Annual Report and **Consolidated Financial Statements** 2019/2020

EQL Pharma AB | Corporate ID No 556713-3425

EQL PHARMA

Table of contents

Activity report

CEO's report . . . 3
EQL Pharma – niche generics . . . 4
Markets . . . 6
Pipeline . . . 8
Financial development . . . 9
Board of directors and auditors . . . 10
Executive team . . . 11

Annual report

Directors' report . . . 12
Five-year comparison, The Group . . . 13
Appropriation of earnings . . . 14
Financial overview . . . 15
Income statement . . . 15
Balance sheet . . . 16
Cash flow statement . . . 18
Supplementary disclosures . . . 19
Disclosures for individual items . . . 21
Signatures . . . 25
Auditor's report . . . 26
The Annual General Meeting and calendar . . . 29

CEO's report

The financial year 2019/2020 proved to be a further year of good growth for EQL Pharma. Our sales increased by 45 per cent compared with the previous year, significantly above our target of 30 per cent growth, and amounted to SEK 72 million.

In 2019/2020 we introduced two new components in our growth strategy that will increase in importance over the next few years. For the first time we started to sell one of our niche generics, Methenamine EQL Pharma, outside the Nordic countries. Europe outside of the Nordic countries, will account for a significant part of EQL Pharma's growth in the next five years. To enable expansion in this area we are now investing in internal and external resources to understand the different markets' characteristics as a means to select the products that can be sold in specific markets and to establish a marketing and sales strategy. In parallel with this, registrations are being prepared in the selected countries for the first wave of products that have clear European potential. Our investments will have a significant impact on sales and profit in two years and onwards.

The other growth component where we broke new ground in 2019/2020 was in the product category hospital products in which Hevicain Spinal Tung, the first of many hospital products under development, won a tender in Denmark. Medicines sold through tenders to healthcare will increase significantly in importance for us over the next five-year period. In many European countries it is possible to sell to the tender units directly, even for a company such as EQL Pharma, which has decided not to invest in an extensive sales and marketing organisation. Thus, hospital products will also account for a large part of our growth in three years and onwards, but will also contribute to our growth before that time.

As EQL Pharma's supply chain is largely in China and India, the end of the financial year was marked by the Covid-19 pandemic. China, the world's largest exporter of generic APIs, was clearly affected by covid-19 for a couple of months, but supplies were back up to full capacity quite quickly. In India, the world's largest exporter of generic medicines, there are from 4 March 2020 state export restrictions with an impact on several of our products, including Paracetamol. However, in order to be a reliable supplier to hospitals and pharmacies, we have previously taken the decision to have security reserves that are far larger than the industry norm. This means that from a short-term perspective we are relatively unaffected by the delivery problems that many generic medicine companies are currently enduring, but we must devote a lot of energy to secure deliveries for the second half of the financial year 2020/2021.

We also announced new financial targets that apply for the next five-year period, 2020/2021 to 2024/2025, in which we raise the annual growth target to 40 per cent on average over the five-year period. For the current five-year period, which concludes 2020/2021, the corresponding target is 30 per cent growth. The target for our EBIT margin is set at higher than 25 per cent by the end of the new five-year period.

After the end of the financial year Axel Schörling, the company's COO, was appointed deputy CEO with increased responsibility for the entire workflow from the start of new projects to launch and sales.

EQL Pharma increased its product line after the end of the financial year to also include medical-technical products and consumables for healthcare and in May 2020 we received a large order for protective equipment from one of the hospital regions in Sweden. EQL Pharma has for many years worked closely with leading Chinese life science companies and has staff members who are Chinese citizens. This has enabled the acquisition of rights to medical protective equipment.

Due to the Covid-19 pandemic and the focus we need to have on securing deliveries for our medical-technical and medicine products, the company's move to Nasdaq Stockholm's main list will be postponed until Q1 of the financial year 2021/2022.

Our long-term objective is to be a leading company in niche generics in the Nordic region and, in the next phase, in Europe. There will be challenges along the way, but we are convinced that we can overcome these and reach our objective. We have talented staff members, a strong pipeline and solid plans.

In conclusion, I would like to thank our employees and partners for the fantastic job they have done during the past year.

Christer Fåhraeus
CEO and board member of
EQL Pharma AB (publ)

EQL Pharma – niche generics

Founded in 2006 by Christer Fåhraeus and Karin Wehlin, EQL Pharma specialises in the development and supply of generics, that is, medicines that are medically equivalent to originator products whose patent protection has expired.

At 31 March 2020, EQL Pharma has 15 niche generics on the market. In addition to these there is a significant pipeline of other niche generics that are due to be launched from 2020 onwards. More information on this can be found in the Pipeline section. At present operations are entirely focused on prescription medicines in the Nordic region. With operations based in Lund, EQL Pharma has, at 31 March 2020, 8 (7) employees and is listed on Spotlight Stock Market. EQL Pharma has an extensive development programme in collaboration with leading contract manufacturers and large pharmaceutical companies in the EU and countries such as India and China.

More specifically EQL Pharma is targeting generic medicines with no or few competitors in the Nordic region, other than the originator product. We refer to these as niche generics. Initially, EQL Pharma focused on 'broader' generics with larger volumes and also more competition. However, from 2009 onwards the company has elected to focus exclusively on a niche strategy. The main reason EQL Pharma is targeting areas with low levels of competition is that the more competitors for a generic product, the more the price will be forced downwards. EQL Pharma's products are typically small in a global context but larger in the Nordic region. For this reason major international generics companies have not considered these local products worth pursuing as sales both in terms of value and number of tablets has been too low. Because these medications are often not offered for sale as fully developed projects, EQL Pharma is running an extensive development programme for these niche generics through a network of development partners and contract manufacturers.

How are generics sold?

Sweden, Denmark, Finland and Norway all have specific legislation and regulations that are applied to keep down the cost of prescription medications to society. Under the Pharmaceutical Benefits Act, products included in the pharmaceutical benefits scheme (högkostnadsskyddet) must be substituted with the least expensive equivalent product containing the same active ingredient and in the same formulation.[1] Originator products tend to remain on the market in Sweden, Denmark, Finland and Norway even after generic competitors have appeared, but unless there are special circumstances a less expensive alternative will be dispensed to the patient.

In many cases several different generics are available on the market for a single originator product. To decide which generic product gets to replace the originator product in Sweden, each generics company wishing to participate as a competitor submits pricing applications on a monthly basis to the Swedish Dental and Pharmaceutical Benefits Agency (Tandvårds- och läkemedelsförmånsverket, TLV). TLV selects the least expensive generic and circulates information on its choice to pharmacies. Whenever an EQL Pharma product is selected, information is also sent directly to the company's distribution partners, such as Oriola or Tamro, which in turn ensure that the generic is promptly distributed to all pharmacies.

Apart from Sweden, EQL Pharma also has ongoing product sales in Denmark. The company also plans to commence sales operations in Norway and Finland as new products are launched. In Sweden pricing applications are submitted to TLV once a month. In Denmark this process takes place every two weeks and in Finland once every three months. In Norway the above process differs slightly in that promotion and pricing negotiations are conducted with pharmacy chains directly.

1 http://www.lakemedelsverket.se/malgrupp/Halso---sjukvard/Forskrivning/Utbytbara-lakemedel-/Fragor-och-svar-om-utbytbarhet/

Generic product development

As part of the development of an originator product the manufacturer will apply for patent protection. The product is granted exclusivity for 20 years from the time of patent approval, with the option of an extension of up to five years in case of a prolonged development process. In reality, the period of market exclusivity will be significantly shorter than 20 years as the patent application is typically filed many years ahead of launch.

