Interim report January – March 2017

Moberg Pharma AB (Publ)

Q1

Q2

Q3

Q4

CONTINUED STRONG GROWTH IN EBITDA

"The year got off to an intense start with a focus on our major brands, including recent acquisitions, which are performing well and contributing to both growth and profitability. The expanded launch in Japan offers opportunities in one of the world's biggest markets, and our pipeline is advancing as planned," says Peter Wolpert, CEO of Moberg Pharma.

FIRST QUARTER (JAN–MAR 2017)

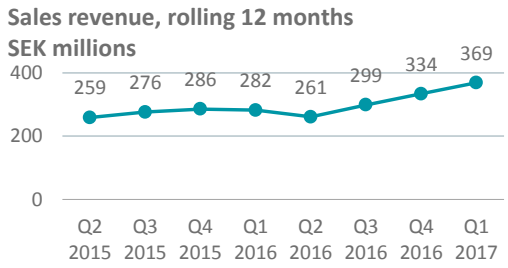
- Net revenue SEK 104.6 million (69.5)
- EBITDA SEK 16.7 million (3.4)
- EBITDA for commercial operations SEK 21.0 million (7.0)
- Operating profit (EBIT) SEK 6.9 million (0.5)
- Profit after tax SEK -3.0 million (-5.6)
- Earnings per share SEK -0.17 (-0.40)
- Operating cash flow per share SEK -0.17 (-0.25)

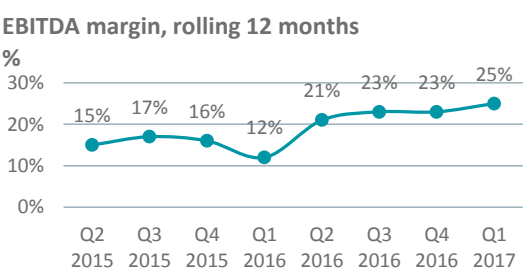
SIGNIFICANT EVENTS DURING THE FIRST QUARTER

- Nationwide launch in Japan for Zanmira® Nail (Kerasal Nail®)
- Additional distribution for New Skin® Spray at Walmart and Walgreens
- The nomination committee proposes Sara Brandt as a new board member

SIGNIFICANT EVENTS AFTER THE END OF THE QUARTER

- Additional distribution for Dermoplast® at Walmart and CVS





CONFERENCE CALL

CEO Peter Wolpert will present the report in a conference call at 3 p.m. today, May 9, 2017.
Phone +46 (0)8 566 426 95

CEO COMMENTARY

The year got off to an intense start with a focus on our major brands, including recent acquisitions, which are performing well and contributing to both growth and profitability. The expanded launch in Japan offers opportunities in one of the world's biggest markets, and our pipeline is advancing as planned.

During the first quarter, revenue increased by 51% to 104 MSEK and EBITDA was five times higher than previous year, increasing from 3.4 MSEK to 16.7 MSEK. Growth is mainly driven by our acquisitions, New Skin® and Dermoplast®, which together with Kerasal Nail® account for well above 2/3 of revenue and an even higher share of profitability. Kerasal Nail® has continued to develop strongly while maintaining its market share since the previous year's re-launch. At the same time, we are seeing slightly weaker development for our smaller brands, which is a natural consequence of our decision to focus our resources where they produce the biggest dividends. We see good opportunities to continue driving organic growth for our major brands.

We are excited about the expanded launch of Zanmira® Nail (Kerasal Nail®) in Japan, which begins in full force in the second quarter. The national launch together with our local partner, CMIC Group, is a major effort from their side. If it succeeds, Japan could become one of our largest distribution markets. At the same time, our partnership with Menarini around Asia is progressing. Distributor sales decreased slightly in the first quarter due to higher inventory levels in Asia, while sales to distributors in Europe increased.

Our pipeline continues to advance. For BUPI, the next step is the applications to launch the Phase 3 program, while patient recruitment to the Phase 3 studies for MOB-015 is ongoing and expected to be completed during the year. A recent survey of nearly 90 U.S. physicians indicates a significant need for a product like MOB-015. The results strengthen our belief in the potential in our pipeline, where I personally see MOB-015 as the company's biggest asset.

Going forward, we are awaiting the outcome of the Japanese launch, where the majority of the product shipments for the launch are being made and invoiced in the second quarter. We are also looking forward to tracking the performance of our largest brands with the broader distribution for our recent acquisitions and stronger claims for Kerasal Nail® in time for high season in the U.S.

Peter Wolpert, CEO of Moberg Pharma

ABOUT MOBERG PHARMA

Moberg Pharma develops and markets consumer healthcare products that alleviate skin conditions and pain. The product portfolio comprises well established global brands in attractive niche categories, with a focus on topical treatments. The company's long-term goal is an EBITDA margin of 25 percent with healthy growth. The way to achieve this is via profitable growth from strategic brands, value-creating acquisitions and commercialization of development projects.

STRONG BRAND PORTFOLIO TARGETING 40 COUNTRIES

Moberg Pharma's commitment to commercial and innovative excellence has resulted in rapid growth and profitability over the years. We attribute our success to a unique approach, great commitment, a high level of creativity and entrepreneurial spirit. The business is managed through high performing cross functional teams and a high degree of competence throughout the value chain. We continuously seek out acquisition candidates that fit our strategy and can benefit from our marketing, innovation and execution excellence. To optimize our sales potential, we have established our own consumer healthcare marketing and sales operation in the US, developed a global distributor network that spans more than 40 countries around the world and also recently started direct sales in the UK.

Our main commercial product is Kerasal Nail®/Nalox™; an over-the-counter product with clinically proven efficacy for treatment of nails affected by nail fungus. This product is sold under the names Nalox™/Naloc™, Emtrix®, Zanmira®, and Kerasal Nail® (USA) [1] and is distributed via a direct sales organization in the USA and the UK as well as 10 cooperation partners with agreed rights in over 60 markets, including the larger EU markets, Canada, China, Japan, and South East Asia.

