

Interim report  
April - June 2019  
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.*

## Interim report

### April - June

- Consolidated sales for the first quarter amounted to SEK 14.5 (10.7) million, an increase of 36%.
- Gross profit for the quarter amounted to SEK 8.6 (5.9) million, an increase of 45%.
- EBITDA for the quarter amounted to SEK 1.2 (0.9) million.
- Earnings per share were 0:00 (0:00) SEK for the quarter.
- Cash and cash equivalents was SEK 15.3 (3.5) million at the end of the period.

### Significant events during the fourth quarter

- On April 11th, EQL Pharma's Board of Directors unanimously recommended the shareholders to not accept Fårö Capital's mandatory bid on the company. The Board of Directors based its decision primarily on the long-term potential for EQL Pharma.

After the acceptance period's ending, on April 25, 2019, through the Mandatory Offer plus a minor share purchase in trading during the acceptance period, a total of 609,293 shares were acquired. This corresponds to approximately 2.2 percent of the share capital and the total number of votes in EQL Pharma.

At the end of the acceptance period, Fårö Capital controls a total of 9,328,631 shares (including the 8,719,338 shares which Fårö Capital owned at the time of the announcement of the mandatory bid), corresponding to 32.1 percent of the share capital and the total voting rights in EQL Pharma.

- During the first quarter the pharmaceutical product Methenamine hippurate EQL Pharma was approved for sale by the Medicine Products Agencies in Sweden, Denmark and the United Kingdom. In the UK, the product will be licensed to a local partner, Advanz Pharma Corp. The product is expected to be launched during the fourth quarter, 2019, i.e. the third financial quarter of EQL Pharma.
- The pharmaceutical Metronidazol EQL Pharma, tablets 200mg and 400mg, has also been approved by the Swedish Medicine Products Agency during the quarter. Metronidazol EQL Pharma becomes the first and only generic available in Sweden in the strengths 200mg and 400mg. The market for metronidazole in these strengths is limited to approx. SEK 5.7 million in total annual sales in Sweden. The product is expected to be launched during the fourth quarter, 2019, i.e. the third financial quarter of the company.
- In June, Pregabalin EQL Pharma was launched in the Swedish market. Pregabalin EQL Pharma belongs to a drug group used to treat epilepsy, neuropathic pain and generalized anxiety disorder in adults.

### Significant events after the fourth quarter

- After the end of the quarter, Fårö Capital announced via a press release a change of holdings in EQL Pharma AB. The press release states that Fårö Capital AB, Christer Fåhraeus's investment company, which owns 9,328,631 shares in EQL Pharma AB, corresponding to 32.1%, sold 230,000 shares to Christer Fåhraeus's wife on July 19, and has after sale 9,098,631 shares in EQL Pharma, corresponding to 31.3%.

## 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 fourteen (14) generics in the Swedish and Danish 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 2019 and onwards. The business is focused on prescription niche drugs in the Nordic region, but the company plans to launch in other EU countries whenever the products are competitive, through their own sales effort or through licensees. EQL Pharma is based in Lund, Sweden, employs 8 (8) people and is listed on Spotlight Stock Market (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

#### Financially

The first quarter of the financial year 2019/20 was another quarter with good growth for EQL Pharma. In total, our sales amounted to SEK 14.5 (10.7) million, which corresponds to a growth of 36 percent for the quarter, slightly higher than our financial target of at least 30 percent average growth. The profitability also developed well with EBITDA of 1.2 (0.9) million. The gross margin increased to 59 (56) percent - the high gross margin indicates that our product portfolio continues to have a relatively low competitive pressure.

For the financial year 2019/20, EQL Pharma has chosen to change the amortization principles for its intangible assets in order to adapt over time to IFRS and the actual lifetimes of our development products. The company will regularly conduct impairment tests to ascertain the value of the investments we have made and will continue to make.