Once the patent expires, EQL Pharma and other players in the generics marketplace are able to develop medicines that are identical to the originator product. Once marketing authorisation has been granted by the regulatory authority in the relevant country, the new generic product can be commercialised and sold. Increased competition in the marketplace with multiple suppliers will in turn typically lead to reduced prices. Many countries also have legislation to ensure that the least expensive versions of prescription medications are available. It should be stressed that all medicines offered on the market are subject to the same quality and safety testing regardless of whether it concerns orginator products or generic products.

Developing a new generic, from the time of EQL Pharma commencing the work to approval by the regulatory authority, generally takes between three to four years. At the start of the process the constituents of the new generic product are formulated and an agreement is signed with a so-called CRO (Contract Research Organisation), which will support EQL Pharma throughout the development process, including with regulatory affairs and compilation of documentation (a so-called dossier) for the subsequent regulatory submission. Clinical studies, so-called bioequivalence studies, are performed on healthy volunteers to demonstrate that the generic product is medically equivalent and of the same quality as the originator product. After around two years the development process and clinical studies are completed and the dossier is submitted to the regulatory authority. It takes approximately one year from submitting the dossier to the regulatory authority before EQL Pharma obtains the final report and potential approval, and sales can commence.

Products

EQL Pharma's marketed portfolio, at 31 March 2020, comprises 15 products: Metformin, Phenoximethylpenicillin, Hydroxyzine, Clarithromycin, Doxycycline, Zonisamide, Potassium Chloride, Eletriptan, Prednisolone, Paracetamol, Magnesium Hydroxide, Clindamycin, Pregabalin, Methenamine Hippurate and Hevicain Spinal Tung. The majority of these are marketed in several dosages and pack sizes. All products are included in the pharmaceutical benefits scheme and are subject to limited competition. In addition to this the company has a number of ongoing development projects that will be launched from 2020 onwards

Development

EQL Pharma develops niche generics based on their estimated return on investment (ROI). As a large number of projects have been identified, generics are selected on the basis of providing the best ROI with a reasonable level of risk from a competition and regulatory perspective as well as a development perspective. Costs incurred on development projects are capitalised continuously. EQL Pharma is currently not providing subsidies to other research organisations or to universities.

Markets

EQL Pharma operations are currently focused on the Nordic countries of Sweden, Denmark, Finland and Norway. Sales have commenced in Sweden and Denmark. In addition, sales are planned to commence in Norway and Finland in connection with the planned launch of new products.

The main rationale for the current marketing territory is that Sweden and Denmark have specific legislation and regulations that are applied to keep down the cost of prescription medicines to society. Under the Pharmaceutical Benefits Act, products included in the pharmaceutical benefits scheme "högkostnadsskyddet" must be substituted with the least expensive equivalent product containing the same active ingredient and in the same formulation.[1]

Sweden

The generic substitution scheme is well developed and widely accepted, and in the board's opinion working efficiently. New prices are established every month. In Sweden annual sales of generics amount to approximately SEK 5.0 billion, which accounts for around 16.5 per cent of total sales of prescription medicines in Sweden.[2] Sweden is currently EQL Pharma's main market, accounting for approximately 85 per cent of overall company revenue.

Denmark

The generic substitution scheme is working well in the board's opinion. New prices are established every other week. In Denmark annual sales of generics amount to approximately SEK 4.2 billion, which accounts for just under 23 per cent of the country's total sales of prescription medicines.[3]

Finland

Finland too has a principle where the least expensive version of a medicine should be sold. However, the Finnish scheme allows the substitution of any medicine with a product priced at a maximum of SEK 15 more than the least expensive product in a given group. This means it is considerably more difficult to achieve a large market share in Finland even with the lowest price. Although pharmacies 'should' dispense the least expensive available alternative, the board reckons in reality the most well-known product will be chosen, which will often be a Finnish brand. New reference prices, or maximum prices, are established at three-month intervals; however, adjustments can be made on a fortnightly basis. The Finnish generics market has annual sales of approximately SEK 3.1 billion or just under 16 per cent of the total prescription medicines market in Finland.[4]

Norway

Norway operates a scheme whereby pharmaceutical wholesalers, which have complete control over the product range in Norwegian pharmacies, have the right to negotiate directly with pharmaceutical companies and then set a price as appropriate within the price limit set by the state (65 per cent of the price of the originator product at the commencement of generic competition, with further stepwise reductions down to 20 per cent of the price of the originator product after 18 months). All generics in Norway are therefore sold at the highest possible price, the so-called 'maximum price', even though the pharmacy purchase price may be only 1 to 2 per cent of the originator price. It is therefore the board's and management's assessment that access to the Norwegian pharmaceutical wholesalers requires unique generic products so that the wholesalers will not be able to play one company against another. In Norway annual sales of generics amount to approximately SEK 1.6 billion, which accounts for just over 10 per cent of the country's total sales of prescription medicines.[5]

Other potential markets for workup

The potential future geographic markets for EQL Pharma are Germany, the UK, the Netherlands and Ireland, which have schemes based on the principle of the lowest price.

As of 2020 EQL Pharma also has sales in hospital medicines, mainly injection and infusion products. This market is steered by public tenders and has considerable similarities between the Nordic countries, which means that EQL Pharma sees good potential for profitable growth throughout the Nordic region in this category of products.

Another market niche in which EQL Pharma has been active for several years is the parallel import market in Sweden. Briefly, parallel import involves purchasing originator products in certain EU countries where the prices of originator products are low, such as Poland, and then importing and repackaging these for sale in another EU country such as Sweden.

1 http://www.lakemedelsverket.se/malgrupp/Halso---sjukvard/Forskrivning/Utbytbara-lakemedel-/Fragor-och-svar-om-utbytbarhet/
2 IQVIA
3 DLi-MI
4 IQVIA
5 IMS Health

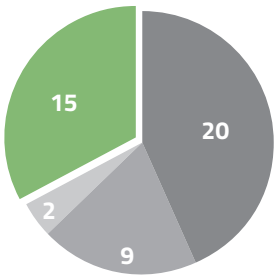
Pipeline

EQL Pharma has chosen to highlight our product pipeline from 2017 onwards. This information will be reported at a high level and will not include names of single products or their current or anticipated markets. Our intention is to provide better guidance for shareholders without divulging information to competitors and without enabling financial forecasting based on our pipeline. The information will be updated regularly, mainly through quarterly reporting.

Number of marketed products and products in the pipeline

EQL Pharma's total pipeline currently comprises 31 products, nine (9) of which are undergoing regulatory assessment, two (2) have been approved and are in the launch phase and the remaining 20 are in development. In addition to our pipeline we have 15 approved and marketed products at 31 March 2020. Our pipeline is in continuous development and it is expected that new products will be added during the year.

Pipeline June 2020	Products
Pipeline	20
Review phase	9
Launch phase	2
Total pipeline (incl. review phase & launch phase)	**31**
Marketed products	15
TOTAL (pipeline plus marketed products)	**46**

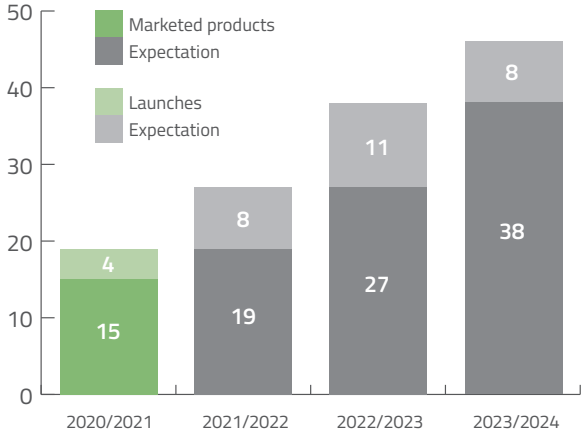


Number of marketed and launched products year on year

The majority of our total of 46 agreed products are expected to be launched in the coming three-year period.

