



## Interim report January – September 2017

Moberg Pharma AB (Publ)

Q1

Q2

Q3

Q4





## SUCCESS FOR NEW SKIN

*"Strong development for our three largest brands in the US, where New Skin has been a great success with 17% growth in the nine-month period,"* says Peter Wolpert, CEO of Moberg Pharma.

### NINE-MONTH PERIOD (JAN-SEPT 2017)

- Net revenue SEK 348.9 million (244.9)
- EBITDA SEK 62.4 million (65.9)
- EBITDA excluding capital gains\* SEK 49.4 million (24.7)
- EBITDA for current product portfolio SEK 75.2 million (76.0)
- Operating profit (EBIT) SEK 33.5 million (55.1)
- Net profit after tax SEK 1.6 million (35.1)
- Diluted earnings per share SEK 0.09 (2.45)
- Operating cash flow per share SEK 1.40 (-1.64)

### THIRD QUARTER (JUL-SEPT 2017)

- Net revenue SEK 108.3 million (104.1)
- EBITDA SEK 36.0 million (29.0)
- EBITDA excluding capital gains\* SEK 23.0 million (29.0)
- EBITDA for current product portfolio SEK 39.6 million (32.6)
- Operating profit (EBIT) SEK 26.6 million (23.4)
- Net profit after tax SEK 12.3 million (12.8)
- Diluted earnings per share SEK 0.71 (0.89)
- Operating cash flow per share SEK 3.01 (-1.47)

\*Excluding a capital gain of SEK 13 million from the divestment of Fiber Choice®. The comparative figures exclude a capital gain in Q2 2016 of SEK 41.1 million from the divestment of the Jointflex®, Fergon® and Vanquish® brands

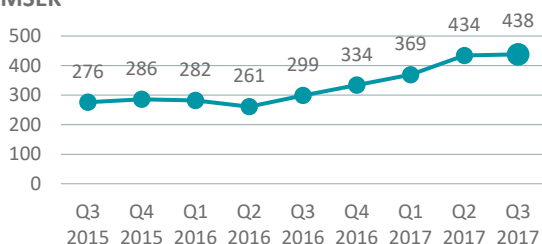
### SIGNIFICANT EVENTS DURING THE THIRD QUARTER

- Positive data from clinical trial for Kerasal Nail®/Emtrix®
- Divestment of Fiber Choice® for SEK 54 million (USD 6.7 million), with a capital gain of SEK 13 million
- Torbjörn Wärnheim, Director Pharmaceutical Innovation and Development, joined the management team
- Canadian patent granted for BUPI

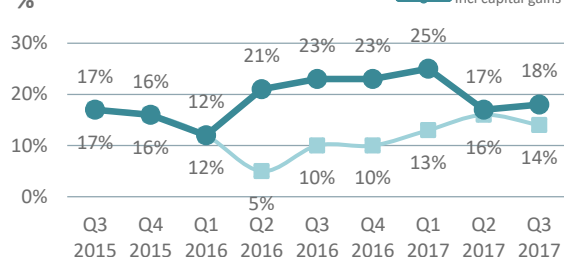
### SIGNIFICANT EVENTS AFTER THE END OF THE QUARTER

- Update on timeline for MOB-015, patient recruitment expected to be finalized in 2018

Sales revenue, rolling 12 months  
MSEK



EBITDA margin, rolling 12 months  
%



## CONFERENCE CALL

CEO Peter Wolpert will present the report at a telephone conference today, November 13, 2017, at 3:00 p.m. CET. Telephone: SE +46-8-566 425 08, US +1 646 502 51 18



## STATEMENT FROM THE CEO

Strong development for our three largest brands in the US, where the invigoration of New Skin has been a great success with 17%<sup>1</sup> growth in the nine-month period. Recruitment for the MOB-015 Phase 3 studies is estimated to be completed in the summer of 2018 in North America and in the second half of 2018 for the European study. The successful divestment of Fiber Choice releases resources and strengthens our cash reserves.

