



## ACQUISITION OF OTC PRODUCTS IN THE U.S. AND POSITIVE INTERIM RESULTS FOR MOB-015

*“Healthy growth in the U.S. – combined with lower marketing and development costs at the end of the year – facilitated a significant improvement in earnings and positive EBITDA for the fourth quarter,”* comments Peter Wolpert, CEO of Moberg Pharma

### FOURTH QUARTER (OCT-DEC 2013)\*

- Revenue MSEK 36.8 (30.2)
- EBITDA MSEK 2.4 (loss: 0.3)
- Operating profit (EBIT) MSEK 0.8 (loss: 0.7)
- Net loss after tax MSEK 0.4 (loss: 6.3)
- Loss per share SEK 0.04 (loss: 0.63)
- Operating cash flow per share SEK 0.07 (neg: 0.27)

### FULL-YEAR (JAN-DEC 2013)\*

- Revenue MSEK 157.4 (112.5)
- EBITDA loss of MSEK 7.9 (13.3); loss of MSEK 4.9, excluding acquisition-related costs
- Operating loss (EBIT) MSEK 14.1 (profit: 12.6)
- Net loss after tax MSEK 11.4 (profit: 35.8)
- Loss per share SEK 1.01 (earnings: 3.68)
- Operating cash flow per share negative SEK 0.28 (pos: 0.97)

\* Compared with the year-earlier period, please note that as of 2013 the company conducts its own marketing in the U.S. and most of the revenue derives from product sales. The figures for 2012 include significant nonrecurring revenue (milestones).

### SIGNIFICANT EVENTS DURING THE FOURTH QUARTER

- Acquisition of three well-established, non-prescription products in the U.S. from Bayer Healthcare.
- Positive interim results from the ongoing Phase II clinical trial for MOB-015
- Walgreens has decided to increase the number of drugstores that sell Kerasal NeuroCream™ in the U.S.
- Distribution agreement with Leosons International for Kerasal Nail™ in the Middle East and North Africa

### SIGNIFICANT EVENTS AFTER THE QUARTER

- Distribution agreement with Menarini Asia-Pacific for Kerasal Nail™ extended to South East Asia.

# 61%

Growth in product sales for the fourth quarter of 2013 compared with the year-earlier period

# 20%

Market share for Kerasal Nail™ in the U.S., fourth quarter of 2013

### TELEPHONE CONFERENCE

CEO Peter Wolpert will present the report at a teleconference today at 10:30 a.m., February 20, 2014  
Phone: +46 (0)8-50626900, and enter the code 409017

## CEO COMMENTARY

The company's strong growth continued during the fourth quarter, with a 61-percent increase in product sales. The trend in the U.S. was strong, while sales to distributors in Europe were weaker than expected. The healthy growth in the U.S. – combined with lower marketing and development costs towards the end of the year – facilitated a significant improvement in earnings and positive EBITDA for the fourth quarter.

At year-end, we achieved two key objectives – the acquisition of three non-prescription drugs from Bayer Healthcare and positive interim results for MOB-015, an important breakthrough for our internal product development.

### **20 percent market share in the U.S.**

Two years after the launch in the U.S., Kerasal Nail™ is number one product in the retail nail fungus segment, with a market share of 20 percent – a milestone facilitated by gradually increasing distribution, successful marketing and the significant benefits shown by our product compared with competitors. Kerasal Nail™ is available at more than 30,000 stores in the U.S. We recently launched at major retailer Target and Safeway recently announced addition. We see potential for continued growth in the U.S. Organic growth in our U.S. subsidiary significantly exceeded the underlying growth in the market for OTC drugs in the U.S. Sales of Kerasal NeuroCream™, launched in the autumn, developed well and serve as an important driver of the expansion of the Kerasal® brand.

### **Rest of the world contributed to growth - Europe still challenging**

We have expanded our distribution network in the RoW and revenue from the region for the quarter increased 56 percent year-on-year. Recent agreements with Leosons, for the Middle East/North Africa, and Menarini in Southeast Asia, provide exciting growth prospects. The launch of our nail product in Canada by Paladin is underway as planned, with strong sales to drugstore chains. Paladin intends to expand its launch to Mexico in the near future. Preparations for registration in China are progressing at full speed in close collaboration with Menarini. However, we do not expect a launch in China this year.

2013 was a challenging year for us in Europe, with sales of Nalox to distributors falling short of our expectations due to high inventory levels. However, underlying sales from distributors to drugstores continue to increase in Europe.

### **Key milestones in the development of our product portfolio**

The value of our product portfolio increased significantly at the end of the year. In addition to the launch of Kerasal NeuroCream™, our internal development team presented strong interim results from the ongoing clinical trial for MOB-015. Mycological cure of 40 percent after six months is a superior outcome for a topical treatment and matches the results for the leading oral treatment, but without the risk of serious side effects. Should the results be sustainable, MOB-015 has the potential to become a leading treatment for nail fungus and a significantly bigger product than Nalox™. We expect to announce the end results from the trial in the second half of 2014. Work on the next generation of Kerasal Nail™/Nalox™ has also advanced, facilitating new patent applications and generating opportunities for new product variations.

Our business development efforts bore fruit at year-end through the acquisition of three established brands from Bayer Healthcare. The acquisition contributes directly to cash flow and earnings. We continue to evaluate further acquisition and in-licensing opportunities, with a focus on non-prescription products for the U.S. market to capitalize on the strong distribution platform we have in that market.

### **Favorable finish to the year**

All in all, I am very satisfied with the close of the year. Our strategy remains consistent, as does our long-term objective – to achieve an EBITDA margin of at least 25 percent within a three-year period under continued healthy growth.

Growth potential in both established and new markets, in addition to progress in our development projects and business development activities, continue to provide favorable conditions for building a different kind of pharmaceutical company.

Peter Wolpert, CEO Moberg Pharma

## ABOUT MOBERG PHARMA

Moberg Pharma AB (publ.) is a rapidly growing Swedish pharmaceutical company. The company develops, acquires and licenses products that are subsequently commercialized via a proprietary sales organization in the U.S. and through distributors in more than 40 countries. Internal product development is based on Moberg Pharma's unique expertise in using innovative pharmaceutical formulation, such as technologies for improving drug delivery, to improve the properties of proven compounds. This approach reduces time to market, development costs and risk.