At the start of the financial year 2020/2021 we have 15 on the market, and we expect to have a total of 19 products on the market at the start of 2021/2022. The chart also shows that we expect to have 27 marketed products at the start of 2022/2023 and 38 at the start of 2023/2024.

New product projects are expected to be added during the year; however some products may be cancelled and others may be delayed.



Financial development

The following section is intended to provide an overview of EQL Pharma's historical financial development and use this background to show the context for future financial targets.

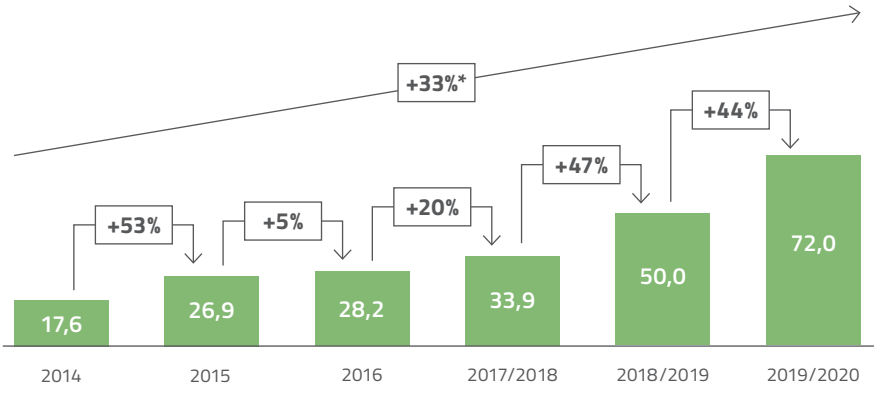
In Q3 of 2015 EQL Pharma entered into a partnership with the Indian company Cadila Pharmaceuticals, which also became the major owner of EQL Pharma. The partnership mainly covers the development of new niche generic medicines. An initial development agreement signed for eight products has been subsequently expanded.

This was the start of more expansive product development for EQL Pharma with an aim for the company to achieve a high growth rate for the foreseeable future. Previously the company had placed a few niche generics on the market in order to verify that the business model worked, but this partnership enabled product development to be scaled up.

For the five-year period 2016 to 2020/2021 the company's financial target for growth has been at least 30 per cent per year with the proviso that this would be spread unevenly over the years. The first products from the development programme with Cadila Pharmaceuticals reached the market in 2018 and thereafter the growth rate has accelerated.

In addition to collaboration with Cadila Pharmaceuticals, EQL Pharma also has a number of development projects with other partners. Furthermore, during the past 18 months EQL Pharma has analysed how the company can increase its presence outside the Nordic region. This will be accomplished not only by selling existing products in new markets, but also through searching for new niche generics in other markets outside the Nordic region. A number of European countries are similar to the Nordic countries in that they have originator products that lack generic competition or have little competiton even though the patents expired a long time ago.

This has further increased opportunities for growth, leading EQL Pharma to set a new financial target; to grow on average by at least 40 per cent per year during the period 2020/2021 to 2024/2025. Furthermore, a target has been set for an EBIT margin of at least 25 per cent by the end of the period.



*average increase

40%

Net annual sales growth
EQL Pharma's target for the next five-year period is to increase net sales on average by at least 40 per cent per year.

25%

Profitability
EQL Pharma's target is an EBIT margin of at least 25 per cent by the end of the next five-year period.

Board of directors and auditors

Rajiv I Modi
Member of the board since 2015. Born: 1960.

Other roles: Chairman and CEO of Cadila Pharmaceuticals. Chairman of the CII National Committee on Pharma 2015 – 2016. Chairman of the Board of Governors of the Indian Institute of Technology, Guwahati, India. Former chairman of CII Gujarat State Council.
Shareholding: 8 718 500 through companies.

Christer Fåhraeus
MD, PhD h.c., MSc. Bioengineering, BSc. (Med), BSc. Member of the board since 2006 and CEO. Co-founder of EQL Pharma. Born: 1965.

Other roles: Chairman of Respiratorius AB (publ), Amniotics AB and Umansense AB. Board member of CellaVision AB (publ), FlatFrog Laboratories AB and Reccan AB. Mr Fåhraeus has previously served as CEO of CellaVision AB (publ), Anoto Group AB (publ), FlatFrog Laboratories and Agellis Group AB (publ).
Shareholding: 9 098 631 through companies.

Lars Holmqvist
Member of the board since 2009. Born: 1955.

Other roles: From 2005 positions including Senior Advisor to BearingPoint, and 2010 – 2015 Senior Advisor to IKEA Industry Investment & Development. Long experience both with listed and unlisted companies, and as founder, owner and CEO of companies in the IT, R&D, VC and retail industries.
Shareholding: 568 670 including companies.

Maria Bech
Member of the board since 2015. Born: 1968.

Other roles: Board member of Neuronano AB, Iconovo AB and Paxman AB. Former positions include Chief Scientific Officer at Smartfish AS, VP Clinical Development and Regulatory Affairs at Karo Bio AB and Study Delivery Director at AstraZeneca. Has over 25 years' experience within project management and clinical trials at pharmaceutical companies and nutrition companies.
Shareholding: 6 000 shares.

Ingemar Kihlström
Chairman of the board since 2015.Born: 1952

Other roles: Independent consultant for over 15 years at Ingemar Kihlström AB. Prior to this, positions held within R&D and business development at Astra AB and Pharmacia AB for 20 years. Has also worked as advisor and analyst in the financial sector for eight years. Currently chairman of Ilya Pharma AB, Sensidose AB, Spectracure AB and Miris Holding AB. Board member of Emplicure AB, HealthInvest Partners AB, Prolight Diagnostics AB, Attana AB and Respiratorius AB.
Shareholding: 316 800 including companies.

Anders Månsson
Board member since 2018. Born: 1967.
Other roles: CEO of RhoVac AB (publ.). Board member of Amniotics AB and owner and founder of Anders Månsson Business Development AB.
Shareholding: 10 000 shares.

Olov Strömberg
Authorised Public Accountant, Crowe Osborne AB.

The board of directors. (Rajiv I Modi was not present).


Rajiv I Modi


Christer Fåhraeus


Lars Holmqvist


Maria Bech


Ingemar Kihlström


Anders Månsson

Executive team

Christer Fåhraeus
CEO and Group President
See board of directors.

Jennie Sterning
CFO
Jennie Sterning has 12 years' experience within the accounting and auditing sector as a chartered accountant (FAR) and office head at Resursgruppen Ekonomi & Revision AB in Lund. Since the start of EQL Pharma in 2006 Jennie Sterning has been in charge of book-keeping and year-end accounts and since 2016 she has been responsible for consolidated financial statements and financial reporting.

Axel Schörling
Deputy CEO and COO
MSc. Engineering Physics, Chalmers University of Technology and MSc. Finance, School of Business, Economics and Law, University of Gothenburg. Axel Schörling has a background as a management consultant at BearingPoint and joined EQL Pharma from his previous role as Director of Perstorp's Business Controlling team. Overall, he has considerable experience from a number of sectors and positions in logistics and supply chain from an operational/financial perspective.

Alexander Brising
Business Development Director
Alexander Brising, who has held a series of marketing and business development positions within the pharmaceutical industry, joined the company from the Sandoz Nordics headquarters in Copenhagen where he held the position of Commercial Head Sweden. He has an MBA from the School of Business, Economics and Law, University of Gothenburg.

Katarina Wallentin
Senior Regulatory Affairs Manager
BSc. Chemistry, Lund University. Katarina has 10 years' experience in regulatory affairs in various positions and over 14 years' experience as an analytical chemist.

Directors' report

The Board of Directors and CEO of EQL Pharma AB (publ), corporate identification number 556713-3425 with registered offices in Lund, hereby submit the annual accounts for operations in the Group and parent company for the financial year 1 April 2019 to 31 March 2020.