#### Market

During the quarter two new products were approved for sale and one product was launched. Methenamine EQL Pharma will, in addition to the Nordic region, where it is sold by ourselves, be sold in the UK through a partner. Metronidazole EQL Pharma, which was also approved during the quarter, is expected to be launched during the fourth quarter of 2019 (third financial quarter), approximately at the same time as Methenamine. In June, Pregabalin EQL Pharma was launched.

#### Strategic initiatives

During the quarter EQL Pharma continued to develop the company's operations in accordance with our four strategic initiatives, (1) product portfolio expansion, (2) improved logistics chain, (3) geographical expansion and (4) unique products. These initiatives aim to ensure long-term strong development of at least 30 percent annual growth. The growth target has been set for the period 2016 - 2020/21.

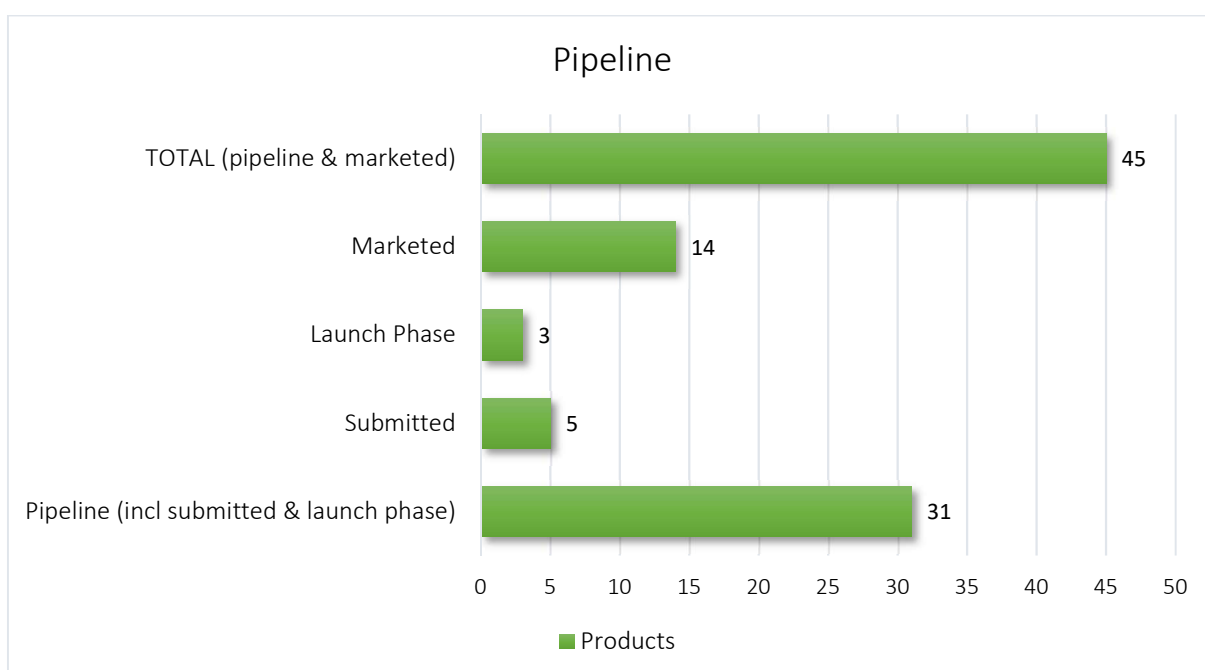
## Pipeline

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 in the quarterly reports.