### Launched products

	PRODUCT	INDICATION	STATUS
	<b>Nalox™ 1)</b> <b>Kerasal Nail™</b>	Damaged nails	Proprietary sales in the U.S. Launched by ten partners in 25 markets
	<b>Kerasal®</b>	Dry and cracked feet  Foot pain	Proprietary sales in the U.S. Launched by 13 partners in 15 markets
	<b>JointFlex®</b>	Joint and muscle pain	Proprietary sales in the U.S. Launched by 14 partners in 20 markets
	<b>Domeboro®</b>	Itch and irritated skin	Proprietary sales in the U.S.
	<b>Vanquish®</b>	Headache, menstrual pain, back and muscle pain and cold pain	Proprietary sales in the U.S.
	<b>Fergon®</b>	Iron supplement	Proprietary sales in the U.S.

## Nalox™ / Kerasal Nail™

Used to treat nail discoloration and damage caused by nail fungus or psoriasis. The product was launched in the Nordic region in autumn 2010 and quickly became a market leader. The international launch is under way via a proprietary sales organization in the U.S. and ten partners that hold the rights to 50 markets, including the major EU markets, Turkey and Russia. Nalox™ is patented and based on proven substances. Nalox™ is a non-prescription product sold under the names Naloc™ and Emtrix® in certain markets, and Kerasal Nail™ in the U.S.<sup>1</sup> Efficacy and safety have been documented in several clinical trials with more than 600 patients. Nalox™ has a unique and rapid mechanism of action, demonstrating highly competitive results, including the achievement of visible improvement within 2-4 weeks of treatment.

## Kerasal®

Kerasal® is a product line for the effective treatment of common and difficult-to-treat foot problems. Podiatrists recommend Kerasal® products for the treatment of cracked heels, calluses and foot pain, and to soften and moisturize dry feet. Kerasal® contains salicylic acid, an effective agent for softening the stratum corneum, and urea (carbamide), which moisturizes the skin and helps to retain moisture in new cell layers. The manufacturing process is patented. Several clinical trials have been published confirming the efficacy of Kerasal® for the treatment of extremely dry and damaged skin on the feet. The non-prescription product is sold at pharmacies and various retailers across the U.S. The series also include products for resale only by specialists. During autumn 2013, the product line was expanded with Kerasal NeuroCream™, a non-prescription analgesic foot cream.

## JointFlex®

JointFlex® is a topical treatment for joint and muscle pain. The products are produced using FUSOME™ technology, which improves the skin's absorption of the analgesic ingredients. The product provides long-term cooling pain relief and contains natural pain-relieving ingredients. JointFlex® has been evaluated in a placebo-controlled clinical trial of knee pain (osteoarthritis), which showed that patients experienced significant and rapid pain relief. The study also showed that the majority achieved long-term pain reduction. The non-prescription product is available in the U.S, primarily through the same sales channels as Kerasal®.

## Domeboro®

Domeboro® is a topical drug for the treatment of itching and irritated skin, for example, caused by poison ivy, insect bites or reaction from washing detergents/cosmetics. The product has an astringent effect (contributes to the contraction of blood cells in the skin), which reduces inflammation. The product has been on the market for over 50 years and has nationwide distribution in the U.S. at CVS, Walgreens, and Rite Aid along with several regional chains, and has notable sales through wholesalers. Moberg Pharma acquired Domeboro® from Bayer Healthcare in December 2013 and the product will be marketed in the U.S. market through Moberg Pharma North America.

## Vanquish®

Vanquish® is an analgesic for the treatment of headaches, menstrual pains, back and muscle aches and cold pains. Vanquish® contains the active ingredients acetaminophen, acetylsalicylic acid and caffeine. The product was launched in 1964 and has nationwide distribution in the U.S. at Walgreens and Walmart, as well as regional distribution at several smaller retail chains. Vanquish® was included in the product portfolio that Moberg Pharma acquired from Bayer Healthcare in December 2013.

## Fergon®

Fergon® is an iron supplement that is marketed primarily for women. The product is sold nationally at Rite Aid stores and through wholesalers to independent pharmacies and retailers. Fergon® was included in the product portfolio that Moberg Pharma acquired from Bayer Healthcare in December 2013.

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<sup>1</sup> The Nalox™ and Naloc™ brands are owned by the company's partners and Moberg Pharma has no ownership rights in relation to these brands.

## Development projects

### MOB-015

MOB-015 is a topical treatment for nail fungus with fungicidal, keratolytic and emollient properties. The company's patent-pending formulation technology enables the delivery of high concentrations of a fungicidal substance (terbinafine) in and through nail tissue. As MOB-015 is applied locally, the side effects that can be observed with tablet treatment are avoided. Data from an earlier Phase II study provided key information for the continued development program and, in December 2012, a new Phase II study of an improved formulation of MOB-015 was initiated to confirm the product concept and provide a basis for a Phase III study and discussions with potential partners. In May 2013, patient enrollment for the study, which is being conducted with the help of leading expertise at Sahlgrenska University Hospital in Gothenburg, Sweden, was completed. Patients are treated for 12 months and monitored for additional three months with respect to the endpoints that the FDA and EMA normally accept for the indication nail fungus. If the current study provides the expected results, this will mark a major advance in the treatment of nail fungus. Positive interim results were published in December 2013. After six months of treatment with MOB-015, 40 percent of the patients were mycologically cured (free from fungus). The results from the study are expected during the second half of 2014.

## BUSINESS DEVELOPMENT DURING THE YEAR

### Acquisition of three OTC products in the U.S. from Bayer Healthcare

In December, Moberg Pharma acquired three well-established, non-prescription products in the U.S. from Bayer Healthcare. Annual sales for the products total approximately MUS\$ 3 (MSEK 20). The acquisition price was MUS\$ 4.8 (MSEK 32) and was financed with available funds. The acquired portfolio includes the products Domeboro®, a topical drug for the treatment of itching and irritated skin, Vanquish®, an analgesic drug, and Fergon®, an iron supplement. The products are sold through Moberg's current sales channels, primarily drugstore chains and large mass retail stores such as Walmart.

