

# Interim Report

## April – June 2020

(SEK million)	April - June 2020	April - June 2019	April-March 2020
Net sales	99,51	14,46	72,08
Sales growth %	588	36	44
Gross margin %	22	51	46
EBIT	11,58	0,08	3,16
Profit for the period	11,21	0,02	2,71

## Exceptionally high sales, mainly due to Covid-19

### April - June

- The Group's sales during the first quarter amounted to SEK 99.5 (14.5) million. Adjusted for non-recurring sales, sales amounted to SEK 22.4 (14.5) million, an increase of 55%.
- Gross profit amounted to SEK 22.4 (7.4) million for the quarter, an increase of 203%.
- Operating profit for the quarter amounted to SEK 11.6 (0.08) million.
- Earnings per share were SEK 0:39 (0:00) for the quarter.
- Cash flow from operating activities amounted to SEK 55.9 (-2.5) million for the quarter.
- Cash and cash equivalents were SEK 64.8 (15.3) million at the end of the quarter.



## CEO's comments

The first quarter of 2020/21 was a quarter with very good growth for EQL Pharma. Even if we adjust the sales down with consumables for healthcare that are judged to be of a non-recurring nature, sales for the quarter amounted to SEK 22.4 million. This corresponds to an increase of 55 percent compared with the first quarter of the previous financial year. Including sales of protective personal equipment to the hospital regions, sales landed at SEK 99.5 million for the quarter.

It should be pointed out that the total sales of protective personal equipment were greater than our press release indicated partly because all sales were concentrated to the current quarter instead of being spread out over several quarters and partly because all sales were direct sales from EQL Pharma to end the customer instead of being sold indirect through a distributor. Because of this, the entire sales revenue ended up in EQL Pharma books instead of only a part of the revenue.

The background to our extensive sales of protective personal equipment is that EQL Pharma has for many years worked closely with

leading Chinese life science companies and has an employee who are Chinese citizen. This enabled the acquisition of rights to protective protective equipment.

It is still too early to say how the expansion of our product line to include medical devices and healthcare consumables will affect our growth, but these products will probably play a more modest role than our pharmaceutical products. The products are also expected to have a lower average margin.

**"Adjusted sales of SEK 22.4 million for the quarter translates to a 55 percent growth"**

During the quarter, an order for healthcare consumables totalling SEK 8 million was received from a hospital region that will be invoiced during the second and third quarters.

During the financial year 2020/21, we will

continue to invest in a European expansion of our product portfolio and pipeline. From a practical perspective, this means that we have recruited our first key person in the UK and that we are employing a specialist company to prepare for our launch in Germany. Our investments will have a clear impact on the income statement in about two years and onwards.

Axel Schörling, the company's COO, was appointed executive vice president during the quarter with increased responsibility for the entire workflow from the start of development of a new drug to launch and sales.

Our long-term goal is to become 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 them and reach our goal. We have talented employees, a strong pipeline and solid plans.



  
Christer Fåhraeus  
President & CEO

# Significant events

## During the quarter

### Protective gear order

EQL Pharma expanded its product line to include medical technology products and consumables for healthcare. The company has for many years worked closely with leading Chinese life science companies and has employees who are Chinese citizens. This has enabled the acquisition of rights to medical protective equipment.

We received our first order from a Swedish hospital region, which was initially estimated to be worth SEK 40 million during the first quarter plus an additional SEK 15 million in a revenue sharing model, where EQL Pharma would receive a certain share of sales. In the end, we instead invoiced the entire order to the end customer ourselves during the current quarter and thus received a significantly larger total invoicing but a similar total profitability. The entire order was delivered and invoiced during the company's first quarter.

### Move to Nasdaq Stockholm's main list postponed

Due to the Covid-19 pandemic and the increased focus we need to maintain to secure supply for our products, both medical device and pharmaceutical, the company's move to Nasdaq Stockholm's main list will be postponed until the first quarter of the financial year 2021/22.

During the quarter, Axel Schörling, the company's COO, was appointed executive vice president and COO with increased responsibility for the entire workflow from the start of new projects to launch and sales.