[1] *The brands Nalox™ and Naloc™ are owned by Moberg Pharma's cooperation partners and Moberg Pharma has no ownership rights to these brands.*

DEVELOPMENT PROJECTS WITH TWO PRODUCTS IN PHASE 3

Moberg Pharma has developed a clinical pipeline with potential that is a magnitude greater than the sales of our current portfolio. MOB-015 is our next-generation nail fungus treatment targeting the highly attractive prescription market in the US and some other countries, as well as the OTC markets in many countries. Nail fungus (onychomycosis) is very common with a prevalence of approximately 10% of the general population. There is a significant unmet need for improved topical therapy without the safety risks associated with oral treatment. BUPI is intended for pain relief for inflammation and ulceration of the oral mucous membranes (oral mucositis or OM), as a serious complication of cancer treatment. OM affects approximately 400,000 patients annually in the US and may hinder completion of cancer treatment and result in expensive hospital care.

Each of these drug candidates are in Phase 3 and have the potential to become market leaders in their respective niches.

	MOB-015	BUPI
	Nail fungus •Topical terbinafine •Target profile: Rapid, visible improvement and superior cure rate (among topical medications)	**Pain relief for oral mucositis** •Lozenge with bupivacaine •Target profile: Better and longer pain relief than with existing products
	Status: Phase 3 program initiated in Q3, 2016 • Recruitment of 750–800 patients for two Phase-3 studies in North America and Europe began in Q3, 2016. The aim is to complete recruitment in the second half of 2017. • Primary endpoint: complete clinical cure of big toe nail and negative fungal tests after 52 weeks.	**Status: Preparations for Phase-3 application underway** •Preparations for the Phase 3 program are underway in collaboration with Moberg's partner Cadila Pharmaceuticals. The aim is to submit the application in Q2, 2017. •In Q1, 2017, advisory meetings were held with health agencies in Sweden and Germany.
	Patents: Patent protection until 2032 •Patents granted in large markets, including the USA, EU, and Japan. •Patents include new topical formulations of allylamines (including terbinafine), and treatment methods for nail fungus using the new formulations.	**Patents: Patent protection until 2031** •Patents issued in the EU. Applications in progress in the USA and Canada. •Patents include lozenges and other formulations with a local anesthetic, including bupivacaine, for the mouth or throat and for treatment of oral mucositis in cancer patients.
	Phase 2 data: Leading data for severely infected nails • 54% mycological cure at 60 weeks • 100% negative culture at 60 weeks • 1000x more terbinafine in the nail compared with oral administration • 40x more terbinafine in the nail bed compared with oral administration	**Phase 2 data: Significantly better pain relief than with standard treatment** •Primary endpoint: 31% less pain in the BUPI group (maximum VAS value in the mouth/throat, p = 0.0032) •Only in the mouth: 50% less pain in the BUPI group (p = 0.0002)
	Estimated annual sales potential: USD 250–500 million	**Estimated annual sales potential: USD 50–100 million**

MOB-015 – PHASE 3 STUDIES IN PROGRESS

A new topical treatment for onychomycosis (nail fungus) with antifungal, keratolytic, and emollient properties. The company's patented formulation technology facilitates delivery of high concentrations of a proven antifungal substance (terbinafine) into and through the nail. Since MOB-015 is applied locally, adverse events associated with oral treatments can be avoided. A recent survey of physicians in the USA indicated that there is a strong demand for better topical treatment and that a majority of physicians would prefer MOB-015 over existing treatment options, whether topical medications or tablets, if the phase 3 results meet the target profile. The company estimates the sales potential of MOB-015 to USD 250–500 million annually.

BUPI – BUPIVACAINE LOZENGE – PREPARATIONS FOR PHASE 3 UNDERWAY

An innovative, patented formulation with the proven substance bupivacaine, in the form of a lozenge, for the treatment of pain in the oral cavity. In January 2016, Moberg Pharma reported positive results from a Phase 2 study in which BUPI was evaluated for cancer patients with oral mucositis as the first indication. Moberg Pharma estimates that the product has sales potential of USD 50–100 million annually, assuming successful commercialization in oral mucositis and at least one further indication.

BUSINESS DEVELOPMENT IN 2017

Our three largest brands account for an increasing share of the company's total growth and profitability, and we are looking forward to the nationwide launch in Japan, which could become one of our biggest distributor markets. Our pipeline is advancing as planned.

IN THE MARKET

Direct sales – Strong development for our three largest brands: Kerasal Nail®, New Skin® och Dermoplast®

Our direct sales increased in the first quarter by 88% compared to the previous year. The integration of the acquired brands New Skin® and Dermoplast® is continuing according to plan, and together with Kerasal Nail® they now account for well above 2/3 of revenues and an even higher share of profitability, with good growth potential. Our smaller brands have seen weaker development, while we continue to make progress in the UK according to plan.

In January, we secured additional distribution for New Skin® Spray at Walmart and Walgreens. The first shipments were made in mid-March, and the product is now sold in 3,900 Walmart stores and more than 1,500 Walgreens stores. In April, we also expanded distribution for a second Dermoplast product at 7,500 CVS locations and 3,500 Walmart locations across the U.S, facilitating increased growth going forward.

Kerasal Nail® continues to hold a strong position in the U.S. market, while maintaining a 27% market share compared to the previous year. Through new critical studies we have documented that patients see noticeable improvement after just one week, which strengthens our claims heading into high season in the U.S.