### Expanded distribution

#### **Distribution agreement for Kerasal Nail™ with Menarini expanded to China**

In July, the company announced that Menarini Asia-Pacific, part of the Menarini Group – one of the 40 largest global pharmaceutical companies – had been granted exclusive rights to market and sell Kerasal Nail™ in China. The companies now intend to apply for product approval in the Chinese market.

The expanded distribution agreement is based on an existing partnership between the two companies, which resulted in the successful launch of the product in Italy. Menarini is a leading regional pharmaceutical company in the Asia-Pacific region, with more than 3,500 employees in 13 markets and with a documented successful ability to launch and market brands in the health area. The Chinese pharmaceutical market is expected to continue to experience strong growth, and is predicted to become the second largest pharmaceutical market in the world in five years. Moberg Pharma believes that Menarini Asia-Pacific's in-depth insight into local market conditions makes it an ideal partner to manage the challenges existing in the Chinese market.

#### **Moberg Pharma and Paladin extended agreement for Kerasal Nail™ to Mexico**

In May 2013, Paladin Labs Inc received exclusive rights to market and sell Kerasal Nail™ in Mexico. Moberg Pharma is responsible for the manufacturing and delivery of the product.

#### **Agreement for Middle East and Africa**

A distribution agreement was signed with Leosons International for the marketing of Kerasal Nail™ in the Middle East and North Africa. Leosons has successfully handled distribution of JointFlex® in the region for several years. The agreement encompasses 16 countries including Egypt, Iraq, Saudi Arabia, Tunisia and the United Arab Emirates.

## Product and project development

### **Positive interim results from the ongoing Phase II clinical trial for MOB-015**

In December, positive interim results were published from the ongoing Phase II clinical trial for MOB-015. After six months of treatment with MOB-015, 40 percent of the patients were mycologically cured (free from fungus). No safety concerns were identified. MOB-015 is a topical formulation of terbinafine for the treatment of nail fungus. The purpose of this study is to confirm the product concept of MOB-015 and provide a basis for a Phase III study and discussions with potential partners.

### **Development of Limtop discontinued**

In March, it was announced that the company had decided to discontinue the development of Limtop – a pharmaceutical candidate for the treatment of actinic keratosis. Development was discontinued when the effect of the completed Phase II trial did not achieve the final target. Based on the data from the concluded study, the assessment was made that the project's commercial potential had declined and, accordingly, continued investments could no longer be justified.

### **Kerasal NeuroCream™ launched in Walmart and major drugstore chains in the U.S.**

Kerasal NeuroCream™ is a non-prescription pain-relieving podiatry lotion that is being launched in the US. The product is sold at more than 3,800 Walmart stores, and at CVS, Walgreens and Rite Aid as of late August.

### **Good start for Kerasal NeuroCream™ – Walgreens to significantly increase distribution**

Walgreen's has decided to increase the number of drugstores that sell Kerasal NeuroCream™ in the U.S. from about 1,000 to 7,000. Walgreens is the leading drugstore chain in the U.S. and the increased distribution is a key step in establishing this innovative product in the market. Kerasal NeuroCream™ was launched in September 2013 and sales have been satisfactory, with favorable consumer response to advertisements.

## Financial performance and corporate events

### **Moberg Derma became Moberg Pharma**

In May, the company announced that the Swedish Companies Registration Office had accepted its application to change its corporate identity to Moberg Pharma AB (publ), in accordance with the resolution by the Annual General Meeting held on April 23, 2013. The reason for the change of name is that the operations had been broadened after the acquisition of Alterna LLC (which has been renamed Moberg Pharma North America LLC) and now also includes areas other than dermatology. However, dermatology and topical drug delivery technologies remain core areas of the company's business.

### **Financing of continued expansion secured through private placement**

Successful launches of Nalox™/Kerasal Nail™ in Europe and the U.S. and growing sales have strengthened Moberg Pharma's position. The company is now approaching the next step in its growth strategy – to expand its product portfolio to facilitate marketing primarily through its own sales channels for non-prescription products in North America. It was against this background that the Board decided in July, pursuant to the authorization received at the 2013 Annual General Meeting, to issue to the Swedish institutional investor Bure Equity AB (publ) 1,081,000 new shares, with deviation from the shareholders' preferential rights. A prospectus was prepared and published on July 16. The aim of the private placement, which generated approximately MSEK 36 before issue costs, was to facilitate acquisitions and licensing of marketed products, as well as strengthening pipeline assets.

Following the new share issue, the company's share capital increased by SEK 108,100, resulting in a dilution of approximately 9.1 percent of the capital and votes in the company. After the share issue, Bure is the third largest shareholder in Moberg Pharma.

## **SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD**

### **Distribution agreement for Kerasal Nail™ with Menarini expanded to South East Asia**

In February, the company announced that Menarini Asia-Pacific had been granted exclusive rights to market and sell Kerasal Nail™ in eight Southeast Asian countries: Singapore, Taiwan, Indonesia, Philippines, Malaysia, Hong Kong, Thailand and Vietnam. The companies now intend to seek marketing authorization for the product in these markets



## CONSOLIDATED REVENUE AND EARNINGS

### Sales

#### Fourth quarter (October –December 2013)

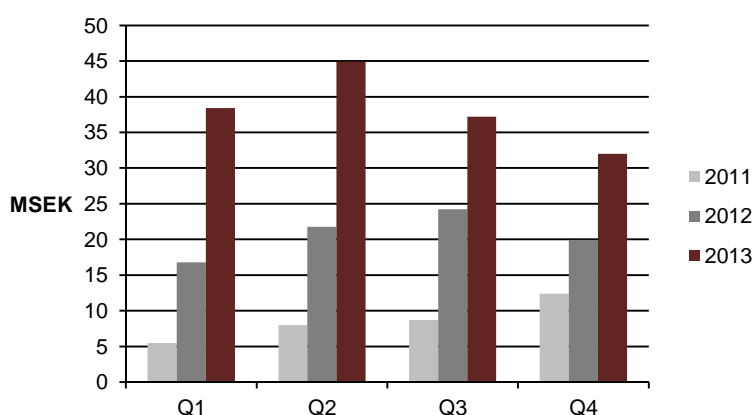
In the fourth quarter of 2013, revenue amounted to MSEK 36.8 (30.2), up 22 percent compared with the fourth quarter of 2012. Not including milestone payments, product sales increased 61 percent year-on-year. The Domeboro®, Vanquish® and Fergon® products were acquired from Bayer Healthcare on December 19, 2013 and their sales are included in profit or loss as of that date. Of the total product sales, revenue for Nalox™/Kerasal Nail™ accounted for MSEK 15.3 (15.8) and for Kerasal® and revenue JointFlex® for MSEK 6.6 (1.5) and MSEK 9.7 (2.7), respectively, while the newly acquired products contributed MSEK 0.4.

