity and liabilities	65 989	63 164

Income statement

Amounts in SEK thousands	2018-01-01	2017-01-01	2017-01-01	2016-01-01
	2018-03-31	2017-03-31	2018-03-31	2016-12-31
	Q5	Q1	comp. 15 mo	comp. 12 mo
Net sales	5 637	4 018	24 698	27 473
Capitalized work	691	1 056	4 312	2 278
Other operating income	0	0	0	1
Direct costs	-3 201	-1 774	-11 290	-10 468
Gross profit	3 127	3 300	17 720	19 284
Operating expenses	-4 194	-3 612	-19 322	-14 099
EBITDA	-1 067	-312	-1 602	5 185
Depreciation / amortization	-643	-245	-1 690	-1 362
EBIT	-1 710	-557	-3 292	3 823
Net financial items	-1	0	-2	-8
Profit after financial items	-1 711	-557	-3 294	3 815
Items affecting comparability / Appropriations	2 400	0	2 400	0
Tax	0	0	0	0
Net profit for the period	689	-557	-894	3 815

Cash flow

Amounts in SEK thousands	2018-01-01	2017-01-01	2017-01-01	2016-01-01
	2018-03-31	2017-03-31	2018-03-31	2016-12-31
	Q5	Q1	comp. 15 mo	comp. 12 mo
Cash flow from operations during the period	1 331	-312	796	5 177
Change in working capital	2 516	1 069	-3 991	-4 111
Cash flow from operating after change in working capital	3 848	757	-3 195	1 066
Cash flow from investments	-6 844	-2 258	-18 062	-7 059
Cash flow from financing operations	0	-14	-24	6 325
Cash flow during period	-2 997	-1 515	-21 281	331
Cash / cash equivalents at beginning of period	8 788	27 072	27 072	26 741
Cash / cash equivalents at end of period	5 791	25 557	5 791	27 072