

Year end report
2016
EQL Pharma AB

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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 Fähræus and Karin Wehlin.

Year end report

Fourth quarter and full year 2016

- Consolidated sales for the fourth quarter amounted to SEK 7.6 (6.2) million, an increase of 16%. Consolidated sales for the full year amounted to SEK 28.2 (26.9) million, an increase of 5%.
- Gross profit for the quarter amounted to SEK 4.2 (4.4) million and for the full year SEK 19.7 (18.5) million, a decrease of 3% and an increase of 6% respectively.
- EBITDA for the quarter amounted to SEK 0.2 (1.2) million, a decrease of 83%. For the full year EBITDA amounted to SEK 5.1 (5.5) million, a decrease of 7%.
- Earnings per share were -0:01 (0:04) SEK for the full year.
- Cash and cash equivalents was SEK 27.4 (27.1) million at the end of the period.

Significant events during the fourth quarter of 2016

- Cadila Pharmaceuticals subscribed 973,000 for warrants (TO 3) during the quarter, giving SEK 6.3 million in proceeds to EQL. Cadila owns 29.9 percent of capital and votes in EQL Pharma after the transaction
- During the quarter Alexander Brising joined the company as head of business development. Before joining, Alexander Brising has had a series of managerial positions in marketing and business development in the pharmaceutical industry. He joins EQL from a management position at Sandoz Nordic headquarters in Copenhagen. He has an MBA from the Gothenburg School of Economics.
- During the quarter Catarina Hjelm joined EQL with a focus on project management and regulatory affairs, with an emphasis on our development projects in India. Catarina joins from the Department of Clinical Genetics and previously worked at AstraZeneca. She has a Master's degree in Chemistry and Mathematics from the University of Lund.
- EQL Pharma received the its MA for the pharmaceutical Zonisamide EQL Pharma in the fourth quarter. Zonisamide EQL Pharma is an anti-epileptic for the treatment of Epilepsy.

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 8 (6) 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 with slightly better sales but somewhat lower margin than Q4 2015. During the quarter, provisions have been made of approximately KSEK 300 for products where the dissolution profile is on the margin of out of specification. During the quarter, EQL also made a write-off of unprofitable parallel import products, a one-time effect of approximately KSEK 200.

Development projects have progressed well during the quarter and we expect a good number of MAA:s during the year. During 2017 EQL will issue press releases when the submission of an MAA has been made to the authorities. The pipeline of products, which is presented below, is moving materia and we are in an intensive phase with many ongoing negotiations.

During the quarter two new employees started, Alexander Brising as Head of Business Development and Catarina Hjelm responsible for project management and regulatory affairs with particular focus on development projects in India.

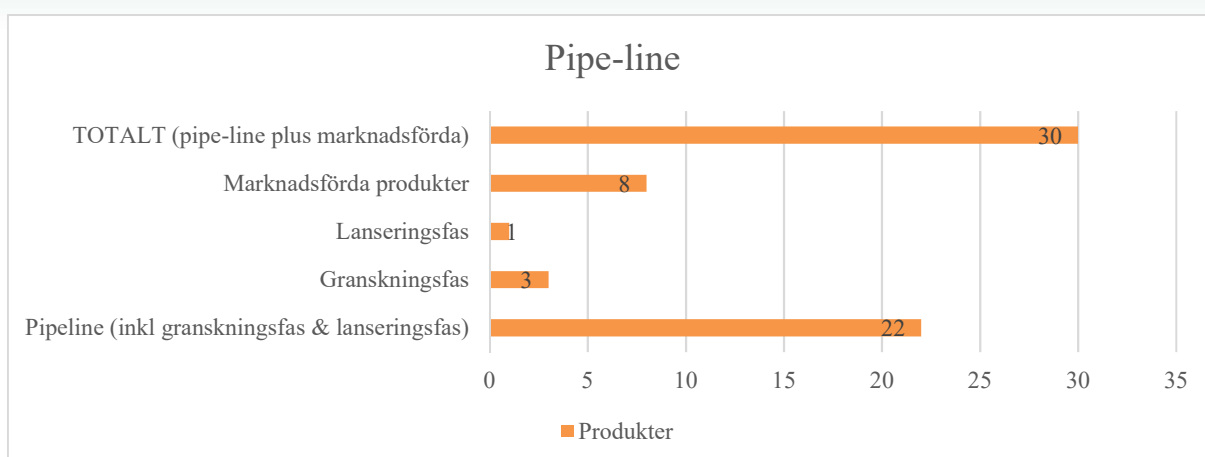
Pipeline

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)