#### Full-year 2013

During 2013, revenue amounted to MSEK 157.4 (112.5), up 40 percent. Excluding milestone payments, revenue increased 84 percent. The majority, MSEK 93.2 (78.5), derived from the strong sales growth for Nalox™/ Kerasal Nail™. Product sales revenue for Kerasal® amounted to MSEK 26.2 and for JointFlex® to MSEK 32.7. Other operating income primarily comprised a research grant of MSEK 0.5 and exchange-rate fluctuations.

Distribution of operating income (KSEK)	Oct-Dec 2013	Oct-Dec 2012	Full-year 2013	Full-year 2012
Sales of products	32,020	19,948	152,576	82,719
Milestone payments	4,813	10,250	4,813	29,750
<b>Revenue</b>	<b>36,833</b>	<b>30,198</b>	<b>157,389</b>	<b>112,469</b>
Other operating income	751	1,466	1,068	2,718
<b>Total operating income</b>	<b>37,584</b>	<b>31,664</b>	<b>158,457</b>	<b>115,187</b>

#### Revenue from product sales per quarter



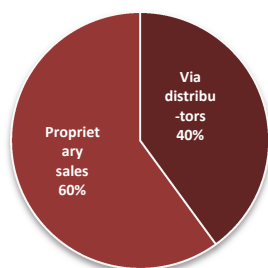
Revenue by channel (KSEK)	Oct-Dec 2013	Oct-Dec 2012	Full-year 2013	Full-year 2012
Proprietary sales	22,263	6,623	94,064	6,623
Sales of products to distributors	9,757	13,325	58,512	76,096
Milestone payments	4,813	10,250	4,813	29,750
<b>TOTAL</b>	<b>36,833</b>	<b>30,198</b>	<b>157,389</b>	<b>112,469</b>

Revenue by product category (KSEK)	Oct-Dec 2013	Oct-Dec 2012	Full-year 2013	Full-year 2012
Nalox/Kerasal Nail™, sales of products	15,319	15,828	93,152	78,501
Nalox/Kerasal Nail™, milestone payments	4,813	10,250	4,813	29,750
Kerasal®	6,611	1,466	26,263	1,466
JointFlex®	9,655	2,654	32,726	2,654
Other products	435	-	435	98
<b>TOTAL</b>	<b>36,833</b>	<b>30,198</b>	<b>157,389</b>	<b>112,469</b>

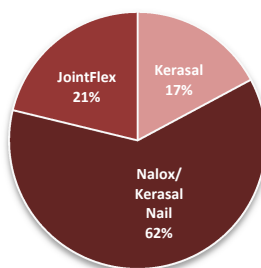
  

Revenue by geographical market (KSEK)	Oct-Dec 2013	Oct-Dec 2012	Full-year 2013	Full-year 2012
Europe	8,094	17,395	43,494	84,102
America	20,913	7,782	94,250	20,275
Rest of the world	7,826	5,021	19,645	8,092
<b>TOTAL</b>	<b>36,833</b>	<b>30,198</b>	<b>157,389</b>	<b>112,469</b>

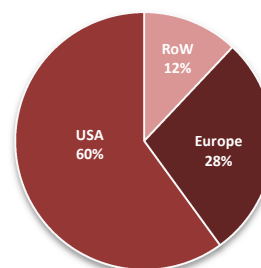
#### Percentage distribution of revenue, January to December 2013



Channels



Products



Geography

## Earnings

### Fourth quarter (October –December 2013)

Operating profit for the fourth quarter of 2013 was MSEK 0.8 (loss: 0.7). The cost of goods sold was MSEK 9.6 (7.3), adjusted for items affecting comparability, this corresponded to a gross margin on product sales of 75 percent. Operating expenses, excluding cost of goods sold during the quarter, amounted to MSEK 27.2 (25.0), most of which was for selling expenses of MSEK 14.5 (5.2). The year-on-year increase in expenses was due to the company conducting proprietary sales in the U.S. this year and to the fact that in conjunction with the successful launch and increased distribution of Kerasal Nail™, as well as the launch of Kerasal NeuroCream™, the company gradually increased its marketing activities, compared with the fourth quarter of 2012, when sales mainly conducted sales via distributors. Selling expenses for the quarter include costs totaling MSEK 1.5 (0.5) for the amortization of product rights.

### Full-year 2013

An operating loss of MSEK 14.1 (profit: 12.6) was reported. The cost of goods sold was MSEK 40.0 (24.9). Operating expenses, excluding cost of goods sold, totaled MSEK 132.5 compared with MSEK 77.7 the year before. Adjusted for acquisition-related costs and items affecting comparability, this corresponded to a gross margin on product sales 77 percent. An accounting consequence of the acquisition in 2012 is that the U.S. company's inventories were written up in value by MSEK 4.6 to the fair value at the date of acquisition, which



reduced earnings in a corresponding amount when the inventories were subsequently sold. Consolidated earnings were charged MSEK 3.1 for this during the first quarter of 2013, while MSEK 1.5 had already been charged to earnings in the fourth quarter 2012.

The largest item among operating expenses comprised selling expenses, which amounted to MSEK 75.7 (22.0) for the period. The increase in expenses was due to the company conducting proprietary sales in the U.S. this year and to the fact that in conjunction with the successful launch and increased distribution of Kerasal Nail™, as well as the launch of Kerasal NeuroCream™, the company gradually increased its marketing activities, compared with 2012, when sales were exclusively conducted via distributors. Selling expenses for the quarter include costs totaling MSEK 5.9 (0.5) for the amortization of product rights.