Distributor sales – Opportunities in one of the world's largest markets

After a successful test launch in Japan in 2016, a national roll-out of Zanmira® Nail (Kerasal Nail®) will begin in the country just in time for high season. CMIC Group, Moberg Pharma local partner, is responsible for the launch, which covers several major cities and more than 8,000 pharmacies.

At the same time, launches are underway around Asia in collaboration with Menarini. We already have leading positions in several Southeast Asian markets, while other markets will take longer to evaluate. During the first quarter, sales were somewhat adversely affected by relatively high inventory levels in Asia and Canada, while sales to distributors in Europe increased.

IN THE PIPELINE

MOB-015 – our biggest asset in the pipeline

Recruitment to the two Phase 3 studies for MOB-015 is ongoing and expected to be completed during the year. A recent survey[2] of nearly 90 U.S. physicians indicates a growing need for an effective topical therapy for nail fungus. Seven of ten would prefer to prescribe a topical therapy rather than terbinafine tablets, currently the most prescribed medication globally. Six of ten physicians said they would prefer MOB-015 over existing topical medications; only 3%, for example, are completely satisfied with the leading topical competitor. Many physicians would also prescribe MOB-015 in combination with terbinafine tablets. The results of the survey further strengthen our belief in the potential for MOB-015. We have begun discussions with a number of potential commercialization partners for MOB-015, which is an excellent way for us to increase our understanding of the market and build relationships that can lead to future business.

BUPI – Green light for Phase 3 application

The scheduled Scientific Advice meetings with medical products agencies in Sweden and Germany were held in the first quarter, and we have now received the feedback we need to complete the applications for the Phase 3 program for BUPI. We expect the application for a Phase 3 study in India to be submitted in the second quarter by Cadila Pharmaceuticals, Moberg Pharma's partner, which is responsible for financing and implementing the current Phase 3 study. We are awaiting further discussions with authorities and potential other partners before any additional Phase 3 studies are initiated.

[2] Lifesci Capital Equity Research, Survey of Physicians on the Treatment of Onychomycosis, April 4, 2017

GROUP REVENUE AND EARNINGS

REVENUE

In the first quarter of 2017, net sales amounted to SEK 104.6 million (69.5), an increase of 51% compared with the same period in the previous year. Following last year's acquisitions, the three biggest brands Kerasal Nail®, Dermoplast®, and New Skin® account for well above 2/3 of revenue and an even larger proportion of profitability. Sales of Kerasal Nail®/Emtrix®/Nalox™ accounted for SEK 32.7 million (32.1), Dermoplast® accounted for SEK 21.3 million (0), and other products contributed SEK 50.8 million (37.4). Direct sales increased by 88% in the first quarter. However, excluding sales and acquisitions, direct sales declined by 8%[3]. As direct sales of Kerasal Nail® in the USA increased by 10% in the period, the decline was attributable to the smaller brands in the portfolio.

Distributor sales, adjusted for divestments, fell by 9%[4]. Please note that distributors are placing orders approximately 2-3 times a year for each market, not directly reflecting demand and pharmacy sales for the previous reporting period, resulting in varying company sales from one quarter to another. In Q1, sales were affected by relatively high inventory levels in Asia and Canada, while sales to distributors in Europe increased.

The products New Skin®, PediaCare®, and Fiber Choice® were acquired on July 7, 2016 and are included in the income statement from that date. The product Dermoplast® was acquired on December 30, 2016 and is included in the income statement from January 1, 2017. The comparative figures also include the products divested on April 1, 2016 (JointFlex®, Vanquish®, and Fergon®). PediaCare® (acquired on July 7, 2016 and divested on December 19, 2016) is included in the results for the full financial year 2016.

Since the majority of the company's invoicing is in US dollar and euro, we are dependent on the exchange rate development of these currencies to the Swedish krona. In the first quarter of 2017, revenue in US dollars was recognized at an average exchange rate of SEK 8.92, compared with SEK 8.46 in the first quarter of 2016. The equivalent figures for euros was an average exchange rate of SEK 9.51, compared with SEK 9.32 in the first quarter of 2016. Exchange rates therefore had a positive impact on revenue. Had exchange rates remained unchanged, revenue would have increased by 43% compared with the first quarter of 2016.

Other operating income consists of exchange rate changes relating to operating receivables. Other operating income for the full financial year 2016 also includes research grants and a capital gain of SEK 41.1 million in connection with the sale of the brands JointFlex®, Fergon®, and Vanquish®.

Distribution of operating income (SEK thousand)	Jan–Mar 2017	Jan–Mar 2016	Full year 2016
Sales of products	104,311	69,452	334,304
Milestone payments	239	-	-
Net revenue	**104,550**	**69,452**	**334,304**
Other operating income	115	-	49,211
Total operating income	**104,665**	**69,452**	**383,515**

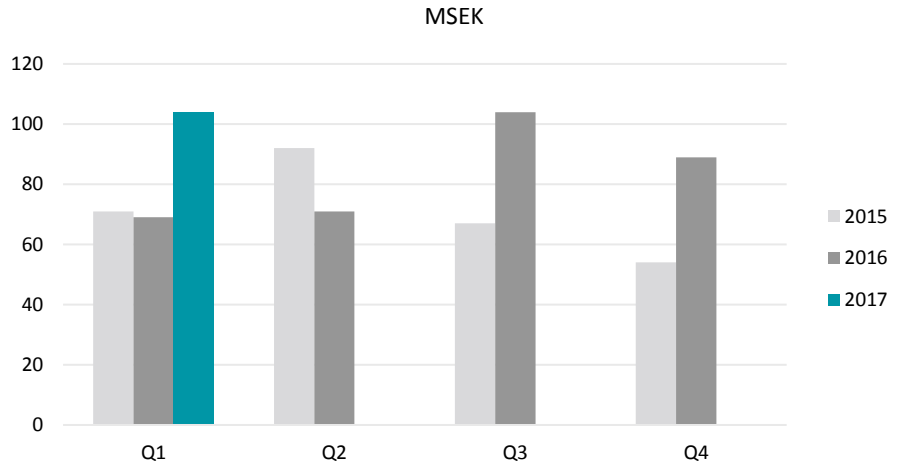
Net revenue by channel (SEK thousand)	Jan–Mar 2017	Jan–Mar 2016	Full year 2016
Proprietary sales, organic	35,897	38,965	172,789
Proprietary sales, acquisitions and divestments	55,782	9,801	94,430
Product sales to distributors, organic	12,637	14,166	60,565
Product sales to distributors, acquisitions and divestments	-	6,520	6,520
Milestone payments	239	-	-
TOTAL	**104,550**	**69,452**	**334,304**