## After the quarter

### New order for protective equipment

The good cooperation with the hospital regions during the current pandemic has led to an order for healthcare consumables with a sales value of approximately SEK 8 million. Revenue is expected to fall during the company's financial second and third quarter.

### Switch to function-based accounting

EQL Pharma have changed reporting of the income statement to function-based accounting from the financial year 2020/21 as an adjustment to the transition to IFRS.

# Market

EQL Pharma has an aggressive growth strategy driven by the launch of new products in combination with expansion into new markets. Our products are mainly generics to originals that have been marketed in Sweden and the Nordic countries for a very long time.

This means that the markets we come to are generally mature, but also that there are few, if any, generic competitors to our products and that it is unlikely that new ones will emerge.

## Marketed products

During the quarter, we launched Metronidazole EQL Pharma tablets 200mg and 400mg in Sweden. Metronidazole is an antibiotic used in the treatment of infections caused by anaerobic bacteria and certain parasites. Metronidazole EQL Pharma is interchangeable with Flagyl®, which was registered in Sweden in 1980. Metronidazole EQL Pharma is the only substitutable generic in Sweden.

## Geographic markets

Today, we operate directly in the generic markets in Sweden and Denmark. In the rest of the Nordic region and Europe, including Iceland, our products are currently sold indirectly through partners.

During 2020/21 and onwards, we will expand our geographical presence in Europe. Depending on the market, this is done through a direct or indirect sales model.

## Segment

Today, we only develop and sell prescription drugs. In that category, there are a few interesting

segments. So far, we have mostly invested in (a) the substitutable generics segment in outpatient care. The intention is to broaden the portfolio to include more (b) injection products for inpatient care and (c) unique products / formulations for outpatient care.. The injection products are generally sold through public procurement, while the unique products achieve sales only through specific prescription of our product.

Segments (b) and (c) are new to the company. But they are not new to the company's staff, who have many years of experience in these particular market segments from previous employers.

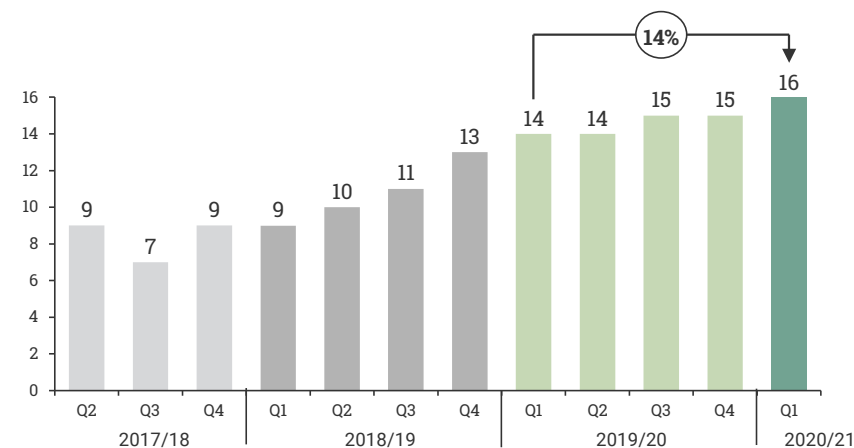


Figure 1. The company's product portfolio, i.e. marketed products, per quarter from fiscal year 2017/18 through the reporting period for the current fiscal year. The Y axis is the number of products marketed.

# Product development

## Pipeline

EQL Pharma's reporting of the pipeline takes place at a general level and does not include, with the exception of launch phase products, the names of individual products or the products' current or expected market potential. Our goal is to provide better guidance to shareholders without disclosing information to competitors and without our pipeline being interpreted as a financial prospect. The information is updated in connection with the quarterly reports.

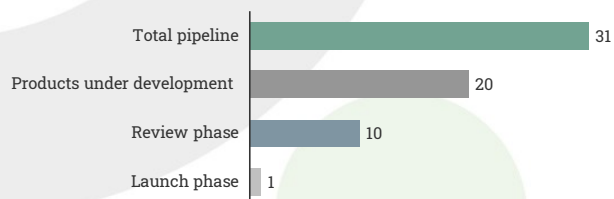


Figure 2. Total pipeline of products and how many products are in Review phase and Launch phase respectively.