The loss after financial items was MSEK 16.2, compared with a profit of MSEK 14.7 in 2012. The decline in earnings was due to extraordinary milestone payments in 2012 (MSEK 4.8 in 2013 vs MSEK 29.8 in 2012). An accounting write-up of inventories in the acquired Moberg Pharma North America also had an adverse impact of MSEK 3.1 on Moberg Pharma's earnings during 2013. Product sales revenue rose 84 percent during the year, while operating expenses (including cost of goods sold) increased 68 percent. The loss for the year after tax was MSEK 11.4 (profit: 35.8) and the total comprehensive loss was MSEK 12.1 (profit: 33.0)

## FINANCIAL POSITION

### Cash flow

#### Fourth quarter (October –December 2013)

Cash flow from operating activities amounted to MSEK 0.8 (neg: 2.7) for the fourth quarter.

#### Full-year 2013

Cash flow from operating activities amounted to a negative MSEK 3.1 (pos: 9.5). Inventories, operating receivables as well as operating liabilities have been reduced during the year, in total the working capital has decreased by 5.1 MSEK. Cash and cash equivalents were MSEK 27.1 (53.4) at year-end.

### Capital expenditure

Investments in intangible assets pertain to product rights acquired from Bayer Healthcare totaling MSEK 29.9 in December 2013, as well as capitalized expenditure of research and development work totaling MSEK 0.4 (0). In addition to capitalized expenditure for research and development work, Moberg Pharma also had costs of MSEK 29.0 (30.8) attributable to research and development that have been expensed directly in the statement of comprehensive income.

Investments in subsidiaries relate to a supplementary consideration for the acquisition of Moberg Pharma North America, which was paid during the first quarter of 2013 and amounted to MSEK 16.7 (97.1).

Investments in tangible fixed assets were MSEK 0.2 (0.6) during January to December 2013.

### Liabilities

Interest-bearing liabilities comprise a loan to Swedbank in the amount of MSEK 30.0, of which MSEK 10.0 (0) was amortized during the year.

### Pledged assets and contingent liabilities

Moberg Pharma has no contingent liabilities. All pledged assets remain unchanged from those reported in the 2012 annual report and there were no significant changes in the equity of the subsidiary Moberg Pharma North America LLC during the period.

## CHANGES IN EQUITY

### Shares

In July 2013, the Board of Directors resolved, based on authorization from the 2013 Annual General Meeting, to by-pass the shareholders' preferential rights and issue 1,081,000 new shares at market price to the Swedish institutional investor Bure Equity AB (publ). The private placement generated about MSEK 36 before issue expenses and was aimed at facilitating acquisitions and licensing marketed products, as well as assets that strengthen the company's pipeline. At year-end, share capital amounted to SEK 1,089,357.2 (1,081,257.2) and the total number of shares outstanding was 11,893,572 (10,812,572) ordinary shares with a nominal value of SEK 0.10 each.

### Disclosure of ownership

The Company's largest shareholders at December 30, 2013:

Shareholders	No. of shares	% of votes and capital
Östersjöstiftelsen	2,274,179	19.1
Six Sis Ag, W8imy	1,653,149	13.9
Bure Equity Ab (Publ)	991,006	8.3
JPM Chase Na	825,652	6.9
Försäkringsaktiebolaget, Avanza Pension	634,712	5.3
Wolco Invest AB	600,000	5.0
Handelsbanken Fonder AB Re Jpmel	519,707	4.4
Third AP Fund	486,000	4.1
Mobederm AB	394,931	3.3
Grandeur Peak International	260,000	2.2
Grandeur Peak Global, Opportunities	180,000	1.5
Synskadades Stiftelse	172,201	1.4
J P Morgan Clearing Corp, W9	147,210	1.2
Kaufmann, Peter	120,800	1.0
Tolvplus4 AB	116,636	1.0
Lundmark, Anders	94,960	0.8
Deutsche Bank Ag Ldn-Prime Broker, Age Full Tax	80,000	0.7
Lönn, Mikael	60,000	0.5
Grandeur Peak Global Opportunities, L.P.	59,000	0.5
Karlsson, Ewa	55,900	0.5
<b>TOTAL, 20 LARGEST SHAREHOLDERS</b>	<b>9,726,043</b>	<b>81.8</b>
Other shareholders	2,167,529	18.2
<b>Total</b>	<b>11,893,572</b>	<b>100.0</b>

### Stock options

On April 23, 2013, the Annual General Meeting of Moberg Pharma resolved to implement a private placement of 77,096 warrants (equivalent to 77,096 shares) to the company's wholly owned subsidiary Moberg Derma Incentives AB and to introduce the employee stock option scheme 2013:1. In the employee stock option scheme 2013:1, 60,750 stock options were allotted and 16,345 warrants were reserved to cover future social security expenses for the employee stock options. The terms and conditions of the employee stock option scheme 2013:1 comply with the terms and conditions of the employee stock option scheme 2012:1, with the following exceptions: the employee stock options in the 2013:1 scheme vest on June 30, 2016, the exercise price is SEK 36.77 at option and the last day for subscription is December 31, 2017. For a

description of the terms and conditions of the employee stock option scheme 2012:1, refer to the 2012 annual report on page 56.

At December 31, 2013, there were a total of 654,779 warrants outstanding. If all warrants were exercised for shares, the number of shares would increase by 900,634, from 11,893,572 shares to 12,794,206 shares.

## ORGANIZATION

At December 31, 2013, the Moberg Pharma Group had 29 employees, of whom 66 percent were women. Of these, 22 were employed in the Parent Company, of whom 64 percent were women.

## PARENT COMPANY

Moberg Pharma AB (Publ), Corp. Reg. No. 556697-7426, is the Parent Company of the Group. Group operations are conducted primarily in the Parent Company (in addition to the sales organization in the U.S.) and comprise research and development, marketing and administrative functions. Parent Company revenue for 2013 amounted to MSEK 82.3, compared with MSEK 109.5 in 2012. Operating expenses, excluding the cost of goods sold, amounted to MSEK 60.8 (68.4) and profit after financial items amounted to MSEK 1.7 (23.0). Cash and cash equivalents were MSEK 22.2 (50.8) at year-end.