[3] 14% reduction at fixed exchange rates
[4] 9% reduction at fixed exchange rates

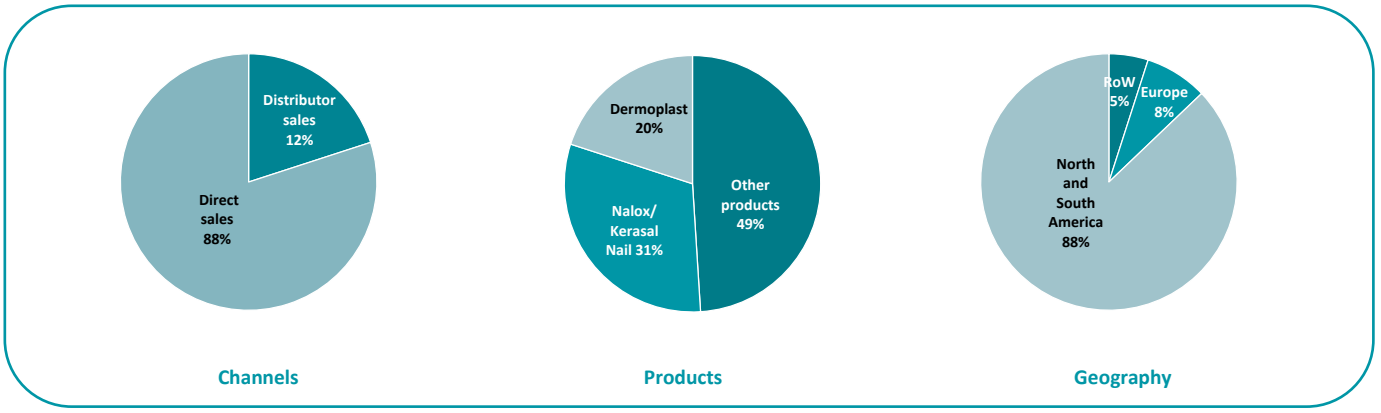
Net revenue by product category (SEK thousand)	Jan–Mar 2017	Jan–Mar 2016	Full year 2016
Kerasal Nail®/Nalox	32,703	32,085	151,289
Dermoplast®	21,268	-	-
Divested products (JointFlex®, Fergon®, Vanquish®, PediaCare®)	-	16,321	32,540
Other products	50,579	21,045	150,475
TOTAL	**104,550**	**69,452**	**334,304**

Net revenue by geographical market (SEK thousand)	Jan–Mar 2017	Jan–Mar 2016	Full year 2016
Europe	7,851	5,281	19,412
North and South America	91,535	41,063	248,814
Rest of the world	5,164	6,786	33,583
Divested products (JointFlex®, Fergon®, Vanquish®, PediaCare®)	-	16,321	32,540
TOTAL	**104,550**	**69,452**	**334,304**

Income from product sales by quarte



Distribution of net revenue, in percent, January – March 2017



PROFIT

Operating profit for the first quarter of 2017 amounted to SEK 6.9 million (0.5). The cost of goods sold was SEK 31.7 million (20.6), corresponding to a gross margin on product sales of 70% (70). Operating expenses, excluding the cost of goods sold during the quarter, amounted to SEK 66.0 million (48.3), most of which comprised selling expenses of SEK 44.0 million (34.9), excluding depreciation/amortization[5]. Selling costs therefore accounted for 42% (50%) of total revenue.

Profit after net financial items amounted to SEK -3.2 million, compared with SEK -7.3 million in the first quarter of 2016. The result was boosted by increased sales (due to the acquisition of Dermoplast®, New Skin®, and Fiber Choice®; however, the positive effect was reduced by the divestment of JointFlex®, Fergon®, and Vanquish®). The depreciation/amortization costs also increased as a result of the acquisitions; depreciation/amortization of product rights amounted to SEK 9.2 million (2.5).

Loss for the period after tax amounted to SEK -3.0 (-5.6) million and comprehensive income amounted to SEK -7.4 million (-10.7). Comprehensive income included currency translation of SEK -4.4 million as a result of the weaker US dollar rate at the end of March, compared with the end of the financial year 2016.

The EBITDA margin for the quarter amounted to 16% (5). Adjusted for R&D/business development expenses for future products, the EBITDA margin for commercial operations was 20% (10).

EBITDA Summary (SEK thousand)	Jan–Mar 2017	Jan–Mar 2016	Full year 2016
Net revenue	104,550	69,452	334,304
Cost of goods sold	-31,715	-20,603	-101,355
Gross profit	**72,835**	**48,849**	**232,949**
%	70%	70%	70%
Selling expenses	-44,044	-34,865	-156,618
Administrative expenses	-5,748	-5,005	-20,520
Research and development costs – commercial operations[1)]	-1,817	-1,596	-5,068
Other operating income/operating expenses	-193	-366	42,788
EBITDA – commercial operations	**21,033**	**7,017**	**93,531**
%	20%	10%	28 %
Research and development costs – future products[2)]	-1,839	-1,622	-6,100
Business development expenses	-2,528	-1,969	-9,524
EBITDA	**16,666**	**3,426**	**77,907**
%	16%	5%	23%
Depreciation/amortization	-9,764	-2,923	-15,735
Operating profit (EBIT)	**6,902**	**503**	**62,172**

1) Research and development costs – commercial operations includes R&D expenses for new product variations under existing brands, regulatory activities, and quality.