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

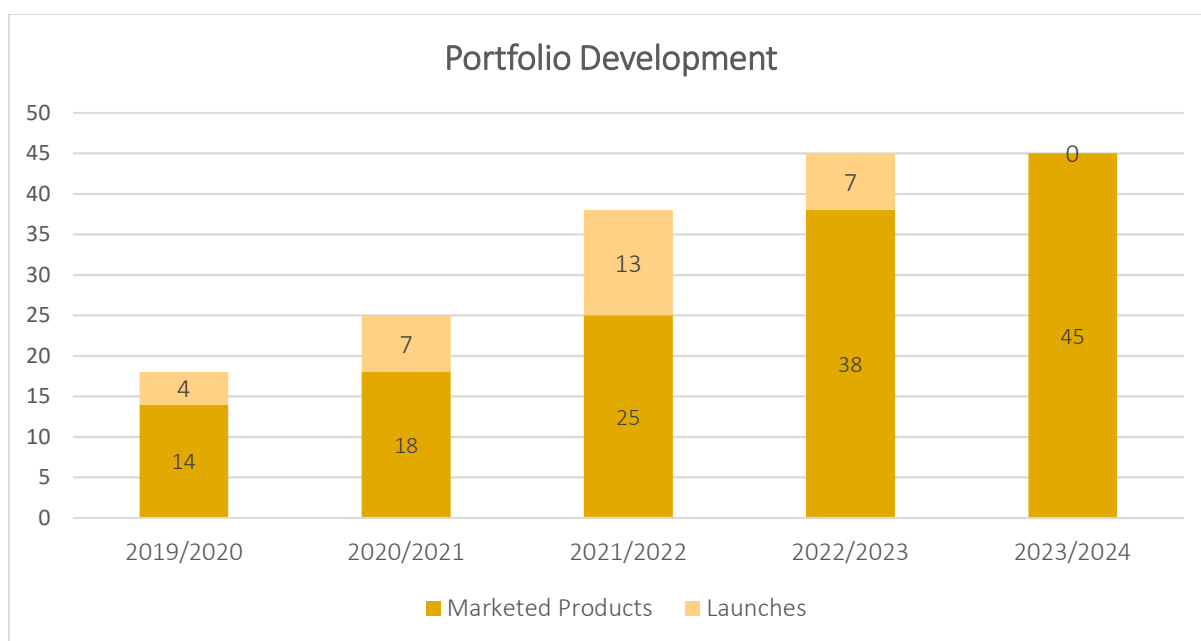
EQL's Pipeline is constantly changing. Products are added and disappear as the product evaluation process progresses. EQL's total pipeline currently consists of 31 products, out of which 5 are under review by the authorities, 3 is approved and in launch phase, and the other 22 are under development. In addition to our pipeline we have 14 approved and marketed products. Our pipeline is under continuous development and new products are expected to be added during the year.

Pipeline August 2019	Products
Pipeline (incl submitted & launch phase)	31
<i>Submitted</i>	5
<i>Launch Phase</i>	3
Marketed	14
<b>TOTAL (pipeline plus marketed)</b>	<b>45</b>



### 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. In mid-August, 2019, we have 14 products on the market, and we plan to have 18 products on the market at the beginning of our next fiscal year, 2020/21. As shown in the chart, we plan to have 25 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
2019/2020	14	4
2020/2021	18	7
2021/2022	25	13
2022/2023	38	7
2023/2024	45	0

## Financial statement

### Profit and loss

Amounts in SEK thousands	2019-04-01 2019-06-30	2018-04-01 2018-06-30	2018-04-01 2019-03-31	2017-04-01 2018-03-31	2017-01-01 2018-03-31
	Q1	Q1	12 months	12 months	15 months
Net sales	14 459	10 657	49 984	28 581	33 905
Capitalized work	0	0	0	3 256	4 312
Other operating income	115	0	0	0	0
					0
Direct costs	-5 971	-4 714	-22 099	-14 262	-16 578
<b>Gross profit</b>	<b>8 603</b>	<b>5 944</b>	<b>27 885</b>	<b>17 575</b>	<b>21 639</b>
<i>Gross margin</i>	<i>59%</i>	<i>56%</i>	<i>56%</i>	<i>50%</i>	<i>51%</i>
Operating expenses	-7 366	-5 057	-24 511	-16 647	-20 373
<b>EBITDA</b>	<b>1 237</b>	<b>886</b>	<b>3 374</b>	<b>928</b>	<b>1 266</b>
Depreciation / amortization	-1 156	-776	-4 798	-1 526	-1 781
<b>EBIT</b>	<b>81</b>	<b>110</b>	<b>-1 424</b>	<b>-598</b>	<b>-514</b>
Net financial items	-67	-1	-89	-2	-2
<b>Profit after financial items</b>	<b>14</b>	<b>110</b>	<b>-1 513</b>	<b>-600</b>	<b>-516</b>
Items affecting comparability / Appropriations	0	0	0	0	0
Tax	0	0	0	0	0
<b>Net profit for the period</b>	<b>14</b>	<b>110</b>	<b>-1 513</b>	<b>-600</b>	<b>-516</b>