## RISK FACTORS

Commercialization and development of drugs are capital-intensive activities exposed to significant risks. Risk factors considered to be of particular relevance for Moberg Pharma's future development are linked to the results of clinical trials, regulatory actions, competitors and pricing, production, partners and distributors performance, product liability and insurance, patents and trademarks, key personnel, sensitivity to economic fluctuations, future capital requirements and financial risk factors. A description of these risks can be found in the company's 2012 Annual Report on page 33.

Over the next 12 months, the most significant risk factors for the company are deemed to be associated with market development, integration of acquisitions and the results of clinical trials.

## OUTLOOK

Moberg Pharma aims to create value and generate a solid return for shareholders through the profitable growth of the novel topical (external) pharmaceuticals that are delivered to the global market. The ability to commercialize new products, enter into partnerships for its projects and successfully develop the company's projects to market launch and sales is crucial to Moberg Pharma's future success. The company's financial objectives are to achieve continued healthy growth and an operating margin (EBITDA margin) of at least 25 percent within three years.

In 2014, the focus will be on integrating acquisitions in the U.S., identifying further business opportunities and supporting the company's distributors to facilitate successful launches. The performance of the partnerships entered into will have a major impact on Moberg Pharma's income and cash flow.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(KSEK)	Oct-Dec 2013	Oct-Dec 2012	Full-year 2013	Full-year 2012
Revenue	36,833	30,198	157,389	112,469
Cost of goods sold	-9,561	-7,283	-39,967	-24,877
<b>Gross profit</b>	<b>27,272</b>	<b>22,915</b>	<b>117,422</b>	<b>87,592</b>
Selling expenses <sup>1)</sup>	-14,483	-5,160	-75,674	-21,977
Business development and administrative expenses	-7,125	-11,017	-27,832	-23,450
Research and development expenses	-5,589	-7,363	-29,039	-30,782
Other operating income	751	1,466	1,068	2,718
Other operating expenses	-	-1,507	-	-1,507
<b>Operating profit/loss (EBIT)</b>	<b>826</b>	<b>-666</b>	<b>-14,055</b>	<b>12,594</b>
Interest income and similar items	-197	355	545	1,844
Interest expense and similar items	-504	254	-2,665	244
<b>Profit/loss after financial items (EBT)</b>	<b>125</b>	<b>-57</b>	<b>-16,175</b>	<b>14,682</b>
Tax on profit for the period	-551	-6,258	4,817	21,131
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>-426</b>	<b>-6,315</b>	<b>-11,358</b>	<b>35,813</b>
<b>Items that will be reclassified into the income statement</b>				
Translation differences on translation of foreign operations	980	-2,829	-724	-2,829
<b>Other comprehensive income/loss</b>	<b>980</b>	<b>-2,829</b>	<b>-724</b>	<b>-2,829</b>
<b>COMPREHENSIVE INCOME/LOSS FOR THE PERIOD</b>	<b>554</b>	<b>-9,144</b>	<b>-12,082</b>	<b>32,984</b>
Profit/loss for the period attributable to Parent Company shareholders	-426	-6,315	-11,358	35,813
Profit/loss for the period attributable to minority interests	-	-	-	-
Comprehensive income/loss attributable to Parent Company shareholders	554	-9,144	-12,082	32,984
Total comprehensive income attributable to minority interests	-	-	-	-
<b>Earnings/loss per share before dilution</b>	<b>-0.04</b>	<b>-0.63</b>	<b>-1.01</b>	<b>3.85</b>
<b>Earnings per share after dilution<sup>2)</sup></b>	<b>-0.04</b>	<b>-0.63</b>	<b>-1.01</b>	<b>3.68</b>
<sup>1)</sup> Of which amortization of product rights	-1,495	-477	-5,861	-477
<b>EBITDA</b>	<b>2,359</b>	<b>-251</b>	<b>-7,950</b>	<b>13,307</b>
Depreciation/amortization of product rights	-1,495	-477	-5,861	-477
Other depreciation/amortization	-38	62	-244	-236
<b>Operating profit/loss (EBIT)</b>	<b>826</b>	<b>-666</b>	<b>-14,055</b>	<b>12,594</b>
<b>EBITDA excluding acquisition-related costs</b>	<b>2,359</b>	<b>7,830</b>	<b>-4,879</b>	<b>21,388</b>

<sup>2)</sup> In periods during which the Group reports a loss, no dilution effect occurs. This is because dilution is recognized only when a potential conversion to ordinary shares would mean that earnings per share would be lower.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(KSEK)	December 31, 2013	December 31, 2012
<b>Assets</b>		
Intangible fixed assets	181,820	155,970
Tangible fixed assets	1,180	1,336
Financial fixed assets	63	4
Deferred tax assets	29,327	22,196
<b>Total fixed assets</b>	<b>212,390</b>	<b>179,506</b>
Inventories	6,968	9,740
Accounts receivable and other receivables	25,113	38,093
Cash and bank balances	27,138	53,423
<b>Total current assets</b>	<b>59,219</b>	<b>101,256</b>
<b>TOTAL ASSETS</b>	<b>271,609</b>	<b>280,762</b>
<b>Equity and liabilities</b>		
Equity (attributable to Parent Company shareholders)	201,494	178,234
Long-term interest-bearing liabilities	16,667	27,778
Long-term non-interest-bearing liabilities	1,860	14,492
Current interest-bearing liabilities	13,333	12,222
Current non-interest-bearing liabilities	38,255	48,036
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>271,609</b>	<b>280,762</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(KSEK)	Oct-Dec 2013	Oct-Dec 2012	Full-year 2013	Full-year 2012
<b>Operating activities</b>				
Operating profit/loss before financial items	825	-666	-14,056	12,594
Financial items, received and paid	-44	337	-1,123	1,816
Taxes paid	-	-	16	-
<i>Adjustments for non-cash items:</i>				
Depreciation/amortization	1,533	540	6,105	713
Employee stock option costs	217	232	808	851
<b>Cash flow before changes in working capital</b>	<b>2,531</b>	<b>443</b>	<b>-8,250</b>	<b>15,974</b>
<b>Change in working capital</b>				
Increase (-)/Decrease (+) in inventories	32	-9,032	2,708	-8,500
Increase (-)/Decrease (+) in operating receivables	5,176	12,611	12,597	4,466
Increase (+) / Decrease (-) in operating liabilities	-6,920	-6,690	-10,205	-2,462
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>819</b>	<b>-2,668</b>	<b>-3,150</b>	<b>9,478</b>
<b>Investing activities</b>				
Net investments in intangible fixed assets	-30,299	-	-30,299	-
Net investments in equipment	-	-201	-201	-630
Net investments in subsidiaries	-	-97,067	-16,658	-97,067
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-30,299</b>	<b>-97,268</b>	<b>-47,158</b>	<b>-97,697</b>
<b>Financing activities</b>				
Borrowings (+) / Loan amortization (-)	-3,334	39,963	-10,000	39,850
New share issue after transaction costs	-	27,740	34,049	27,740
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-3,334</b>	<b>67,703</b>	<b>24,049</b>	<b>67,590</b>
<b>Change in cash and cash equivalents</b>	<b>-32,814</b>	<b>-32,233</b>	<b>-26,259</b>	<b>-20,629</b>
Cash and cash equivalents at the start of the period	59,899	85,655	53,423	74,052
Exchange-rate difference in cash and cash equivalents	53	-	-26	-
Cash and cash equivalents at the end of the period	27,138	53,423	27,138	53,423