Operations

EQL Pharma AB specialises in developing and selling generics, that is, medicines that are pharmacologically identical to the original medicines. At 31 March 2020 the company has 15 niche generics (generics with little or no competition apart from the original medicine) approved and marketed on the Swedish and Danish markets. Moreover, there is a substantial pipeline of additional niche generics for launch in 2020 and beyond (see Pipeline section on page 8).
At present operations are entirely focused on prescription medicines. With operations based in Lund, EQL Pharma has eight employees and is listed on Spotlight Next Stock Market. EQL Pharma is running an extensive development programme in collaboration with leading contract manufacturers and large pharmaceutical companies in Europe and countries such as India and China.

Significant events during the financial year

Launches

During the financial year EQL Pharma launched the products Pregabalin, Methenamine Hippurate and Hevicain (bupivacaine).

Approvals

EQL Pharma has been granted approvals for four medicines by regulatory authorities in the Nordic region, namely Methenamine Hippurate, Metronidazole, Aripiprazole and Hevicain (bupivacaine).

The share

The company's share has been listed on Spotlight Stock Market (AktieTorget) since 17 December 2013. The total number of shares in the company at the end of the period was 29 063 610 (24 911 666) with a quotient value of SEK 0.045 per share.

Shareholders

The number of shareholders totalled around 1 300 at the start of the financial year and 1 200 at the close of the financial year.

Dividend policy

The Board of Directors does not intend to propose a dividend until the company is generating healthy cash flows that cannot be put to better use through reinvestment in the business. EQL Pharma has not issued a dividend since the company was founded in 2006.

Changes in equity – The Group

	Share capital	Other contributed capital	Other capital including profit for the year
Amount at start of year	**1 308**	**66 133**	**10 764**
New share issue/issue expenses	-	-	-
Translation differences for the year	-	-	6
Profit for the year	-	-	2 707
Amount at end of year	**1 308**	**66 133**	**13 478**

Changes in equity – Parent company

	Share capital	Other restricted equity	Other non-restricted equity	Profit for the year	Total non-restricted equity
Amount at start of year	**1 308**	**5 605**	**72 379**	**-1 709**	**70 670**
Appropriation of profit per AGM decision	-	-	-1 709	1 709	-
Development expenditure fund	-	694	-694	-	-694
New share issue/issue expenses	-	-	-	-	-
Profit for the year	-	-	-	2 930	2 930
Amount at end of year	**1 308**	**6 299**	**69 975**	**2 930**	**72 906**

Parent company

EQL Pharma AB is the parent company in the EQL Pharma Group. Net sales for the period reached SEK 67.8 million (43.7) and operating profit (EBITDA) totalled SEK 8.2 million (2.9).

Going concern

The company assesses that conditions exist for a going concern for a period of 12 months from the end of the reporting period.

Future development

The company's anticipated future development

The company's strategy is to continue to invest in its product portfolio. This strategy is capital-intensive, however sales revenues are expected to rise at the same rate or faster.

Financial targets

The company has an unchanged financial target of growth of at least 30 per cent on average per year over the five-year period 2016 to 2020/2021.

For the financial year 2020/2021, after a downward adjustment for Covid-19-related sales in Q1 of 2020/2021, the company estimates growth of around 30 per cent.

For the next five-year period, 2020/2021 to 2024/2025, the company's target is to grow by 40 per cent on average per year. Furthermore, the company has a target that the EBIT margin is to be more than 25 per cent by the end of the period.

Geographic expansion

Geographic expansion is a new component in EQL Pharma's long-term growth strategy in addition to expansion of the product portfolio. Work started in the last quarter of the financial year to identify the products in EQL Pharma's product portfolio that have potential markets in Europe, outside the Nordic region. Marketing in these markets will be conducted by the company itself or via licensees depending on the nature of the market and product. Sales in markets outside the Nordic region are expected to start generating significant revenues in the financial year 2020/2021 and onwards.

Unique products

EQL Pharma has decided to also include unique medicines in its portfolio, unique to the extent that EQL Pharma's medicines will be the only approved products with the same API (Active Pharmaceutical Ingredients) and formulation on the market. The reason for developing or in-licensing these products is the known demand in the market, for example due to a new, better formulation that has been shown to have benefits for patients. The unique products will be the first products in EQL Pharma's portfolio sold under unique brands. The first products in this category are expected to reach the market in the financial year 2020/2021.

Five-year comparison, The Group

The annual accounts are prepared in thousands of swedish krona.	2019/2020	2018/2019	2017/2018	2016	2015
Net sales	72 029	49 755	33 905	28 200	26 872
Sales growth %	45	47	20	5	53
Gross margin %	51	56	51	61	62
Profit before depreciation	7 290	3 374	1 266	5 112	5 502
Profit after financial items	2 724	-1 513	-516	3 541	3 722
Profit for the year	2 707	-1 513	-516	3 541	3 722
Equity/assets ratio %	65	77	85	90	89
Total cash flow	-11 382	12 821	-18 308	370	26 809
Return on equity %	3	neg.	neg.	14	14

Employees

The Group employs 8 (7) people, 6 (5) of whom are women. The number of full-time employees is 8 (7) people in the Swedish parent company.

In addition to permanent staff EQL Pharma also regularly employs consultants with expertise in good manufacturing practice (GMP), pharmacovigilance and wholesale operations linked to the parent company.

Risk factors

EQL Pharma is exposed to several risk factors that can have a negative impact on the business. It is therefore extremely important to take account of relevant risks alongside the company's growth opportunities. Following is a description of risk factors, in no particular order. The list is not exhaustive.

Delays to breakthroughs in new markets may cause a decline in earnings for the company and it therefore cannot be ruled out that EQL Pharma may need to obtain additional capital in the future. An extensive investment and product development from a competitor may entail risks in the form of a decline in sales and profitability. Increased competition may cause negative sales and earnings effects for the company in the future.

External factors such as inflation, exchange rate and interest rate changes, availability and demand and periods of high and low economic activity can impact on operating expenses, sales prices and the value of the company's shares. EQL Pharma's future revenue and share value may be negatively affected by these factors, which are beyond the company's control. A large portion of purchases are in EUR, the value of which can change significantly.

EQL Pharma will continue to develop new products within its operating segment. The time and cost aspects of product development can be difficult to accurately determine in advance. This entails a risk that planned product development will incur greater costs than anticipated or take longer than planned.

Further risks and uncertainty factors that are not known to EQL Pharma at this time can develop into important factors that affect the company's operations, earnings and financial position. For a more detailed list of risks please refer to EQL's information memorandum dated 29 October 2018, pages 4 – 7.

Appropriation of earnings

Proposed appropriation of company profit/loss

At the disposal of the AGM:	
non-restricted equity	69 975 455
profit/loss for the year	2 930 163
	72 905 618
The Board of Directors proposes that	
the following amount be carried forward	72 905 618
	72 905 618

Retained earnings are offset against non-restricted equity.

The company's earnings for the financial year and financial position at 31 March 2020 are detailed in the attached financial statements with accompanying notes, which comprise an integral part of these annual accounts.