## Products in the Development phase

Development phase is used here as a general term. In this term all products we actually develop together with partners in, for example, India or the EU are included. But in addition to these products, the term also includes all products on which

we have signed licensing or distribution agreements for one or more geographical markets, although we do not develop the product ourselves.

When a product is fully developed, the application is submitted to the Medicines Agency in the markets where we intend to sell the product. The Agency's then initiate an audit, which generally takes about one year from application to approval. We call this step Review phase. At the end of the quarter, we had nine products in the review phase.

After approval, when we know that the product is approved, we can place orders for manufacturing and delivery. In parallel with this, we apply for government reimbursement and tenders to the extent that they are available. We call this step the launch phase and usually it takes about six to nine months from approval until the first package is delivered to pharmacies.

## Products in the Launch phase

At the end of the quarter, we had one product in the launch phase. Aripiprazole EQL Pharma was approved by the Medical Products Agency in Sweden in September 2019. Aripiprazole is expected to be launched during the third quarter of 2020/21.

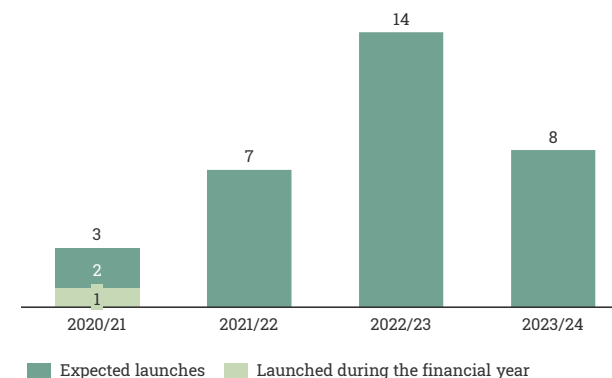


Figure 3. The company's product launches for the current fiscal year and expected product launches up to and including fiscal year 2023/24.

At all stages from the development phase to the launch phase, situations can arise that risk delaying a launch or even making it impossible. Both we at EQL and our well-selected partners do everything we can to prevent these situations from occurring, but there are always risk factors beyond our control.



# Financial information

# Sales

## Sales development

The first quarter of 2020/21 was yet another quarter with exceptional growth for EQL Pharma. Our total sales amounted to 99,5 (14,5) MSEK.

The sales growth was mainly driven by one-time sales of Personal Protective Equipment (PPE) following the Corona pandemic which alone amounted to 77,1 MSEK.

The sales of EQL Pharma's ordinary products amounted to 22,4 (14,5) MSEK. The 55 percent growth was driven by the launches conducted in 2019/20, hoarding of prescription drugs, stock-outs due to the Corona pandemic and increased prices following the stock-outs.

Quarterly net sales and Rolling 12 months (R12)\*

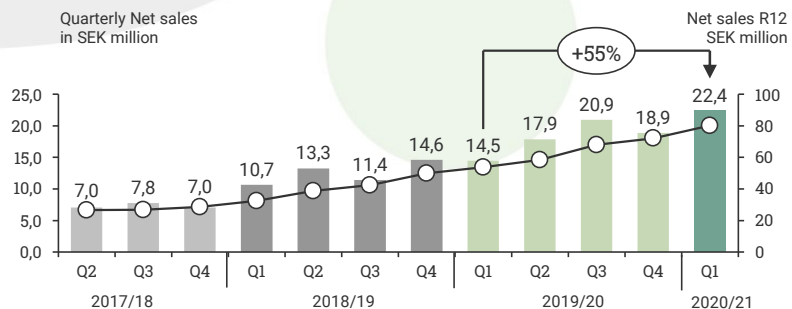


Figure 4. Net sales trend fiscal year 2017/18 through reporting period for the current fiscal year. Left Y-axis quarterly turnover in SEK million. Right Y-axis rolling 12-months sales expressed in SEK million.