2) Research and development costs – future products include R&D expenses for completely new product candidates.

[5] Depreciation/amortization of product rights are recognized as selling expenses in the income statement.

FINANCIAL POSITION

CASH FLOW

Operating cash flow before changes in working capital amounted to SEK 8.1 million (3.9) during the quarter. The company's capital tie-up increased in 2016 due to expansion of direct sales activities by means of acquisitions. Operating cash flow amounted to SEK -2.9 million (-3.6) for the first quarter of 2017.

Cash flow from investing activities amounted to SEK -8.9 million (-102.8 Q1 2016, due to investments in corporate bonds in USD) and consisted mainly of capitalized expenditure for research and development activities, see the section "Capital expenditure" below.

Cash flow from financing activities amounted to SEK 0 million (290 Q1 2016, due to cash received from the bond loan).

Cash and cash equivalents amounted to SEK 74.0 million (228.8) at the end of the period.

CAPITAL EXPENDITURE

Investments in intangible assets in 2017 refer to capitalized expenditure for research and development activities of SEK 8.7 million (3.8) and product rights of SEK 0.2 million (0). The company has three ongoing development projects in a late phase that are being capitalized: MOB-015, BUPI, and the next generation of Kerasal Nail®/Nalox™. In addition to capitalized R&D expenditure, Moberg Pharma also had R&D expenses of SEK 3.6 million (3.2) that were recognized directly in the statement of comprehensive income, of which SEK 1.8 million (1.6) was related to future products.

R&D expenses (costs and investments) (SEK thousand)	Jan–Mar 2017	Jan–Mar 2016	Full year 2016
R&D expenses – current products	-1,817	-1,596	-5,068
R&D expenses – future products	-1,839	-1,622	-6,100
Depreciation/amortization of R&D investments	-445	-256	-1,274
R&D expenses (in statement of comprehensive income)	**-4,101**	**-3,474**	**-12,442**
New capitalized R&D investments	-8,716	-3,827	-50,674
Depreciation/amortization of capitalized R&D investments	284	110	667
Depreciation/amortization of other R&D investments	161	146	607
Change in R&D investments (in statement of financial position)	**-8,271**	**-3,571**	**-49,400**
Total R&D expenditure	**-12,372**	**-7,045**	**-61,842**

LIABILITIES

Interest-bearing liabilities consist of a bond of SEK 600 million, which will mature on January 29, 2021. The loan carries a variable interest rate of STIBOR 3m + 6%. The bond loan has no covenants in terms of operating activities except where the company wishes to increase the loan within the framework amount. In accordance with IAS 39, the bond loan is recognized less transaction costs allocated over the term of the loan, which explains the difference between SEK 600 million and the amount of SEK 589.8 million included in the statement of financial position. The full terms and conditions of the bond are available on the company's website www.mobergpharma.se

Non-current non-interest-bearing liabilities comprise a deferred tax liability at the US subsidiary of USD 0.8 million (SEK 7.5 million).

Current non-interest-bearing liabilities include contingent considerations to Prestige Brands related to the acquisition of New Skin®, Fiber Choice®, and PediaCare®. Contingent considerations of up to USD 2.5 million may be payable, for which the company has recognized a liability of USD 2.25 million (SEK 20.1 million). The contingent consideration limits Moberg Pharma's risk exposure with regard to returns and some overhead costs for Fiber Choice® and PediaCare®.

PLEDGED ASSETS AND CONTINGENT LIABILITIES

Moberg Pharma has no contingent liabilities. Pledged assets consist of blocked bank funds totaling SEK 0.7 million.

CHANGES IN EQUITY

SHARES

At the end of the period, share capital amounted to SEK 1,741,184.20 (1,421,752.20), and the total number of shares outstanding was 17,411,842 (14,217,522) ordinary shares with a nominal value of SEK 0.10.

WARRANTS

As of Friday, March 31, 2017, there were a total of 851,960 warrants outstanding. If all warrants were exercised for shares, the number of shares would increase by 866,420, from 17,411,842 shares at the end of the period to 18,278,262.

SHAREHOLDER INFORMATION

The company's largest shareholders as of 03/31/2017:

Shareholders	Number of shares	% of votes and capital
THE FOUNDATION FOR BALTIC AND EAST EUROPEAN STUDIES	2,274,179	13.1
FÖRSÄKRINGSAKTIEBOLAGET AVANZA PENSION	1,346,178	7.7
CUSTODY ACCOUNT FOR THE EXCLUSIVE	886,000	5.1
NORDNET PENSIONSFÖRSÄKRING AB	687,049	4.0
MERRILL LYNCH PROF CLEAR CORP	549,787	3.2
SOCIÉTÉ GÉNÉRALE	534,565	3.1
JP MORGAN BANK LUXEMBOURG S.A.	524,394	3.0
NORTAL CAPITAL AB	497,821	2.9
WOLCO INVEST AB[6]	435,399	2.5
EUROCLEAR BANK S.A/N.V, W8-IMY	350,000	2.0
GRANDEUR PEAK INTERNATIONAL	334,194	1.9
LUNDMARK, ANDERS	282,000	1.6
GRANDEUR PEAK GLOBAL, OPPORTUNITIES	255,657	1.5
STATE STREET BANK & TRUST COM., BOSTON	225,000	1.3
SKANDIA, INSURANCE	206,769	1.2
DANICA PENSION	204,284	1.2
PRIORITET CAPITAL AB	200,000	1.2
SYNSKADADES STIFTELSE	172,201	1.0
ÖHMAN HJÄRT-LUNGFOND	165,000	1.0
ML, PIERCE, FENNER & SMITH INC	147,414	0.9
HYVÄT LEHDET RSM OY	129,404	0.7
TOTAL, 20 BIGGEST SHAREHOLDERS	**10,242,295**	**58.8**
Other shareholders	7,169,547	41.2
TOTAL	**17,411,842**	**100**