EQL Pharma AB, Corporate ID No 556713-3425

Financial overview

Income statement

		Group		Parent company	
		4/1/2019 3/31/2020	4/1/2018 3/31/2019	4/1/2019 3/31/2020	4/1/2018 3/31/2019
Operating income etc.	Note				
Net sales	12	72 029	49 755	67 788	43 748
Capitalised work for own account		0	0	0	0
Other operating income		459	229	459	229
		72 489	49 984	68 248	43 977
Operating expenses					
Goods for resale		-35 209	-22 099	-31 905	-18 148
Other external costs	1, 2, 10	-16 483	-12 669	-15 789	-11 840
Employee expenses	2	-13 507	-11 842	-12 333	-11 058
Depreciation/amortisation and impairment of property, plant and equipment and intangible assets		-4 134	-4 798	-3 858	-4 552
		-69 332	**-51 408**	**-63 885**	**-45 598**
Operating profit		**3 156**	**-1 424**	**4 362**	**-1 620**
Profit/loss from financial items					
Interest expense and similar profit/loss items		-432	-89	-432	-88
		-432	**-89**	**-432**	**-88**
Profit/loss after financial items		**2 724**	**-1 513**	**3 930**	**-1 709**
Appropriations					
Group contributions paid		0	0	-1 000	0
Tax on profit/loss for the year	3	0	0	0	0
PROFIT/LOSS FOR THE YEAR		**2 724**	**-1 513**	**2 930**	**-1 709**
Attributable to: Parent company shareholders		2 724	-1 513		

Balance sheet

		Group		Parent company	
		3/31/2020	3/31/2019	3/31/2020	3/31/2019
ASSETS	Note				
Non-current assets					
Intangible assets					
Capitalised expenditure	4	6 302	6 932	6 302	6 932
Licensed and development products	5	56 031	41 303	55 555	40 965
		62 333	**48 234**	**61 858**	**47 897**
Property, plant and equipment					
Equipment, tools, fixtures and fittings	6	366	524	366	524
		366	**524**	**366**	**524**
Non-current financial assets					
Investments in Group companies	8	0	0	390	390
Participations in other companies		1	1	1	1
Deferred tax asset	7	295	295	0	0
		296	**296**	**391**	**391**
Total non-current assets		**62 996**	**49 054**	**62 615**	**48 811**
Current assets					
Inventories etc.					
Goods for resale		27 866	14 052	26 602	12 857
Advance payments to suppliers		496	496	496	496
		28 362	**14 548**	**27 098**	**13 353**
Current receivables					
Trade receivables		17 147	11 808	15 880	11 083
Receivables from Group companies		0	0	1 972	1 729
Other receivables		1 225	128	1 224	123
Prepaid expenses and accrued income	11	4 273	4 669	4 152	4 590
		22 645	**16 606**	**23 228**	**17 525**
Cash and bank balances					
Cash and bank balances		10 310	21 692	10 145	21 032
Total current assets		**61 317**	**52 846**	**60 471**	**51 910**
TOTAL ASSETS		**124 313**	**101 900**	**123 086**	**100 721**

Balance sheet

		Group		Parent company	
		3/31/2020	3/31/2019	3/31/2020	3/31/2019
EQUITY AND LIABILITIES	Note				
Consolidated equity					
Share capital		1 308	1 308		
Other contributed capital		66 133	66 133		
Other equity including profit for the year		13 478	10 764		
Total consolidated equity		**80 918**	**78 205**		
Equity, parent company					
Restricted equity					
Share capital (29 063 610 shares)				1 308	1 308
Development expenditure fund				6 299	5 605
				7 607	**6 912**
Non-restricted equity					
Retained earnings				69 975	72 379
Profit for the year				2 930	-1 709
				72 906	**70 670**
Total equity, parent company				**80 513**	**77 582**
Current liabilities					
Trade payables		12 144	9 598	11 623	9 233
Pledged invoices	13	6 859	2 720	6 859	2 720
Pledged inventory	13	20 039	8 195	20 039	8 195
Tax liabilities		202	303	185	303
Other liabilities		2 399	1 360	2 216	1 308
Accrued expenses and deferred income	9	1 751	1 519	1 651	1 379
Total current liabilities		**43 394**	**23 695**	**42 573**	**23 139**
TOTAL EQUITY AND LIABILITIES		**124 313**	**101 900**	**123 086**	**100 721**

Cash flow statement

		Group		Parent company	
		4/1/2019 3/31/2020	4/1/2018 3/31/2019	4/1/2019 3/31/2020	4/1/2018 3/31/2019
Operating activities	Not				
Profit/loss for the year		2 724	-1 513	3 930	-1 709
Group contribution		0	0	0	0
Depreciation/amortisation		4 134	4 798	3 858	4 552
Capital gain/loss property, plant and equipment		-0	0	-0	0
Cash flow from operating activities before changes in working capital		**6 858**	**3 285**	**7 788**	**2 843**
Cash flow from changes in working capital					
Decrease(+)/increase(-) in inventories		-13 814	-4 396	-13 745	-4 770
Decrease(+)/increase(-) in receivables		-6 039	-6 359	-5 703	-3 263
Decrease(-)/increase(+) in current liabilities		19 682	13 388	19 435	13 531
Cash flow from operating activities		**6 687**	**5 919**	**7 774**	**8 340**
Investing activities					
Investment in capitalised expenditure	4	-493	0	-493	0
Investment in licensed and development products	5	-17 587	-15 682	-17 173	-15 682
Investment in equipment	6	-9	-400	-9	-400
Sales of equipment	6	14	0	14	
Contributions/acquisitions of Group companies		0	0	0	0
Cash flow from investing activities		**-18 075**	**-16 082**	**-17 661**	**-16 082**
Financing activities					
New issue/issue expenses		0	22 986	0	22 986
Amortisation of long-term loans		0	0	0	0
Group contributions paid		-	-	-1 000	0
Translation difference		6	-1	-	-
Cash flow from financing activities		**6**	**22 985**	**-1 000**	**22 986**
Change in cash and cash equivalents		**-11 382**	**12 822**	**-10 887**	**15 244**
Opening cash and cash equivalents		21 692	8 870	21 032	5 788
Closing cash and cash equivalents		**10 310**	**21 692**	**10 145**	**21 032**

Supplementary disclosures

General disclosures

Accounting policies
The annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and BFNAR 2012:1 Annual and consolidated accounts.

The policies are the same as last year.

Valuation principles

Receivables
Receivables have been stated at the amounts expected to be received.

Other assets, provisions and liabilities
Other assets, provisions and liabilities have been measured at cost, unless otherwise stated below.

Reporting of distribution costs
Historically EQL Pharma has included distribution costs for medicines in direct costs of materials. However, the pharmaceutical industry regards distribution as an operating activity and therefore includes these costs in sales and marketing costs, i.e. operating expenses. In order to facilitate the calculation of efficiency measures and production of comparative analyses vis-à-vis the pharmaceutical industry, EQL Pharma reports distribution costs under other external costs, in line with the pharmaceutical industry.

Revenue recognition
Revenue is recognised at the fair value of what has been received or what will be received. The company therefore recognises revenue at a nominal amount (invoice amount) if remuneration is received in cash immediately upon delivery. Deductions are made for discounts.

Property, plant and equipment
Property, plant and equipment is recognised at cost less accumulated depreciation and any impairment losses. Assets are depreciated on a straight-line basis over the assets' estimated useful life. Useful life is reviewed at every balance sheet date.

The following useful life period is applied:

Equipment, tools and machinery	5 years

Intangible assets
Non-current intangible assets are recognised at cost less accumulated amortisation and any impairment losses. Useful life is reviewed at every balance sheet date.

Licensed products
Licensed products pertain to the rights for the company to manufacture, market and sell medicines within a specific territorial area. Depreciation of fully developed products, so-called licensed products, is on a straight-line basis at 20 per cent per year. Depreciation begins once the products have been launched.

Development products
Development products pertain to the costs of developing new medicines. In order to obtain the right to market a particular medicine a registration application must also be submitted to the regulatory authorities in those countries where the products are to be marketed. These registrations are activated in connection with the payment of licence and registration fees. Products developed by the company, so-called development products, are depreciated on a straight-line basis at 10 per cent per year. Depreciation begins once the products have been launched.

In cases where it emerges that the potential for the products is fulfilled before 3 or 5 years respectively have elapsed since the launch, the remaining value is depreciated immediately.