During the first quarter, net sales amounted to SEK 14.5 (10.7) million. Gross profit for the period amounted to SEK 8.6 (5.9) million and gross margin amounted to till 59 (56) % for the quarter.

EBITDA for the quarter amounted to SEK 1.2 (0.9) million. The net profit for the quarter amounted to SEK 0.0 (0.1) million.

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

Total operating expenses, excluding depreciation and amortization, amounted to SEK -7.4 (-5.1) million during the quarter.

Depreciation and amortization, including write-downs, during the quarter amounted to SEK -1.2 (-0.8) million.

Net financial items amounted to SEK -0,1 (0,0) million for the quarter.

## Cash flow, investments and financing

Amounts in SEK thousands	2019-04-01 2019-06-30 Q1	2018-04-01 2018-06-30 Q1	2018-04-01 2019-03-31 12 months	2017-04-01 2018-03-31 12 months	2017-01-01 2018-03-31 15 months
Cash flow from operations during the period	1 171	886	3 285	925	1 264
Change in working capital	-3 703	-5 611	2 633	-2 461	-1 085
<b>Cash flow from operating after change in working capital</b>	<b>-2 532</b>	<b>-4 726</b>	<b>5 918</b>	<b>-1 535</b>	<b>179</b>
Cash flow from investments	-3 866	-602	-16 082	-16 197	-18 468
Cash flow from financing operations	1	0	22 985	-5	-19
<b>Cash flow during period</b>	<b>-6 397</b>	<b>-5 327</b>	<b>12 821</b>	<b>-17 736</b>	<b>-18 308</b>
Cash / cash equivalents at beginning of period	21 692	8 870	8 870	26 607	27 179
<b>Cash / cash equivalents at end of period</b>	<b>15 295</b>	<b>3 543</b>	<b>21 692</b>	<b>8 870</b>	<b>8 870</b>

### Cash Flow

Cash flow from operating activities before changes in working capital amounted to SEK 1.2 (0.9) million for the quarter. Changes in working capital was SEK -3.7 (-5.6) MSEK for the period.

### Investments

Cash flow from investments amounted to SEK -3.9 (-0.6) million for the first quarter.

### Financing

Cash flow from financing operations amounted to SEK 0.0 (0.0) million for the quarter.

## Financial position as of June 30<sup>th</sup>, 2019

### Cash and cash equivalents

Cash and cash equivalents amounted to SEK 15.3 (3.5) million at the end of the quarter.

### Equity

Equity amounted on June 30<sup>th</sup>, 2019 to SEK 78.2 (56.8) million and equity per share amounted to SEK 2:69 (2:28).

### Equity ratio

The equity ratio was 73.9 (91.2) % at the end of the period.

### EQLs share

The share is listed on Spotlight Stock Market (AktieTorget) since December 17<sup>th</sup>, 2013. The total number of shares at the end of the period was 29.063.610 (24.911.666).

## Parent company

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

Net sales during the first quarter amounted to SEK 13.5 (9.4) million. EBITDA amounted to SEK 1.5 (0.9) million for the period.

## Additional information

### Personnel

The Group employs 8 (8) persons, out of whom 5 (5) are women. The number of full-time employees is 8 (8) at the Swedish parent company.

In addition to the permanent staff, there are long-term consultants 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 more costly than planned or takes longer than planned.