[6] Owned by the company's CEO, Peter Wolpert

ORGANIZATION

As of March 31, 2017, the Moberg Pharma Group had 37 employees, of whom 68% were women. The parent company had 27 employees, of whom 70% 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 US) and comprise research and development, sales and marketing, and administrative functions. The parent company's net revenue amounted to SEK 31.3 million in the first quarter of 2017, compared with SEK 17.4 million in the same period in the previous year. Operating expenses, excluding the cost of goods sold, amounted to SEK 21.8 million (13.1), while profit after financial items was SEK 4.9 million (-8.3). Cash and cash equivalents amounted to SEK 39.3 million (215.7) at the end of the period.

RISK FACTORS

Commercialization and development of pharmaceuticals are capital-intensive activities exposed to significant risks. Risk factors considered of particular significance for Moberg Pharma's future development are linked to competition and pricing, production, partners' and distributors' performance, the results of clinical trials, regulatory actions, 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 2016 Annual Report on page 23.

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

OUTLOOK

Moberg Pharma aims to add value and generate a solid return for shareholders through profitable growth, with a long-term EBITDA margin of at least 25%. The company's growth strategy includes organic sales growth, acquisitions/in-licensing of new products, and commercialization of development projects.

During 2017, focus will be placed on integrating acquired brands, supporting the company's distributors and retailers, and advancing the company's Phase 3 development programs to enable future growth. Moberg Pharma will during the year utilize its operating cash flow to invest mainly in the ongoing Phase 3 studies for MOB-015.The company will also further refine the commercialization plans for its pipeline assets, including deepening relations with potential commercialization partners in multiple territories.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(SEK thousand)	Jan–Mar 2017	Jan–Mar 2016	Full year 2016
Net revenue	104,550	69,452	334,304
Cost of goods sold	-31,715	-20,603	-101,355
Gross profit	**72,835**	**48,849**	**232,949**
Selling expenses[1)]	-53,294	-37,472	-170,833
Business development and administrative expenses	-8,345	-7,034	-30,290
Research and development costs	-4,101	-3,474	-12,442
Other operating income	115	-	49,211
Other operating expenses	-308	-366	-6,423
Operating profit (EBIT)	**6,902**	**503**	**62,172**
Interest income and similar items	-	71	15,308
Interest expenses and similar items	-10,093	-7,846	-30,935
Profit after financial items (EBT)	**-3,191**	**-7,272**	**46,545**
Tax on profit for the period	187	1,624	-13,877
PROFIT FOR THE PERIOD	**-3,004**	**-5,648**	**32,668**
Items that will be reclassified to profit			
Translation differences of foreign operations	-4,403	-5,101	19,584
Other comprehensive income	-4,403	-5,101	19,584
TOTAL PROFIT FOR THE PERIOD	**-7,407**	**-10,749**	**52,252**
Profit for the period attributable to parent company shareholders	-3,004	-5,648	32,668
Profit for the period attributable to non-controlling interests			
Total profit attributable to parent company shareholders	-7,407	-10,749	52,252
Total profit attributable to non-controlling interests			
Basic earnings per share	**-0.17**	**-0.40**	**2.27**
Diluted earnings per share[7]	**-0.17**	**-0.40**	**2.25**
[1)] Of which depreciation/amortization of product rights	-9,152	-2,514	-13,838
EBITDA	**16,666**	**3,426**	**77,907**
Product right depreciation/amortization	-9,152	-2,514	-13,838
Other depreciation/amortization	-612	-409	-1,897
Operating profit (EBIT)	**6,902**	**503**	**62,172**

[7] In periods when the Group reports a loss, no dilution effect arises. The reason for this is that a dilution effect is only recognized when a potential conversion to ordinary shares would result in lower earnings per share.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN BRIEF

(SEK thousand)	31/03/2017	31/03/2016	31/12/2016
Assets			
Intangible assets	996,753	257,959	1,000,367
Property, plant, and equipment	688	872	774
Non-current financial assets	1	1	1
Deferred tax asset	11,064	17,850	10,161
Total non-current assets	**1,008,506**	**276,682**	**1,011,303**
Inventories	54,242	23,256	42,224
Trade receivables and other receivables	89,859	63,583	92,545
Current financial assets	-	94,425	-
Cash and cash equivalents	74,045	228,790	86,104
Total current assets	**218,146**	**410,054**	**220,873**
TOTAL ASSETS	**1,226,652**	**686,736**	**1,232,176**
Equity and liabilities			
Equity (attributable to parent company shareholders)	554,733	342,622	561,625
Non-current interest-bearing liabilities	589,790	293,658	589,040
Non-current non-interest-bearing liabilities	7,545	-	6,971
Current non-interest-bearing liabilities	74,584	50,456	74,540
TOTAL EQUITY AND LIABILITIES	**1,226,652**	**686,736**	**1,232,176**