\* Excluding extraordinary one-time items

## Profit performance

The operating profit EBIT amounted to 11,6 (0,1) MSEK in the first quarter. The large profit increase was driven by the new launches and the same one-time effects that drove the increased sales (hoarding, higher prices, competitors in stock-out and sales of PPE)

Personnel cost and other external costs have increased compared to the same quarter last year due the larger scope of the operations in the quarter.

Quarterly EBIT and EBIT Rolling 12 months (R12)

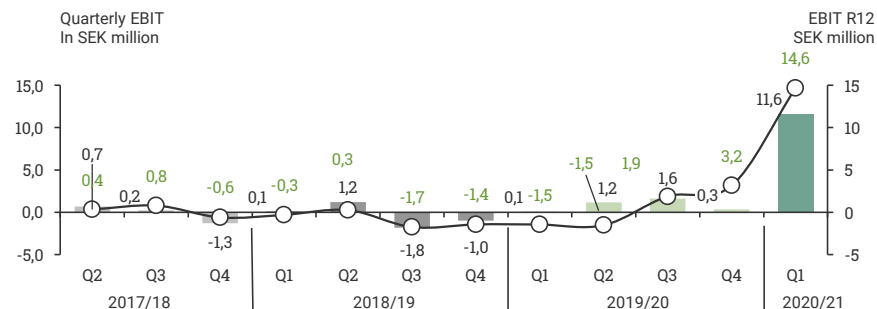


Figure 5. Operating profit trend (EBIT) for fiscal year 2017/18 through the reporting period for the current fiscal year, the bars are EBIT and the line is rolling 12-month EBIT. The left Y-axis EBIT per quarter expressed in SEK million and the right Y-axis is rolling 12-month EBIT expressed in SEK million.

# Sales of Personal Protective Equipment during the Corona Crisis

## Activities during Q1 2020/21

During the Corona pandemic EQL Pharma has supported Swedish Counties with Personal Protective Equipment (PPE) for use in health care operations. This was made possible due to our many and extensive contacts with suppliers around the globe and our good cooperation with Swedish Counties.

We are happy and proud that we could contribute to ease the vast deficit of PPE that was seen during the most intensive months in the Corona crisis.

The sales generated by the Personal Protective Equipment in EQL Pharma's books are not seen as part of our long-term growth journey but as a one-time item linked to the Corona pandemic. The sales are mainly within the framework of the press releases made by the company with the addition that (i) all sales were concentrated in the current quarter instead of being spread over several quarters and (ii) all sales were invoiced directly by EQL Pharma to the end customer instead of being sold in a revenue sharing model through distributor. In this way, the entire sales revenue ended up in EQL Pharma's books instead of only a part of the revenue. This also means that no additional invoicing will come during quarters two and three from this order.

## Going forward

Through the extensive sourcing and validation work that EQL Pharma carried out during the Spring of 2020 the team has acquired a broad knowledge about several categories of hospital material. In addition we have developed our relationships with several Swedish Counties in a very positive way.

EQL Pharma will therefore evaluate the possibility of a permanent business unit with a focus on different types of healthcare consumables and medical devices. These will initially be of limited complexity that are mainly purchased by Swedish hospital regions, county councils and municipalities through public procurement.

The purpose of the evaluation is to capitalise on all the knowledge the company acquired during the Corona pandemic and to build a long-term business that can contribute to the company's growth journey but also help lowering purchasing costs for the Swedish state. The company expects a lower margin in such a potential business unit than the average margins we see within niche generics.



# The Group

## Consolidated profit and loss statement

All amounts in '000	April – June 2020	April – June 2019	April – March 2020
Net sales	99 505	14 459	72 083
Cost of goods sold	-77 130	-7 088	-39 190
<b>Gross profit</b>	<b>22 375</b>	<b>7 371</b>	<b>32 892</b>
<b>Gross margin</b>	<b>22%</b>	<b>51%</b>	<b>46%</b>
Sales and marketing expenses	-5 604	-4 001	-16 756
Administration expenses	-2 034	-1 648	-6 201
R&D expenses	-3 278	-1 755	-7 238
Other operating income	115	115	459
<b>Operating profit</b>	<b>11 575</b>	<b>82</b>	<b>3 156</b>
Other interest income	0	0	0
Interest expenses and similar expenses	-366	-67	-432
<b>Profit before tax</b>	<b>11 209</b>	<b>15</b>	<b>2 724</b>
Tax	0	0	-17
<b>Net profit for the period</b>	<b>11 209</b>	<b>15</b>	<b>2 707</b>