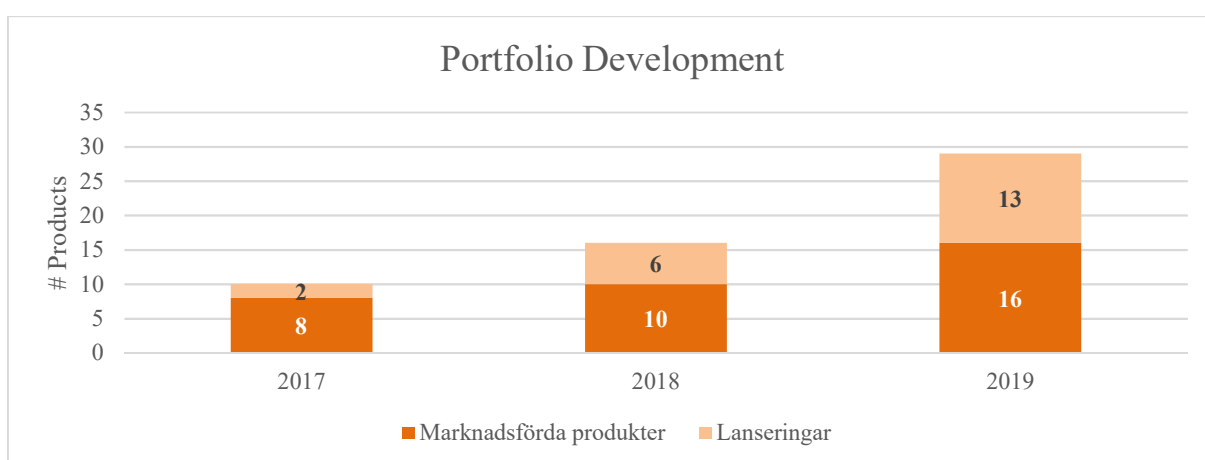
EQL's total pipeline currently consists of 22 products, out of which three (3) are under review by the authorities, and one (1) is approved and in launch phase, the other 18 are under development. In addition to our pipeline, we have 8 approved and marketed products. Our pipeline is under continuous development and new products are expected to be added during the year.

Pipeline February 2017	Products
Pipeline (incl MAA & launch phase)	22
MAA	3
Launch phase	1
Marknadsförda produkter	8
TOTAL (pipeline plus marketed)	30



Number of marketed and launched products year by year

The majority of our 30 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 expect to have 16 products on the market at the beginning of 2019. From the chart it also follows that we expect 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 closed down and some may be delayed.



Year	Marketed products	Launches
2017	8	2
2018	10	6
2019	16	13

Financial statement

Profit and loss

Amounts in SEK thousands	2016-10-01	2015-10-01	2016-01-01	2015-01-01
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
	Q4	Q4	jmf 12 mån	jmf 12 mån
Net sales	7 597	6 522	28 200	26 872
Capitalized work	627	464	2 470	1 813
Other operating income	0	0	1	5
Direct costs	-4 003	-2 614	-10 951	-10 173
Gross profit	4 221	4 373	19 720	18 517
Operating expenses	-4 019	-3 191	-14 608	-13 014
EBITDA	202	1 182	5 112	5 502
Depreciation / amortization	-410	-177	-1 562	-1 331
EBIT	-208	1 005	3 549	4 171
Net financial items	0	-55	-8	-449
Profit after financial items	-208	950	3 542	3 722
Items affecting comparability	0	0	0	0
Tax	0	0	0	0
Net profit for the period	-208	950	3 542	3 722

During the quarter, net sales amounted to SEK 7.6 (6.5) million and for the full year SEK 28.2 (26.9) million.