CONSOLIDATED STATEMENT OF CASH FLOWS IN BRIEF

(SEK thousand)	Jan–Mar 2017	Jan–Mar 2016	Full year 2016
Operating activities			
Operating profit before financial items	6,902	502	62,171
Financial items, received and paid	-9,078	-35	-8,319
Taxes paid	-5	-26	-24
Adjustments for non-cash items:			
Depreciation/amortization and other adjustments	9,764	2,923	-29,073
Employee stock option costs[8]	542	562	1,748
Cash flow before changes in working capital	**8,125**	**3,926**	**26,503**
Change in working capital			
Increase (-)/Decrease (+) in inventories	-12,756	-1,056	-20,025
Increase (-)/Decrease (+) in operating receivables	1,256	-9,571	-30,651
Increase (+)/Decrease (-) in operating liabilities	501	3,074	6,232
OPERATING CASH FLOW	**-2,874**	**-3,627**	**-17,941**
Investing activities			
Net investments in intangible assets	-8,878	-3,891	-680,401
Net investments in equipment	-31	-104	-255
Net investments in financial assets	-	-98,854	-
INVESTING CASH FLOW	**-8,909**	**-102,849**	**-680,656**
Financing activities			
Borrowings (+) / Loan amortization (-)	-	290,106	584,263
Issue of new shares less transaction costs	-51	-	153,689
FINANCING CASH FLOW	**-51**	**290,106**	**737,952**
Change in cash and cash equivalents	**-11,834**	**183,630**	**39,355**
Cash and cash equivalents at the beginning of the period	86,104	45,356	45,356
Exchange rate differences in cash and cash equivalents	-225	-196	1,393
Cash and cash equivalents at the end of the period	74,045	228,790	86,104

[8] Note that revaluation of estimated costs for social security contributions for employee stock options is recognized under change in operating liabilities

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(SEK thousand)	Share capital	Other capital contributions	Translation reserve	Accumulated loss	Total equity
January 1 – March 31, 2017					
Opening balance, January 1, 2017	**1,741**	**524,003**	**62,119**	**-26,238**	**561,625**
Total income					
Profit for the period				-3,004	-3,004
Other comprehensive income – translation differences on translation of foreign operations			-4,403		-4,403
Transactions with shareholders					
Transaction costs, new share issue		-39			-39
Employee stock options		554			554
CLOSING BALANCE, MARCH 31, 2017	**1,741**	**524,518**	**57,716**	**-29,242**	**554,733**
January 1 – March 31, 2016					
Opening balance, January 1, 2016	**1,422**	**367,772**	**42,535**	**-58,906**	**352,823**
Total income					
Profit for the period				-5,648	-5,648
Other comprehensive income – translation differences on translation of foreign operations			-5,101		-5,101
Transactions with shareholders					
Employee stock options		549			549
CLOSING BALANCE, MARCH 31, 2016	**1,422**	**368,321**	**37,434**	**-64,554**	**342,622**
January 1 – December 31, 2016					
Opening balance, January 1, 2016	**1,422**	**367,772**	**42,535**	**-58,906**	**352,823**
Total income					
Profit for the period				32,668	32,668
Other comprehensive income – translation differences on translation of foreign operations			19,584		19,584
Transactions with shareholders					
New share issue	319	158,432			158,752
Transaction costs, new share issue		-3,948			-3,948
Employee stock options		1,747			1,747
CLOSING BALANCE, DECEMBER 31, 2016	**1,741**	**524,003**	**62,119**	**-26,238**	**561,625**

KEY RATIOS FOR THE GROUP

(SEK thousand)	Jan–Mar 2017	Jan–Mar 2016	Full year 2016
Net revenue	104,550	69,452	334,304
Gross margin %	70%	70%	70%
EBITDA	16,666	3,426	77,907
EBITDA %	16%	5%	23%
Operating profit (EBIT)	6,902	503	62,172
Profit after tax	-3,004	-5,648	32,668
Profit margin %	Neg.	Neg.	10%
Balance sheet total	1,226,652	686,736	1,232,176
Net receivables	-515,745	-64,868	-502,936
Debt/equity ratio	106%	86%	105%
Equity/assets ratio	45%	50%	46%
Return on equity	-1%	-2%	6%
Diluted earnings per share, SEK	-0.17	-0.40	2.25
Diluted operating cash flow per share, SEK	-0.17	-0.25	-1.24
Equity per share, SEK	31.86	24.10	32.26
Basic average number of shares	17,411,842	14,172,130	14,413,627
Diluted average number of shares	17,618,649	14,388,450	14,503,738
Number of shares at the end of the period	17,411,842	14,217,522	17,411,842
Share price on balance sheet date, SEK	58.25	52.50	57.00
Market capitalization on balance sheet date, SEK millions	1,014	746	992

DEFINITIONS OF KEY RATIOS

Moberg Pharma presents certain financial performance measurements in this year-end report that are not defined in accordance with IFRS. In Moberg Pharma's opinion, these performance measurements provide valuable additional information as they provide investors and company management with an opportunity to evaluate the company's performance. These financial performance measurements are not always comparable with those used by other companies since not all companies calculate them in the same manner.

Accordingly, these financial measurements are not to be regarded as a replacement for the performance measurements defined in accordance with IFRS.