# The Group

## Cash flow, investments and financing

All amounts in '000	April – June 2020	April – June 2019	April – March 2020
Cash flow from operations excluding changes in working capital	27 318	1 171	6 858
Change in working capital	28 576	-3 703	-171
<b>Cash flow from operations</b>	<b>55 894</b>	<b>-2 532</b>	<b>6 687</b>
Cash flow from investments	-1 403	-3 866	-18 075
Cash flow from financing operations	-3	1	6
<b>Total cash flow during period</b>	<b>54 488</b>	<b>-6 397</b>	<b>-11 382</b>
Cash / cash equivalents at beginning of period	10 310	21 692	21 692
<b>Cash / cash equivalents at end of period</b>	<b>64 798</b>	<b>15 295</b>	<b>10 310</b>

### Cash flow

Positive cash flow from operating activities and positive change in working capital have together generated a positive cash flow of SEK 55.9 (-2.5) million for the period.

### Investments

EQL Pharma continues to invest in development projects. During the period, SEK 1.4 (3.7) million was invested in both ongoing and new projects.

### Financing

Cash flow from financing operations totaled SEK -0.0 (0.0) million the quarter.

### Cash and cash equivalents

Cash and cash equivalents amounted to SEK 64.8 (15.3) million at the end of the quarter.

### Equity

As of June 30<sup>th</sup>, equity amounted to SEK 92.1 (78.2) million and equity per share to SEK 3:17 (2:69).

### Equity ratio

The equity / assets ratio was 57.1 (73.9) percent at the end of the period.

### EQL Pharma's share

The company's share has been listed on Spotlight Stock Market since December 17<sup>th</sup>, 2013. The total number of registered shares in the company at the end of the period was 29,063,610 (29,063,610). Listed on Spotlight NEXT since October 31<sup>st</sup>, 2019.

# Additional information

## Parent company

EQL Pharma AB is the parent company of the EQL Pharma group. Net sales for the Parent Company during the first quarter amounted to SEK 98.6 (13.5) million. Operating profit amounted to SEK 11.5 (0.4) million for the quarter.

## Personnel

The Group employs 10 (9) persons, out of whom 7 (6) are women. The number of full-time employees is 10 (9) 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 2020/2021 will be published:

Current fiscal year:	
Interim report July – September (Q2)	2020-11-06
Interim report October – December (Q3)	2021-02-18
Year-end report (Q4)	2021-05-06

# Additional information

## Accounting principles

This year end report has been prepared in accordance with K3 for 2020/2021. For the Parent Company this interim report has been prepared in accordance with K3 for 2020/2021. 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.

## Our updated financial goals

We have unchanged goal to grow by at least 30 percent on average per year during the five-year period 2016 to 2020/2021. For the 2020/21 financial year, after adjusting for Covid-19 related one-time sales in Q1 2020/21, we expect to grow around 30 percent.

For the next five-year period, 2020/21 to 2024/25, we aim to grow by an average of 40 percent per year. Furthermore, our goal is that the EBIT margin should be at least 25 percent at the end of the period.

## The auditors' review

This interim report has not been audited by the auditor.

## Questions regarding year end report

For further information or questions, please contact:

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President & CEO  
[christer.fahraeus@eqlpharma.com](mailto:christer.fahraeus@eqlpharma.com)  
+46 705 609 000

## Board of Directors EQL Pharma

Lund, August 27<sup>th</sup>, 2020.