The following useful life periods are applied:

Capitalised expenditure	5 years
Licensed products	5 years
Development products	10 years
Registration fees, licensed products	5 years
Registration fees, development products	10 years
Brands and similar rights	10 years

Inventories
Inventories are measured at the lower of cost, calculated according to the first-in, first-out method, and net realisable value. Net realisable value has been calculated at sales value less estimated selling expenses whereby obsolescence has been taken into account.

Income tax
Current tax is income tax for the current financial year that relates to taxable profit for the year and the portion of previous financial years' income tax that has not yet been recognised.

Current tax is measured at the likely amount according to the tax rates and tax rules that apply on the balance sheet date.

Deferred tax is income tax for taxable earnings relating to future financial years resulting from previous transactions or events.

Deferred tax is calculated on temporary differences. A temporary difference exists when the carrying amount of an asset or liability differs from its tax value. Temporary differences are not considered in differences attributable to investments in subsidiaries, branches, associates or joint ventures if the company is able to determine the timing of reversal of the temporary differences, and it is not evident that the temporary difference will be reversed within the foreseeable future. Neither do differences deriving from initial recognition of goodwill or on initial recognition of an asset or liability, provided the attributable transaction is not a business combination or affects tax or recognised earnings, constitute temporary differences.

Deferred tax assets regarding loss carry-forwards or other future taxable deductions are recognised to the extent that it is highly likely that deductions can be offset against future taxable profit.

Deferred tax liabilities attributable to untaxed reserves are not recognised separately; untaxed reserves are recognised at gross amounts in the balance sheet.

Consolidated financial statements

Subsidiaries

Subsidiaries are companies in which the parent company directly or indirectly holds more than 50 per cent of the votes or in other ways exercises a controlling interest. A controlling interest means the right to govern a company's financial and operating strategies with a view to deriving economic benefits. Business combinations are accounted for using the economic unit approach. This means that the acquisition analysis is prepared on the date the acquirer obtains a controlling interest. From this date, the acquirer and the acquired entity are treated as a reporting unit. The application of the economic unit approach also means that all assets (including goodwill) and liabilities, as well as revenue and expenses, are included in their entirety, even for part-owned subsidiaries.

The acquisition cost of subsidiaries is estimated at the sum of the fair value on the acquisition date of assets paid, plus liabilities arising and assumed and equity instruments issued, expenses directly attributable to the business combination and any additional consideration. The acquisition analysis establishes the fair value, with some exceptions, on the acquisition date of acquired identifiable assets and assumed liabilities, as well as minority interests. Minority interests are measured at fair value on the acquisition date. From the acquisition date, the acquired company's revenue and expenses, identifiable assets and liabilities and any goodwill or negative goodwill arising are included in the consolidated accounts.

Translation of foreign subsidiaries

The accounts of foreign subsidiaries have been translated into Swedish krona in accordance with the current rate method. The current rate method means that all assets, provisions and other liabilities are translated at the rate on the balance sheet date and all items in the income statement are translated at the average exchange rate for the year. Translation differences arising are recognised directly in consolidated equity.

Elimination of transactions between Group companies and associates

Intra-Group receivables and liabilities, income and expenses and unrealised gains or losses arising on transactions between Group companies, are eliminated in their entirety. Unrealised gains arising on transactions with associates are eliminated in proportion to the Group's interests in the company. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no indication of any impairment.

Disclosures for individual items

Note 1 Remuneration to auditors	Group		Parent company	
	2019/2020	2018/2019	2019/2020	2018/2019
Crowe Osborne AB				
Audit engagement	187	166	155	144
Other services	80	17	79	17
	267	**183**	**234**	**162**

Audit engagement refers to the auditor's work concerning the statutory audit and auditing services including various types of quality assurance services. Other services include such services that are not part of the audit engagement, auditing services or tax advice.

Note 2 Employees	Group		Parent company	
	2019/2020	2018/2019	2019/2020	2018/2019
Average no. of employees				
The average number of employees is based on paid attendance hours related to normal working hours.				
Average no. of employees has been	8,00	7,00	8,00	7,00
of whom, women	6,00	5,00	6,00	5,00
of whom, men	2,00	2,00	2,00	2,00
Salaries, remuneration, etc.				
Salaries, remuneration, social security contributions and pension costs have been paid in the following amounts:				
Board of directors				
Salaries and remuneration	650	750	650	750
Invoiced fees	1 680	1 680	1 680	1 680
	2 330	**2 430**	**2 330**	**2 430**
Other employees				
Salaries and remuneration	7 768	6 740	6 594	5 956
Pension costs	1 092	1 011	1 092	1 011
	8 860	**7 752**	**7 687**	**6 967**
Social security contributions	2 370	2 014	2 370	2 014
Total for Board and other employees	**13 560**	**12 195**	**12 387**	**11 411**

Fees have been paid in the amount of SEK 250 thousand to the Chairman of the Board in 2019/2020, previous year SEK 250 thousand. Fees have been paid in the amount of SEK 100 thousand per member to the other members of the Board, totalling SEK 650 thousand, previous year SEK 750 thousand. Fees have been paid to CEO Christer Fåhraeus' company affiliate in the amount of SEK 1 680 thousand in 2019/2020, previous year SEK 1 680 thousand.

Note 3 Tax on profit for the year	Group		Parent company	
	2019/2020	2018/2019	2019/2020	2018/2019
Reconciliation of effective tax				
Profit/loss before tax	**2 724**	**-1 513**	**2 930**	**-1 709**
Tax expense 21.4% (22.00%)	-583	333	-627	376
Tax effect of:				
Non-deductible expenses	-5	-7	-5	-7
Non-taxable income	-0	0	-0	0
Adjustment for previous years	-17	0	0	0
Adjustment for issue expenses	0	424	0	424
Loss carry-forwards utilised this year	605	-749	632	-793
Total	**-0**	**-0**	**-0**	**0**

The parent company and Group's combined business losses amount to SEK 28.7 million, previous year SEK 29.3 million. The nominal value of deferred tax assets attributable to loss carry-forwards in Sweden, at a tax rate of 21.4 per cent, is SEK 6.1 million, previous year SEK 6.4 million at a tax rate of 22 per cent. SEK 0.3 million of this figure has been recorded in the balance sheet. Tax assets that have not been recorded regarding loss carry-forwards will be recorded as assets in the balance sheet when the company/Group reports stable profits.

Note 4 Capitalised expenditure	Group		Parent company	
	2019/2020	2018/2019	2019/2020	2018/2019
Opening cost	8 965	9 085	8 965	9 085
Purchases	493	0	493	0
Sales/disposals	-140	0	-140	0
Impairment losses	-783	-120	-783	-120
Closing accumulated cost	**8 535**	**8 965**	**8 535**	**8 965**
Opening depreciation	-2 034	-1 290	-2 034	-1 290
Sales/disposals	140	0	140	0
Depreciation for the year	-339	-743	-339	-743
Closing accumulated depreciation	**-2 233**	**-2 034**	**-2 233**	**-2 034**
Closing carrying amount	**6 302**	**6 932**	**6 302**	**6 932**

Capitalised expenditure is depreciated over 5 years from the launch of the product to which the capitalised expenditure is linked. In cases where it emerges that the potential for the products is fulfilled before 5 years have elapsed since the launch, the remaining value is depreciated immediately.