Additional risks and uncertainties that are not currently known to EQL Pharma may be developed into important factors that affect the Company's operations, results and financial position. For a more detailed list of risks, we refer to EQL's information memorandum of October 29, 2018, pages 4-7.



## 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 2019/2020 will be published:

Financial calendar:	
Interim report April - September	2019-11-11
Interim report October - December	2020-02-05
Year-end report April - March	2020-05-04

## Accounting principles

This interim report has been prepared in accordance with K3 for 2019/2020. For the Parent Company this interim report has been prepared in accordance with K3 for 2019/2020. 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 has an unchanged goal to grow by at least 30% on average per year during the 5-year period 2016 to 2020/2021 and aims to grow EBITDA at least at the same rate as sales is growing. The assumed growth of 30% per year will be distributed unevenly over the 5-year period.

We estimate that sales for the fiscal year 2019/2020 will increase by around 30% compared with the previous fiscal year and that the company's EBITDA will grow at a similar rate

### The auditors' review

This interim report has not been audited by the auditor.

Christer Fåhraeus, VD

For further information, please contact Christer Fåhraeus, +46 705 609 000

Lund, August 22<sup>nd</sup>, 2019

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Maria Bech

## The Group

### Balance sheet

Amounts in SEK thousands

	2019-06-30	2018-06-30	2019-03-31
<b>Assets</b>			
Intangible assets	50 974	37 026	48 234
Tangible fixed assets	493	274	524
Financial assets	296	296	296
<b>Total fixed assets</b>	<b>51 764</b>	<b>37 596</b>	<b>49 054</b>
<b>Total current assets</b>	<b>54 148</b>	<b>24 763</b>	<b>53 084</b>
<b>Total assets</b>	<b>105 912</b>	<b>62 359</b>	<b>102 138</b>

### Liabilities and equity

Total equity	78 221	56 843	78 205
Long-term liabilities	0	0	0
Current liabilities	27 691	5 516	23 933
<b>Total equity and liabilities</b>	<b>105 912</b>	<b>62 359</b>	<b>102 138</b>

### Income statement

Amounts in SEK thousands	2019-04-01 2019-06-30 Q1	2018-04-01 2018-06-30 Q1	2018-04-01 2019-03-31 12 months	2017-04-01 2018-03-31 12 months	2017-01-01 2018-03-31 15 months
Net sales	14 459	10 657	49 984	28 581	33 905
Capitalized work	0	0	0	3 256	4 312
Other operating income	115	0	0	0	0
Direct costs	-5 971	-4 714	-22 099	-14 262	-16 578
<b>Gross profit</b>	<b>8 603</b>	<b>5 944</b>	<b>27 885</b>	<b>17 575</b>	<b>21 639</b>
<i>Gross margin</i>	<i>59%</i>	<i>56%</i>	<i>56%</i>	<i>50%</i>	<i>51%</i>
Operating expenses	-7 366	-5 057	-24 511	-16 647	-20 373
<b>EBITDA</b>	<b>1 237</b>	<b>886</b>	<b>3 374</b>	<b>928</b>	<b>1 266</b>
Depreciation / amortization	-1 156	-776	-4 798	-1 526	-1 781
<b>EBIT</b>	<b>81</b>	<b>110</b>	<b>-1 424</b>	<b>-598</b>	<b>-514</b>
Net financial items	-67	-1	-89	-2	-2
<b>Profit after financial items</b>	<b>14</b>	<b>110</b>	<b>-1 513</b>	<b>-600</b>	<b>-516</b>
Items affecting comparability / Appropriations	0	0	0	0	0
Tax	0	0	0	0	0
<b>Net profit for the period</b>	<b>14</b>	<b>110</b>	<b>-1 513</b>	<b>-600</b>	<b>-516</b>

Consolidated changes in equity  
2019-04-01 – 2019-06-30

Amounts in SEK thousands	Share capital	Other contributed capital	Other capital including profit for the period
<b>Balance at beginning of period</b>	<b>1 308</b>	<b>66 133</b>	<b>10 764</b>
New share issue / Share issue costs			
Translation differences			1
Profit for the period			14
<b>Balance at end of period</b>	<b>1 308</b>	<b>66 133</b>	<b>10 780</b>