Ingemar Kihlström,  
*Chairman*

Christer Fåhraeus,  
*CEO and member*

Lars Holmqvist,  
*Member*

Anders Månsson,  
*Member*

Maria Bech,  
*Member*

Rajiv I Modi,  
*Member*

# The Group

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R&D expenses	-3 278	-1 755	-7 238
Other operating income	115	115	459
<b>Operating profit</b>	<b>11 575</b>	<b>82</b>	<b>3 156</b>
Other interest income	0	0	0
Interest expenses and similar expenses	-366	-67	-432
<b>Profit before tax</b>	<b>11 209</b>	<b>15</b>	<b>2 724</b>
Tax	0	0	-17
<b>Net profit for the period</b>	<b>11 209</b>	<b>15</b>	<b>2 707</b>

# The Group

## Consolidated balance sheet

All amounts in '000	June 2020	June 2019	March 2020
Intangible assets	47 662	50 974	62 333
Tangible fixed assets	328	493	366
Financial assets	296	296	296
<b>Total fixed assets</b>	<b>48 287</b>	<b>51 764</b>	<b>62 996</b>
<b>Total current assets</b>	<b>113 109</b>	<b>54 148</b>	<b>61 317</b>
<b>Total assets</b>	<b>161 396</b>	<b>105 912</b>	<b>124 313</b>
Total equity	92 121	78 221	80 918
Long-term liabilities	0	0	0
Current liabilities	69 275	27 691	43 394
<b>Total equity and liabilities</b>	<b>161 396</b>	<b>105 912</b>	<b>124 313</b>

## Consolidated changes in equity April – June 2020

All amounts in '000	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>13 478</b>
New share issue / Share issue costs			
Translation differences			-6
Profit for the period			11 209
<b>Balance at end of period</b>	<b>1 308</b>	<b>66 133</b>	<b>24 680</b>

# Parent company

## Profit and loss statement

All amounts in '000	April – June 2020	April – June 2019	April – March 2020
Net sales	98 632	13 536	67 788
Cost of goods sold	-76 608	-6 326	-35 610
<b>Gross profit</b>	<b>22 024</b>	<b>7 210</b>	<b>32 178</b>
<b>Gross margin</b>	<b>22%</b>	<b>53%</b>	<b>47%</b>
Sales and marketing expenses	-5 420	-3 705	-15 539
Administration expenses	-1 988	-1 565	-5 785
R&D expenses	-3 253	-1 682	-6 951
Other operating income	115	115	459
<b>Operating profit</b>	<b>11 478</b>	<b>373</b>	<b>4 362</b>
Other interest income	0	0	0
Interest expenses and similar expenses	-366	-67	-432
<b>Profit before tax</b>	<b>11 113</b>	<b>307</b>	<b>3 930</b>
Group contributions paid	0	0	-1 000
Tax	0	0	0
<b>Net profit for the period</b>	<b>11 113</b>	<b>307</b>	<b>2 930</b>

# Parent company

## Balance sheet

All amounts in '000	June 2020	June 2019	March 2020
Intangible assets	47 225	50 459	61 858
Tangible fixed assets	328	493	366
Financial assets	391	391	391
<b>Total fixed assets</b>	<b>47 945</b>	<b>51 343</b>	<b>62 615</b>
<b>Total current assets</b>	<b>112 619</b>	<b>53 572</b>	<b>60 471</b>
<b>Total assets</b>	<b>160 564</b>	<b>104 915</b>	<b>123 086</b>
Total equity	91 625	77 889	80 513
Long-term liabilities	0	0	0
Current liabilities	68 939	27 026	42 573
<b>Total equity and liabilities</b>	<b>160 564</b>	<b>104 915</b>	<b>123 086</b>

## Cash flow

All amounts in '000	April – June 2020	April – June 2019	April – March 2020
Cash flow from operations excluding changes in working capital	27 183	1 419	7 788
Change in working capital	28 414	-3 829	-14
<b>Cash flow from operations</b>	<b>55 597</b>	<b>-2 411</b>	<b>7 774</b>
Cash flow from investments	-1 400	-3 644	-17 661
Cash flow from financing operations	0	0	-1 000
<b>Total cash flow during period</b>	<b>54 197</b>	<b>-6 055</b>	<b>-10 887</b>
Cash / cash equivalents at beginning of period	10 145	21 032	21 032
<b>Cash / cash equivalents at end of period</b>	<b>64 343</b>	<b>14 978</b>	<b>10 145</b>