Note 5 Licensed and development products	Group		Parent company	
	2019/2020	2018/2019	2019/2020	2018/2019
Opening cost	48 393	33 456	47 719	32 782
Purchases	17 587	15 682	17 173	15 682
Sales/disposals	0	0	0	0
Impairment losses	-594	-744	-594	-744
Closing accumulated cost	**65 386**	**48 393**	**64 298**	**47 719**
Opening depreciation	-7 091	-4 074	-6 754	-3 984
Sales/disposals	0	0	0	0
Impairment losses for the year	0	0	0	0
Depreciation for the year	-2 264	-3 017	-1 989	-2 771
Closing accumulated depreciation	**-9 355**	**-7 091**	**-8 743**	**-6 754**
Closing carrying amount	**56 031**	**41 303**	**55 555**	**40 965**

Licensed products are depreciated over 5 years from launch. In cases where it emerges that the potential for the product is fulfilled before 5 years have elapsed since the launch, the remaining value is depreciated immediately.
Development products are depreciated over 10 years from launch. In cases where it emerges that the potential for the product is fulfilled before 10 years have elapsed since the launch, the remaining value is depreciated immediately.

Note 6 Equipment, tools, fixtures and fittings	Group		Parent company	
	2019/2020	2018/2019	2019/2020	2018/2019
Opening cost	870	470	870	470
Purchases	9	400	9	400
Sales/disposals	-22	0	-22	0
Closing accumulated cost	**857**	**870**	**857**	**870**
Opening depreciation	-346	-172	-346	-172
Sales/disposals	8	0	8	0
Depreciation for the year	-153	-174	-153	-174
Closing accumulated depreciation	**-491**	**-346**	**-491**	**-346**
Closing carrying amount	**366**	**524**	**366**	**524**

Scheduled depreciation is calculated based on a useful life of 5 years.

Note 7 Deferred tax	3/31/2020			3/31/2019		
Group	Temporary difference	Deferred tax asset	Deferred tax liability	Temporary difference	Deferred tax asset	Deferred tax liability
Tax loss carry-forwards	0	295	0	0	295	0
	0	**295**	**0**	**0**	**295**	**0**

Note 8 Investments in Group companies				3/31/2020	3/31/2019
Parent company					
Company	**Corporate ID no.**	**Registered office**	**No./Cap. share %**	**Carrying amount**	**Carrying amount**
EQL Pharma Oy	2136140-3	Helsinki	100	40	40
EQL Pharma Int AB	556957-9484	Lund	100	350	350
				390	**390**

Note 9 Accrued expenses and deferred income	Group		Parent company	
	3/31/2020	3/31/2019	3/31/2020	3/31/2019
Accrued fees	912	859	912	859
Accrued holiday pay	470	312	470	312
Other interim liabilities	369	349	269	209
	1 751	**1 519**	**1 651**	**1 379**

Note 10 Operating leases	Group		Parent company	
	2019/2020	2018/2019	2019/2020	2018/2019
Future minimum lease payments to be paid regarding non-cancellable leases.				
Payable within 1 year	1 037	1 073	1 037	1 073
Payable after 1 year and within 5 years	0	1 729	0	1 729
Payable after 5 years	0	0	0	0
Lease payments expensed during the period	1 136	728	1 136	728

In the company's financial statements, operating leases essentially comprise rented premises. Rental agreements for premises run for 5 years, and thereafter agreements may be extended for 3 years at a time. The present rental agreements expire in February 2021.

Note 11 Prepaid income and accrued incomes	Group		Parent company	
	2019/2020	2018/2019	2019/2020	2018/2019
Prepaid rents	287	283	287	283
Prepaid insurance premiums	126	80	126	80
Accrued contracted revenue	1 329	2 307	1 329	2 307
Other interim receivables	2 531	2 000	2 410	1 920
	4 273	**4 669**	**4 152**	**4 590**

Note 12 Intra-Group purchases and sales	Group		Parent company	
	2019/2020	2018/2019	2019/2020	2018/2019
Portion of purchases that concern Group companies	0	0	53	35

Note 13 Pledged invoices/Pledged inventory	Group		Parent company	
	2019/2020	2018/2019	2019/2020	2018/2019
Granted pledged invoice credit amounts to:	15 000	15 000	15 000	15 000
Granted pledged inventory credit amounts to:	20 000	10 000	20 000	10 000

Note 14 Liabilities for which security is provided	Group		Parent company	
	2019/2020	2018/2019	2019/2020	2018/2019
Other liabilities, utilised amount:				
Pledged receivables	6 859	2 720	6 859	2 720
Other pledged assets	20 039	8 195	20 039	8 195

Note 15 Significant events after the end of the financial year

EQL Pharma expands its product line to also include medical-technical products and consumables for healthcare
In early April the company received its first order from a hospital region, which will mean invoicing from the company of approximately SEK 40 million in Q1 of the financial year 2020/2021 in addition to other operations. Furthermore, the company estimates that it will be able to invoice for a total of SEK 15 million via distributors on one or more occasions in the financial year 2020/2021.

The share's move to main list is postponed
Due to the Covid-19 pandemic and the focus we need to have on securing deliveries for our medical-technical and medicine products, the company's move to Nasdaq Stockholm's main list will be postponed until Q1 of the financial year 2021/2022.

Axel Schörling appointed deputy CEO
Axel Schörling, the company's COO, has been appointed deputy CEO with an increased responsibility for the entire workflow from the start of new projects to launch and sales.

Lund, 27 July 2020

Christer Fåhraeus
Chief Executive Officer

Maria Bech

Rajiv I Modi

Ingemar Kihlström

Lars Holmqvist

Anders Månsson

Our auditor's report was presented on 29 July 2020

Olov Strömberg
Authorised Public Accountant,
Crowe Osborne AB

Auditor's report

To the Annual General Meeting of the shareholders of EQL Pharma AB Corporate ID no. 556713-3425

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of EQL Pharma AB for the financial year 1 April 2019 – 31 March 2020.

The company's annual accounts and consolidated accounts are included in the printed version of this document on pages 12 – 25.

In our opinion, the annual and consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company and Group at 31 March 2020 and of their financial earnings and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopt the income statement and balance sheet for the parent company and the Group.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibility according to these standards is described in more detail under the section 'Auditor's responsibility'. We are independent of the parent company and the Group, in accordance with the code of professional ethics for accountants in Sweden, and have fulfilled our ethical responsibilities in other respects according to these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Information other than the annual accounts and consolidated accounts

The Board of Directors and CEO are responsible for the other information, which is contained in pages one to ten (but does not include the annual accounts, consolidated accounts and our auditor's report regarding these).

Our opinion regarding the annual accounts and consolidated accounts does not cover this information and we express no opinion with recommendation regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts it is our responsibilty to read the information that is identified above and consider whether the information to a substantial extent is at variance with the annual accounts and consolidated accounts. In this review we also consider the knowledge that we have otherwise obtained during the audit and assess in other respects whether the information seems to contain material misstatements.

If, based on the work that has been carried out concerning this information, we come to the conclusion that the other information contains a material misstatement, we have an obligation to report it. We have nothing to report in this regard.

Responsibilities of the Board of Directors and CEO

The Board of Directors and CEO are responsible for ensuring that the annual accounts and consolidated accounts are prepared and that they provide a true and fair view in accordance with the Annual Accounts Act. The Board of Directors and the CEO are also responsible for such internal control as they deem necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

When preparing the annual accounts and consolidated accounts, the Board of Directors and CEO are responsible for analysing the company and Group's ability to continue operating. Where applicable, they provide notification of circumstances that could affect the ability to continue operations and to use the going concern assumption. The going concern assumption does not apply, however, if the Board of Directors and the CEO intend to liquidate the company, discontinue operations or do not have any realistic alternative to taking either of these options.

Auditor's responsibility

Our objectives are to achieve a reasonable level of assurance as to whether the annual accounts and the consolidated accounts as a whole do not contain any material misstatements, whether due to fraud or error, and to submit an auditor's report that contains our opinions. Reasonable assurance is a high level of assurance, but is no guarantee that an audit carried out in accordance with ISA and good auditing standards in Sweden will always detect a material misstatement if it exists. Misstatements may occur because of fraud or error and are deemed material if individually or together they could be expected to affect the financial decisions that users take based on the annual accounts and the consolidated accounts.