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Other capital contri- butions	Translation reserve	Accumulated deficit	Total equity
<b>(KSEK)</b>					
<b>January 1, 2013 – December 31, 2013</b>					
<b>Opening balance, January 1, 2013</b>	<b>1,081</b>	<b>265,334</b>	<b>-2,829</b>	<b>-85,352</b>	<b>178,234</b>
<i>Comprehensive income</i>					
Results for the period				-11358	-11,358
Other comprehensive income – translation differences on translation of foreign operations			-725		-725
<i>Transactions with shareholders</i>					
New share issue	108	36,149			36,257
Transaction costs, new share issue		-1,722			-1,722
Employee stock options		808			808
<b>CLOSING BALANCE, DECEMBER 31, 2013</b>	<b>1,189</b>	<b>300,569</b>	<b>-3,554</b>	<b>96,710</b>	<b>201,494</b>
<b>January 1, 2012 – December 31, 2012</b>					
<b>Opening balance, January 1, 2012</b>	<b>908</b>	<b>197,044</b>	<b>0</b>	<b>-121,165</b>	<b>76,787</b>
<i>Comprehensive income</i>					
Results for the period				35,813	35,813
Other comprehensive income – translation differences attributable to translation of foreign operations			-2,829		-2,829
<i>Transactions with shareholders</i>					
New share issue	173	70,414			70,587
Transaction costs, new share issue		-2,975			-2,975
Employee stock options		851			851
<b>CLOSING BALANCE, DECEMBER 31, 2012</b>	<b>1,081</b>	<b>265,334</b>	<b>-2,829</b>	<b>-85,352</b>	<b>178,234</b>

## KEY FIGURES FOR THE GROUP

(KSEK)	Oct-Dec 2013	Oct-Dec 2012	Full-year 2013	Full-year 2012
Revenue	36,833	30,198	157,389	112,469
Gross margin %	74%	76%	75%	78%
Gross margin on product sales %, excluding acquisition-related costs and items affecting comparability	75%	71%	77%	72%
EBITDA excluding acquisition-related costs	2,359	7,830	-4,879	21,388
EBITDA % excluding acquisition-related costs	6%	26%	neg	19%
EBITDA	2,359	-251	-7,950	13,307
Operating profit/loss (EBIT)	826	-666	-14,055	21,388
Profit/loss after tax	-426	-6,315	-11,358	35,813
Profit margin %	neg	neg	neg	32%
Total assets	271,609	280,762	271,609	280,762
Net receivables	-2,862	13,423	-2,862	13,423
Debt/equity ratio	15%	22%	15%	22%
Equity/assets ratio	74%	63%	74%	63%
Return on equity	-0%	-4%	-6%	20%
Earnings per share, SEK	-0.04	-0.63	-1.01	3.68
Operating cash flow per share, SEK	0.07	-0.27	-0.28	0.97
Equity per share, SEK	16.94	16.48	16.94	16.48
Average number of shares before dilution	11,893,572	9,958,312	11,265,704	9,300,650
Average number of shares after dilution	12,041,713	10,347,873	11,735,821	9,742,044
Number of shares at end of period	11,893,572	10,812,572	11,893,572	10,812,572
Share price on the closing date, SEK	31.60	37.30	31.60	37.30
Market capitalization on the closing date, MSEK	376	403	376	403

### Definitions of key figures

Net receivables	Cash and cash equivalents less interest-bearing liabilities
Debt/equity ratio	Interest-bearing liabilities in relation to equity
Equity/assets ratio	Equity at year-end in relation to total assets
Return on equity	Profit/loss for the period divided by equity
Equity per share*	Profit/loss after tax divided by the average number of shares outstanding
Operating cash flow per share	Cash flow from operating activities divided by the average number of shares outstanding
Equity per share	Equity divided by the number of shares outstanding at the end of the period

\* In periods during which the Group reports a loss, no dilution effect occurs. This is because dilution is recognized only when a potential conversion to ordinary shares would mean that earnings per share would be lower.

## CONDENSED PARENT COMPANY INCOME STATEMENT

(KSEK)	Oct-Dec 2013	Oct-Dec 2012	Full-year 2013	Full-year 2012
Revenue	13,742	27,196	82,296	109,467
Cost of goods sold	-4,925	-5,267	-19,063	-22,861
<b>Gross profit</b>	<b>8,817</b>	<b>21,929</b>	<b>63,233</b>	<b>86,606</b>
Selling expenses	-2,005	-2,891	-14,363	-19,708
Business development and administrative expenses	-4,238	-3,956	-17,407	-16,389
Research and development expenses	-5,589	-7,363	-29,039	-30,782
Other operating income	656	1,466	1,068	2,718
Other operating expenses	95	-1,507	-	-1,507
<b>Operating profit/loss</b>	<b>-2,264</b>	<b>7,678</b>	<b>3,492</b>	<b>20,938</b>
Interest income	-26	363	832	1,850
Interest expense	-504	254	-2,673	244
<b>Profit/loss after financial items</b>	<b>-2,794</b>	<b>8,295</b>	<b>1,651</b>	<b>23,032</b>
Tax on profit for the period	297	-6,437	-685	20,952
<b>PROFIT/LOSS</b>	<b>-2,497</b>	<b>1,858</b>	<b>966</b>	<b>43,984</b>