Gross profit for October - December amounted to SEK 4.2 (4.4) million and for the full year SEK 19.7 (18.5) million. Gross margin amounted to 47 (60) % for the quarter and 58 (62) % for the full year.

Calculation of the gross margin for the year has been adjusted by 0.8 million relating to a reversal of provision against a supplier and reserve for incurrent stock.

EBITDA for the quarter amounted to SEK 0.2 (1.2) million and SEK 5.1 (5.5) million for the full year. The net profit amounted to SEK -0.2 (1.0) million for the quarter and SEK 3.3 (3.7) million for the full year.

Earnings per share were 0:14 (0:16) SEK for the full year.

Total operating expenses, excluding depreciation and amortization, amounted to SEK -4.0 (-3.2) million during the fourth quarter and SEK -14.6 (-13.0) million for the full year.

Depreciation and amortization during the quarter amounted to SEK -0.4 (-0.2) million and for the full year to SEK -1.6 (-1.3) million.

Net financial items amounted to SEK -0.0 (-0.1) million for the fourth quarter and SEK -0.0 (-0.4) million for the full year.

Cash flow, investments and financing

Amounts in SEK thousands	2016-10-01	2015-10-01	2016-01-01	2015-01-01
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
	Q4	Q4	jmf 12 mån	jmf 12 mån
Cash flow from operations during the period	202	1 127	5 104	5 053
Change in working capital	-6 527	1 877	-4 059	-5 520
Cash flow from operating after change in working capital	-6 325	3 003	1 045	-467
Cash flow from investments	-1 126	-4 793	-7 002	-7 042
Cash flow from financing operations	6 324	27 066	6 328	34 318
Cash flow during period	-1 127	25 276	370	26 809
Cash / cash equivalents at beginning of period	28 306	1 532	26 809	0
Cash / cash equivalents at end of period	27 179	26 809	27 179	26 809

Cash Flow

Cash flow from operating activities before changes in working capital amounted to SEK 0.2 (1.1) million for the quarter and SEK 5.1 (5.1) million for the full year. Changes in working capital was SEK -6.5 (-1.9) million for the quarter and SEK -4.1 (-5.5) million for the full year.

Investments

Cash flow from investments amounted to SEK -1.1 (-4.8) million for the fourth quarter and SEK -7.0 (-7.7) million for January - December.

Financing

Cash flow from financing operations amounted to SEK 6.3 (27.1) million for the quarter and SEK 6.3 (34.3) for the full year.

Financial position as of December 31st, 2016

Cash and cash equivalents

Cash and cash equivalents amounted to SEK 27.3 (27.0) million at the end of the Year.

Equity

Equity amounted on December 31st, 2016 to SEK 57.3 (47.4) million and equity per share amounted to SEK 2:30 (1:98).

Equity ratio

The equity ratio was 90.0 (89.2) % 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 23,938,666 and 973,000 shares under registration.

Parent company

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

Net sales during the fourth quarter amounted to SEK 6.9 (6.5) million and for the full year to SEK 27.5 (26.9) million. EBITDA amounted to SEK 0.1 (1.1) million for the fourth quarter and to SEK 5.2 (5.6) for the full year.

Additional information

Personnel

The Group employs 8 (6) persons, out of whom 4 (3) are women. The number of full-time employees is eight (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

A number of 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 more costly 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

Annual report will be available on the company's homepage April 14th 2017. The AGM will be held at the company premises at Stortorget 1 in Lund on May 15th 2017, at 1600. Future reports for 2017 will be published:

Financial calendar:	
AGM:	2017-05-15
Q1 2017:	2017-05-15
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 2016. For the Parent Company this interim report has been prepared in accordance with K3 for 2016. 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.

Compared to the full year 2016, we estimate that sales for 2017 will be slightly lower. The result for 2017 is expected to be around zero, due to higher expenses for personnel, offices, consultants and external services as a consequence of the strong expansion of the product portfolio. The year is also somewhat thin on the new product launches and some previous bestsellers are facing increased competition and are expected to be less profitable in 2017.