As part of an audit in accordance with ISA, we use our professional judgement and have adopted professional scepticism throughout the audit. In addition:

- we identify and assess risks of material misstatement in the annual accounts and consolidated accounts, whether due to fraud or error, we design and implement auditing procedures based in part on such risks and obtain audit evidence that is sufficient and appropriate to provide the basis for our opinions. The risk of not detecting a material misstatement as a result of fraud is greater than for a material misstatement due to error,

Auditor's report (cont.)

as fraud may comprise actions involving collusion, falsification, intentional omission, incorrect information or disregard of internal control.

» we obtain an understanding of the part of the company's internal control that is of significance for our audit in order to develop auditing measures that are appropriate in view of the circumstances, but not in order to give an opinion on the effectiveness of such internal control.

» we evaluate the suitability of the accounting policies used and the reasonableness of the Board of Directors and CEO's estimates in the accounts and associated information.

» we draw a conclusion about the suitability of the Board of Directors and the CEO using the assumption of continued operations in preparing the annual accounts and the consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether there is any uncertainty relating to such events or circumstances that could lead to significant doubt over the company and Group's ability to continue operating. If we conclude that there is material uncertainty, our auditor's report must draw attention to the relevant information in the annual accounts and consolidated accounts about the material uncertainty or, if such information is insufficient, modify our opinion about the annual accounts and the consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or circumstances may result in a company and a group no longer being able to continue operating.

» we evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and the consolidated accounts reflect the underlying transactions and events in a manner that provides a fair view.

» we obtain sufficient and appropriate audit evidence regarding the financial information for the units or business activities within the Group in order to give an opinion on the consolidated accounts. We are responsible for the management, monitoring and implementation of the consolidated accounts. We are solely responsible for our opinions.

We must inform the Board of Directors about aspects such as the planned extent and focus of the audit and its date.

We must also provide notification about significant observations during the audit, including significant deficiencies in internal control that we have identified.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the CEO of EQL Pharma AB for the financial year 1 April 2019 – 31 March 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibility according to these standards is described in more detail under the section 'Auditor's responsibility'. We are independent of the parent company and the Group, in accordance with the code of professional ethics for accountants in Sweden, and have fulfilled our ethical responsibilities in other respects according to these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. Any proposed dividend contains, among other things, an assessment of whether the dividend is justifiable with regard to the requirements that the company and Group's type of business, size and risks place on the size of the parent company and Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and management of the company's affairs. This includes continually assessing the company and Group's financial situation and ensuring that the company's organisation is structured so that its accounting records, management of funds and the company's financial affairs in other respects are subject to satisfactory checks. The CEO must conduct ongoing management in accordance with the Board of Directors' guidelines and instructions and, for example, take the action necessary to ensure that the company's accounting records are implemented in compliance with the law and that management of funds is carried out satisfactorily.

Auditor's report (cont.)

Auditor's responsibility

Our objective for the audit of management, and therefore our statement on discharge from liability, is to obtain audit evidence to have a reasonable level of assurance to be able to assess whether any Board member or the CEO in any significant respect:

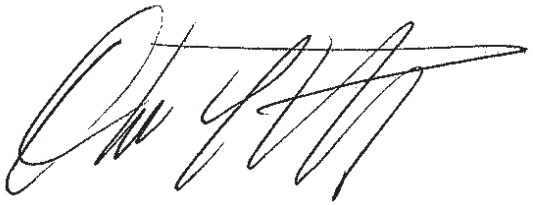
- has taken any action or is guilty of any negligence that could lead to a liability to the company, or
- has in some way acted in breach of the Swedish Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective for the audit of the proposed appropriation of the company's profit or loss, and therefore our statement about this, is to have a reasonable level of assurance to assess whether the proposal is consistent with the Swedish Companies Act.

Reasonable assurance is a high level of assurance, but is no guarantee that an audit carried out in accordance with good auditing standards in Sweden will always detect dealings or negligence that could lead to a liability to the company, or that proposed appropriations of the company's profit or loss are not consistent with the Swedish Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we use our professional judgement and have adopted professional scepticism throughout the audit. The audit of management and the proposed appropriations of the company's profit or loss are mainly based on the audit of the financial statements. Additional auditing procedures are carried out according to our professional judgement based on risk and materiality. This means we focus the audit on such measures, areas and circumstances that are of significance to the business and in relation to which deviations and breaches would be of particular significance to the company's situation. We review decisions taken, documentation for decision-making, action taken and other circumstances that are relevant to our statement on discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we have examined whether the proposal is in accordance with the Companies Act.

Lund, 29 July 2020
Crowe Osborne AB



Olov Strömberg
Authorised Public Accountant

The Annual General Meeting and calendar

AGM

The Annual General Meeting of the shareholders of EQL Pharma AB (publ) will take place on Thursday 27 August 2020 at 4.00 pm at EQL Pharma AB's offices at Stortorget 1 in Lund.

Notice convening the Annual General Meeting is available on EQL Pharma's website, www.eqlpharma.com.

Right to participate and registration

In order to participate in the Annual General Meeting, shareholders must be registered as a shareholder in the share register maintained by Euroclear Sweden AB on 21 August 2020, and notify the company by 21 August 2020, preferably before 4.00 pm, of their intention to attend the Annual General Meeting.

Notification of AGM attendance shall be submitted in writing, stating the shareholder's name, personal ID or corporate ID number and daytime telephone number, as well as the number of shares owned, to EQL Pharma AB, for the attention of Jennie Sterning, Stortorget 1, 222 23 LUND, or via e-mail to jennie.sterning@eqlpharma.com. Where appropriate, the number of proxies (maximum two) is to be indicated. If a shareholder intends to be represented by proxy, a power of attorney or other authorisation documents should be included with the notification. Original authorisation documents must be presented at the meeting. Proxy forms are available at the company and on the company's website and will be sent on request to shareholders who provide their postal address.

Share registration

Shareholders of holdings in custody through a nominee must temporarily register the shares in their own names with Euroclear Sweden AB to be entitled to participate in the meeting. Such registration must be completed no later than 21 August 2020 and should be requested of the nominee well in advance of this date.

Other information

Upcoming reporting dates

Interim report April – June (Q1)
27 August 2020

Interim report April – September (Q2)
6 November 2020

Interim report October – December (Q3)
18 February 2021

Year-end report (Q4)
6 May 2021

Financial reports, press releases and other information are available on EQL Pharma's website, www.eqlpharma.com, from the date of publication. You can subscribe to and download EQL Pharma's financial reports and press releases from the company's website, or via Spotlight Stock Market's (AktieTorget) website.

For environmental and cost reasons, EQL Pharma has decided to primarily distribute its annual report via the company's website. It will still be possible for those shareholders and stakeholders who request it to order a copy of the printed version of the annual report from the company to be sent by post. For further information, please contact Christer Fåhraeus, Chief Executive Officer, tel +46 (0)705 60 90 00 or email: info@eqlpharma.com.

EQL PHARMA

EQL Pharma AB
Stortorget 1, 3rd floor
SE-222 23 Lund, Sweden
Tel +46 46 12 01 70
Fax +46 46 12 00 12
www.eqlpharma.com

Graphic design: Magnus Lundh, Lunartic AB | Final art and image processing: Stefan Wulff, Stefan Wulff AB
Photography (board members): Jens C Hillner, PhotoMedia Sweden | Image page 5: Shutterstock, image page 7: Johnér bildbyrå

EQL PHARMA

Stortorget 1, 3rd floor | SE-222 23 Lund, Sweden
Tel +46 46 12 01 70 | Fax +46 46 12 00 12 | www.eqlpharma.com