The high season for Kerasal Nail® and New Skin® is ending and the effects of this year's ad campaigns lasted far into September. Since the acquisition of New Skin®, we have succeeded in driving strong growth, with a sales increase of 17%<sup>1</sup> in the nine-month period. The positive trend is a result of our efforts to strengthen the brand, behind the breakthrough "Mr. Cut" advertising campaign that launched in June and expanded distribution at Walgreens and Walmart. For Dermoplast®, we are still seeing inventory effects from the takeover from the previous owner, but underlying demand from end customers is strong and we see several possibilities for driving future growth. For both these brands we see potential to further leverage a digital/social media marketing strategy.

Kerasal Nail® is developing strongly in the US, with 17%<sup>1</sup> consumer sales growth for the nine-month period. Impactful advertising and the powerful new "one-week claim" launched earlier this year continue to drive positive consumption gains. We successfully extended the television campaign and managed to optimize our marketing mix further. Extending advertising deeper into the season brought the added benefit of a strong halo effect. We delivered positive gains in consumption and strong share versus year ago in the two months since coming off air.

In terms of distributor sales of Kerasal Nail®, revenue levels are lower than they have been historically. The efforts in Asia have not met expectations and we therefore set lower expectations as to the region's contribution to the company's revenue. Profitability is good, however, and we see significant potential for next-generation nail fungus product, MOB-015, in these markets as well.

In August, we divested the Fiber Choice® brand for SEK 54 million (USD 6.7 million) plus inventory value, with a capital gain of SEK 13 million. In accordance with our plan, we have now successfully divested both non-strategic brands included in the acquisition from Prestige Brands. By streamlining the product portfolio, resources are released, and we can place greater focus on our larger brands. Through the divestment and strong operating cash flow in the quarter, our cash reserves strengthened significantly to SEK 121 million.

Recruitment to the phase 3 studies for MOB-015 continues in parallel in North America and Europe. We are not satisfied with the development of studies with delays and increased costs and have therefore initiated an extensive action program. Our current assessment is, that we in North America will complete recruitment in the summer of 2018 and in the second half of 2018 in Europe, and also that we can complete both studies without additional external financing.

My presence in the US creates new opportunities to expand our contacts with new investors and potential partners, with some of the major American players in the field nearby. I expect an exciting year to continue with further development of the company's portfolio and network in our largest market.

Peter Wolpert, CEO Moberg Pharma

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<sup>1</sup> Symphony IRI, U.S. MULO, during the year up to October 8, 2017



## 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. Our strategy to achieve this is through profitable growth from strategic brands, value-creating acquisitions and commercialization of development projects.

### STRONG BRAND PORTFOLIO IN 40 COUNTRIES

Since the start in 2006, Moberg Pharma's commitment to commercial and innovative excellence has resulted in rapid growth and profitability. 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.

The US is by far our largest market, with three non-prescription products dominating sales: Kerasal Nail® with clinically proven efficacy for the treatment of nails affected by nail fungus, New Skin® - a waterproof liquid bandage that lets skin breathe, and Dermoplast® - an anesthetic pain relieving antibacterial spray. Sales are made through our own marketing organization, which in addition to the US includes the UK, where only Kerasal Nail® is sold, under the brand name Emtrix®.

Kerasal Nail® is also sold through distributors in larger EU markets, in Canada, Japan and Southeast Asia. Through a global network of ten partners with contractual rights to Kerasal Nail® under various local brand names, Moberg Pharma reaches 40 countries.



#### **Kerasal®, Emtrix®, Naloc® and Zanmira®**

Clinically proven formulas providing a visible difference in onychomycosis, nail psoriasis and dry feet. Kerasal Nail® is the leading OTC treatment of nail disorders in the U.S.