## CONDENSED PARENT COMPANY BALANCE SHEET

<b>(KSEK)</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
<b>Assets</b>		
Intangible fixed assets	32,509	243
Tangible fixed assets	653	758
Financial fixed assets	178,107	178,107
Deferred tax assets	21,787	22,014
<b>Total fixed assets</b>	<b>233,056</b>	<b>201,122</b>
Accounts receivable and other receivables	11,582	23,852
Receivables to Group companies	19,024	7,781
Cash and bank balances	22,244	50,838
<b>Total current assets</b>	<b>52,850</b>	<b>82,471</b>
<b>TOTAL ASSETS</b>	<b>285,906</b>	<b>283,593</b>
<b>Equity and liabilities</b>		
Equity	225,156	189,212
Long-term interest-bearing liabilities	16,667	27,778
Long-term non-interest-bearing liabilities	-	16,250
Current interest-bearing liabilities	13,333	12,222
Current non-interest-bearing liabilities	30,750	38,131
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>285,906</b>	<b>283,593</b>

## CONDENSED PARENT COMPANY STATEMENT OF CASH FLOWS

(KSEK)	Oct-Dec 2013	Oct-Dec 2012	Full-year 2013	Full-year 2012
<b>Operating activities</b>				
Operating profit/loss before financial items	-2,264	7,678	3,492	20,938
Financial items, received and paid	185	345	-836	1,822
Taxes paid	-	-	28	-
<i>Adjustments for non-cash items:</i>				
Depreciation/amortization	61	60	244	233
Employee stock option costs	120	203	443	822
<b>Cash flow before changes in working capital</b>	<b>-1,898</b>	<b>8,286</b>	<b>3,371</b>	<b>23,815</b>
<b>Change in working capital</b>				
Increase (-) / Decrease (+) in operating receivables and inventories	5,603	-6,375	626	-13,988
Increase (+) / Decrease (-) in operating liabilities	-878	1,444	-9,558	5,672
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>2,827</b>	<b>3,355</b>	<b>-5,561</b>	<b>15,499</b>
<b>Investing activities</b>				
Net investments in intangible fixed assets	-30,299	-	-30,299	-
Net investments in equipment	-	-50	-125	-479
Net investments in subsidiaries	-	-105,731	-16,658	-105,731
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-30,299</b>	<b>-105,781</b>	<b>-47,082</b>	<b>-106,210</b>
<b>Financing activities</b>				
Borrowings (+) / Loan amortization (-)	-3,334	39,963	-10,000	39,850
New share issue after transaction costs	-	27,740	34,049	27,740
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-3,334</b>	<b>67,703</b>	<b>24,049</b>	<b>67,590</b>
<b>Change in cash and cash equivalents</b>	<b>-30,806</b>	<b>-34,723</b>	<b>-28,594</b>	<b>-23,121</b>
Cash and cash equivalents at the start of the period	53,050	85,561	50,838	73,959
Cash and cash equivalents at the end of the period	22,244	50,838	22,244	50,838

## ACCOUNTING AND VALUATION POLICIES

The year-end report has been prepared in accordance with IAS 34 and the Swedish Annual Accounts Act. The consolidated financial statements have, in common with the Year-end Report for 2012, been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the Swedish Annual Accounts Act. The Parent Company accounts have been prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for legal entities.

"IFRS" in this document refers to the application of both IASs and IFRSs as interpretations of these standards as published by the IASB's Standards Interpretation Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

The Group applies the same accounting principles and calculation methods as described in the 2012 Annual Report. A number of new or revised standards, interpretations and improvements have been adopted by the EU and are to be applied from January 1, 2013. These changes have not had any significant effect on the Group.

Amounts are expressed in SEK rounded to the nearest thousand unless otherwise stated. Due to the rounding component, totals may not tally. MSEK is an abbreviation of millions of Swedish Kronor. Amounts and figures in parentheses are comparative figures from the preceding year.

## SEGMENT REPORTING

Since Moberg Pharma's operations comprise only one area of operation, the development and commercialization of medical products, the consolidated statement of comprehensive income and statement of financial position as a whole comprise one operating segment.

## RELATED-PARTY TRANSACTIONS

The acquisition of Moberg Pharma North America includes supplementary purchase considerations that are triggered if revenue for the acquired company reaches a certain amount. If the established targets are achieved, a supplementary consideration of a maximum of MUSD 2.5 per period, a total of a maximum of MUSD 5, is to be paid to the sellers of Moberg Pharma North America. The targets for the first supplementary consideration were achieved and MUSD 2.5 was paid in the first quarter of 2013.

No other significant changes have occurred in relations and transactions with related parties.

## FINANCIAL INSTRUMENTS

As on December 31, 2012, the fair value of financial instruments approximates to their carrying amount.



## FUTURE REPORTING DATES

Interim report for January – March 2014	May 13, 2014
Interim report for January – June 2014	August 13, 2014
Interim report for January – September 2014	November 14, 2014

The Annual General Meeting for Moberg Derma will be held on May 13, 2014 at the company's premises. The final date for shareholders to submit proposed items of business for the Annual General Meeting is April 3, 2014. The Annual Report will be made available on the company's website [www.mobergpharma.se](http://www.mobergpharma.se) no later than April 14.

The Board of Directors proposes that no dividend be paid for the 2013 financial year.

## FOR MORE INFORMATION, PLEASE CONTACT

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For more information about Moberg Pharma's operations, please visit the company's website at [www.mobergpharma.com](http://www.mobergpharma.com)

## BOARD DECLARATION

This Year-end Report is unaudited.

The undersigned certify that the Year-end Report provides a fair overview of the operations, financial position and results of the Parent Company and Group, as well as a fair description of significant risks and uncertainties faced by the Parent Company and Group companies.

Bromma, February 19, 2014

Mats Pettersson  
*Chairman*

Peter Wolpert  
*CEO and Board member*

Torbjörn Koivisto  
*Board member*

Wenche Rolfsen  
*Vice Chair*

Geert Cauwenbergh  
*Board member*

George Aitken-Davies  
*Board member*

Peter Rothschild  
*Board member*

Gustaf Lindewald  
*Board member*