## Parent company

### Balance sheet

Amounts in SEK thousands	2019-06-30	2018-06-30	2019-03-31
<b>Assets</b>			
Intangible assets	50 459	36 504	47 897
Tangible fixed assets	493	274	524
Financial assets	391	391	391
<b>Total fixed assets</b>	<b>51 343</b>	<b>37 169</b>	<b>48 811</b>
<b>Total current assets</b>	<b>53 572</b>	<b>24 456</b>	<b>52 148</b>
<b>Total assets</b>	<b>104 915</b>	<b>61 624</b>	<b>100 960</b>
<b>Liabilities and equity</b>			
Total equity	77 889	56 495	77 582
Long-term liabilities	0	0	0
Current liabilities	27 026	5 129	23 377
<b>Total equity and liabilities</b>	<b>104 915</b>	<b>61 624</b>	<b>100 960</b>

## Income statement

Amounts in SEK thousands	2019-04-01	2018-04-01	2018-04-01	2017-04-01	2017-01-01
	2019-06-30	2018-06-30	2019-03-31	2018-03-31	2018-03-31
	Q1	Q1	12 months	12 months	15 months
Net sales	13 536	9 377	43 977	20 680	24 698
Capitalized work	0	0	0	3 256	4 312
Other operating income	115	0	0	0	0
Direct costs	-5 253	-3 651	-18 148	-9 518	-11 292
<b>Gross profit</b>	<b>8 398</b>	<b>5 726</b>	<b>25 830</b>	<b>14 418</b>	<b>17 718</b>
<i>Gross margin</i>	<i>61%</i>	<i>61%</i>	<i>59%</i>	<i>54%</i>	<i>54%</i>
Operating expenses	-6 913	-4 821	-22 898	-15 709	-19 321
<b>EBITDA</b>	<b>1 485</b>	<b>905</b>	<b>2 931</b>	<b>-1 291</b>	<b>-1 603</b>
Depreciation / amortization	-1 112	-714	-4 552	-1 445	-1 690
<b>EBIT</b>	<b>373</b>	<b>190</b>	<b>-1 620</b>	<b>-2 737</b>	<b>-3 293</b>
Net financial items	-67	-1	-88	-2	-2
<b>Profit after financial items</b>	<b>307</b>	<b>190</b>	<b>-1 709</b>	<b>-2 739</b>	<b>-3 295</b>
Items affecting comparability / Appropriations	0	0	0	2 400	2 400
Tax	0	0	0	0	0
<b>Net profit for the period</b>	<b>307</b>	<b>190</b>	<b>-1 709</b>	<b>-339</b>	<b>-895</b>

## Cash flow

Amounts in SEK thousands	2019-04-01	2018-04-01	2018-04-01	2017-04-01	2017-01-01
	2019-06-30	2018-06-30	2019-03-31	2018-03-31	2018-03-31
	Q1	Q1	12 months	12 months	15 months
Cash flow from operations during the period	1 419	904	2 843	1 107	795
Change in working capital	-3 829	-4 033	5 497	-5 061	-3 992
<b>Cash flow from operating after change in working capital</b>	<b>-2 411</b>	<b>-3 128</b>	<b>8 340</b>	<b>-3 955</b>	<b>-3 197</b>
Cash flow from investments	-3 644	-602	-16 082	-15 804	-18 062
Cash flow from financing operations	0	0	22 986	-10	-24
<b>Cash flow during period</b>	<b>-6 055</b>	<b>-3 730</b>	<b>15 244</b>	<b>-19 769</b>	<b>-21 284</b>
Cash / cash equivalents at beginning of period	21 032	5 788	5 788	25 557	27 072
<b>Cash / cash equivalents at end of period</b>	<b>14 978</b>	<b>2 058</b>	<b>21 032</b>	<b>5 788</b>	<b>5 788</b>