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 February 7th, 2017

Björn Beermann

Christer Fåhraeus

Lars Holmqvist

Ingemar Kihlström

Rajiv I Modi

Maria Öhlander

The Group

Balance sheet

Amounts in SEK thousands		
	2016-12-31	2015-12-31
Assets		
Intangible assets	20 711	15 266
Tangible fixed assets	75	80
Financial assets	296	296
Total fixed assets	21 083	15 643
Total current assets	42 586	37 473
Total assets	63 669	53 116
Liabilities and equity		
Total equity	57 269	47 400
Long-term liabilities	0	0
Current liabilities	6 400	5 716
Total equity and liabilities	63 669	53 116

Income statement

Amounts in SEK thousands				
	2016-10-01	2015-10-01	2016-01-01	2015-01-01
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
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Gross profit	4 221	4 373	19 720	18 517
Operating expenses	-4 019	-3 191	-14 608	-13 014
EBITDA	202	1 182	5 112	5 502
Depreciation / amortization	-410	-177	-1 562	-1 331
EBIT	-208	1 005	3 549	4 171
Net financial items	0	-55	-8	-449
Profit after financial items	-208	950	3 542	3 722
Items affecting comparability	0	0	0	0
Tax	0	0	0	0
Net profit for the period	-208	950	3 542	3 722

Consolidated changes in equity

2016-01-01 - 2016-12-31

Amounts in SEK thousands	Share capital	Restricted reserves	Unrestricted reserves	Profit for the period
Balance at beginning of period	1 077	0	42 601	3 722
Reclassification of results			3 722	-3 722
Fund development expenses		2 116	-2 116	
Not registered share capital	44			
New share issue			6 281	
Share issue costs				
Translation differences			3	
Profit for the period				3 542
Balance at end of period	1 121	2 116	50 490	3 542

Parent company

Balance sheet

Amounts in SEK thousands	2016-12-31	2015-12-31
<u>Assets</u>		
Intangible assets	20 443	15 041
Tangible fixed assets	75	80
Financial assets	391	91
Total fixed assets	20 909	15 212
Total current assets	42 336	37 573
Total assets	63 245	52 786
<u>Liabilities and equity</u>		
Total equity	57 225	47 085
Long-term liabilities	0	0
Current liabilities	6 020	5 700
Total equity and liabilities	63 245	52 786

Income statement

Amounts in SEK thousands	2016-10-01	2015-10-01	2016-01-01	2015-01-01
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
	Q4	Q4	jmf 12 mån	jmf 12 mån
Net sales	6 870	6 522	27 473	26 872
Capitalized work	632	464	2 278	1 813
Other operating income	0	0	1	5
Direct costs	-3 544	-2 614	-10 468	-10 173
Gross profit	3 957	4 373	19 284	18 517
Operating expenses	-3 900	-3 229	-14 099	-12 914
EBITDA	57	1 143	5 185	5 603
Depreciation / amortization	-210	-177	-1 362	-1 331
EBIT	-152	967	3 823	4 272
Net financial items	0	-55	-8	-549
Profit after financial items	-152	912	3 815	3 722
Items affecting comparability	0	0	0	0
Tax	0	0	0	0
Net profit for the period	-152	912	3 815	3 722

Cash flow

Amounts in SEK thousands	2016-10-01	2015-10-01	2016-01-01	2015-01-01
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
	Q4	Q4	jmf 12 mån	jmf 12 mån
Cash flow from operations during the period	58	1 088	5 178	5 154
Change in working capital	-6 109	1 914	-4 112	-5 591
Cash flow from operating after change in working capital	-6 051	3 002	1 066	-437
Cash flow from investments	-1 431	-4 793	-7 059	-7 142
Cash flow from financing operations	6 325	27 068	6 325	34 319
Cash flow during period	-1 157	25 277	331	26 741
Cash / cash equivalents at beginning of period	28 229	1 464	26 741	0
Cash / cash equivalents at end of period	27 072	26 741	27 072	26 741