Gross margin	Gross profit as a percentage of net revenue
EBITDA	Operating profit before depreciation/amortization and impairment of intangible assets and property, plant, and equipment
Profit margin	Profit after tax as a percentage of net revenue
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 balance sheet total
Return on equity	Profit for the period divided by closing equity
Earnings per share*	Profit after tax divided by the diluted average number of shares
Operating cash flow per share*	Cash flow from operating activities divided by the diluted average number of shares
Equity per share	Equity divided by the number of shares outstanding at the end of the period

**Defined in accordance with IFRS*

PARENT COMPANY INCOME STATEMENT IN BRIEF

(SEK thousand)	Jan–Mar 2017	Jan–Mar 2016	Full year 2016
Net revenue	31,134	17,400	103,348
Cost of goods sold	-4,217	-4,827	-23,223
Gross profit	**26,917**	**12,573**	**80,125**
Selling expenses	-11,139	-3,573	-21,540
Business development and administrative expenses	-6,593	-5,822	-24,736
Research and development costs	-3,808	-3,395	-11,718
Other operating income	96	-	17,940
Other operating expenses	-308	-342	-6,299
Operating profit	**5,165**	**-559**	**33,772**
Interest income	-	70	15,308
Interest expenses	-10,093	-7,845	-30,935
Profit after financial items	**-4,928**	**-8,334**	**18,145**
Tax on profit for the period	891	2,065	-3,713
PROFIT	**-4,037**	**-6,269**	**14,432**

PARENT COMPANY BALANCE SHEET IN BRIEF

(SEK thousand)	03/31/2017	03/31/2016	12/31/2016
Assets			
Intangible assets	843,267	86,084	842,712
Property, plant, and equipment	404	610	452
Non-current financial assets	178,107	178,107	178,107
Deferred tax asset	11,064	14,827	10,161
Total non-current assets	**1,032,842**	**279,628**	**1,031,432**
Inventories	343	406	370
Trade receivables and other receivables	12,123	23,215	13,123
Receivables to Group companies	43,302	25,648	25,699
Current financial assets	-	94,425	-
Cash and cash equivalents	39,277	215,714	72,379
Total current assets	**95,045**	**359,408**	**111,571**
TOTAL ASSETS	**1,127,887**	**639,036**	**1,143,003**
Equity and liabilities			
Equity	491,461	318,280	494,983
Non-current interest-bearing liabilities	589,790	293,658	589,040
Current non-interest-bearing liabilities	46,636	27,098	58,980
TOTAL EQUITY AND LIABILITIES	**1,127,887**	**639,036**	**1,143,003**

PARENT COMPANY CASH FLOW STATEMENT IN BRIEF

(SEK thousand)	Jan–Mar 2017	Jan–Mar 2016	Full year 2016
Operating activities			
Operating profit before financial items	5,165	-559	33,772
Financial items, received and paid	-9,078	-35	-8,319
Adjustments for non-cash items:			
Depreciation/amortization and other adjustments	8,371	1,026	-3,450
Employee stock option costs	393	194	1,312
Cash flow before changes in working capital	**4,851**	**626**	**23,315**
Change in working capital			
Increase (-)/Decrease (+) in inventories	27	-	36
Increase (-)/Decrease (+) in operating receivables	-16,603	6,770	18,317
Increase (+)/Decrease (-) in operating liabilities	-12,448	-439	11,677
OPERATING CASH FLOW	**-24,173**	**6,957**	**53,345**
Investing activities			
Net investments in intangible assets	-8,878	-3,891	-740,303
Net investments in equipment	-	-104	-115
Net investments in financial assets	-	-98,854	-
INVESTING CASH FLOW	**-8,878**	**-102,849**	**-740,418**
Financing activities			
Borrowings (+) / Loan amortization (-)	-	290,106	584,263
Issue of new shares less transaction costs	-51	-	153,689
CASH FLOWS FROM FINANCING ACTIVITIES	**-51**	**290,106**	**737,952**
Change in cash and cash equivalents	**-33,102**	**194,214**	**50,879**
Cash and cash equivalents at the beginning of the period	72,379	21,500	21,500
Cash and cash equivalents at the end of the period	39,277	215,714	72,379

ACCOUNTING POLICIES AND MEASUREMENT PRINCIPLES

The interim report was prepared in accordance with IAS 34 and the Swedish Annual Accounts Act. The consolidated financial statements were, like the annual accounts for 2016, prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the Swedish Annual Accounts Act. The parent company financial statements were prepared in accordance with Swedish Annual Accounts Act and Recommendation RFR 2 of the Swedish Financial Reporting Board, Financial Statements for Legal Entities.

The Group applies the same accounting policies and valuation methods as described in the 2016 Annual Report. A number of new or revised standards, interpretations, and improvements have been adopted by the EU and will be adopted effective January 1, 2017. These changes have not had any material effect on the Group.

Amounts are presented in Swedish kronor and rounded to the nearest thousand unless otherwise stated. Rounding to the nearest thousand may mean that certain amounts do not match when added up. MSEK stands for million Swedish kronor. Amounts and figures in parentheses are comparative figures from the previous year.

SEGMENT REPORTING

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

ASSOCIATE TRANSACTIONS

No material changes have occurred in relationships and transactions with associates.

FINANCIAL INSTRUMENTS

With the exception of bonds, the fair value of financial instruments approximates the carrying amount as of March 31, 2017. The fair value of bonds, according to Level 2 of the fair value hierarchy, amounted to approx. SEK 636 million (based on their liquid trading price) as of March 31, 2017. Purchase considerations are valued according to Level 3 of the fair value hierarchy and amounted to approx. SEK 20 million as of March 31, 2017.

FINANCIAL CALENDAR

Interim report for January – June 2017	August 8, 2017
Interim report for January – September 2017	November 13, 2017

The Annual General Meeting for Moberg Pharma will be held on May 16, 2017 at 5 p.m. at the company's premises. The Annual Report and Notice of Annual General Meeting are available on the company's website www.mobergpharma.com

FOR FURTHER INFORMATION, PLEASE CONTACT

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For more information on Moberg Pharma's business, please see the company's website, www.mobergpharma.com

This interim report has not been reviewed by the company's auditors.

DECLARATION

The undersigned hereby declare that the interim report provides a true and 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, May 8, 2017

Thomas Eklund *Chairman of the Board*	Wenche Rolfsen *Board member*	Torbjörn Koivisto *Board member*
Thomas Thomsen *Board member*	Geert Cauwenbergh *Board member*	Mattias Klintemar *Board member*

Peter Wolpert
CEO