#### **Dermoplast®**

DermoPlast® is an anesthetic spray used externally for relief of pain and itching from skin chaps and skin injuries, including vaginal injuries and surgery in connection with or after childbirth

#### **New Skin®**

New Skin® is the #1 OTC liquid bandage brand in the U.S. It is an antiseptic which kills germs and dries rapidly to form a clear protective cover

#### **Domeboro®**

Effective treatment for skin irritations and rashes

#### **Balmex®**

Complete Protection to treat and prevent diaper rashes





## DEVELOPMENT PROJECTS WITH TWO PRODUCTS IN PHASE 3

Moberg Pharma has developed a clinical pipeline with revenue potential that is an order of 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



#### Nail fungus

- Topical terbinafine
- Target profile: Rapid, visible improvement and superior cure rate (among topical medications)



#### Status: Phase 3 enrollment ongoing

- Recruitment of 750–800 patients for two Phase-3 studies in North America and Europe ongoing
- Primary endpoint: complete clinical cure of big toe nail and negative fungal tests after 52 weeks



#### 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



#### 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



**Estimated annual sales potential: USD 250–500 million**

### BUPI

#### Pain relief for oral mucositis

- Lozenge with bupivacaine
- Target profile: Better and longer pain relief than with existing products

#### Status: Preparations for Phase-3 underway

- In August 2017, an application for a phase 3 study has been submitted. The study will be conducted in India and is financed by Moberg's partner Cadila Pharmaceuticals
- In Q1, 2017, advisory meetings were held with health agencies in Sweden and Germany

#### Patents: Patent protection until 2031

- Patents issued in the EU and Canada. Applications in progress in the USA.
- 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: 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 50–100 million**

## MOB-015 – PHASE 3 STUDIES ARE ONGOING

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 US 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

**High season is ending for Kerasal Nail® and New Skin® and we are seeing continued strong development in the US for our three largest brands. Further delays for MOB-015 are being addressed within the framework of current financing.**

### IN THE MARKET

#### Commercial operations – continued strong development for our three largest brands in the US

Our three largest brands continue to develop strongly in the US, with marketing costs in line with what can be expected long-term for the season. New Skin reported growth at the consumer level of 17%<sup>2</sup> for the nine-month period and 36% for the quarter, the result of our efforts to strengthen the brand. Since its acquisition, we have improved our positioning based on new consumer studies, launched new campaigns, including nationwide TV advertising, and increased the number of Walmart and Walgreens stores that carry the brands.

Kerasal Nail® is also developing strongly in the US, with 17%<sup>2</sup> consumer sales growth in the nine-month period and 24% for the quarter. The growth rate for factory sales is slightly lower due to inventory effects at customers. We also maintain a strong market share, 29%, but this will become less relevant over time, since a growing share of competitors' sales is being replaced by private label sales by major chains, which are not reported in market data. We recently published the results of a clinical trial that further supports the early visible improvement after using Kerasal Nail®, in onychomycosis patients as well as patients suffering from nail psoriasis. The results are very interesting, since there are no non-prescription treatment options available for nail psoriasis at the moment.

Distributor sales of Kerasal Nail® saw lower volumes compared with the previous year and going forward are expected to represent a smaller, but profitable, share of the company's total revenue. The launch in Asia has not met our expectations to date. Local regulations and treatment patterns, for example, differ significantly between markets in the region, which has affected outcomes to a greater degree than expected.

For Dermoplast®, underlying demand from end customers was strong, with 12%<sup>2</sup> growth in pharmacy sales in the nine-month period and 18% for the quarter. Total growth is still lower than expected, however, due to inventory effects in hospital sales, which arose prior to the takeover and should end in 2017. We also see growth opportunities for Dermoplast®, in a similar way to what we implemented for Kerasal Nail® and New Skin®.

In August, Fiber Choice® was divested for SEK 54 million plus inventory value, resulting in a capital gain of SEK 13 million. In the past year, Moberg Pharma successfully divested both non-strategic brands included in the acquisition from Prestige Brands: Fiber Choice® and PediaCare®. By streamlining the product portfolio, resources are released and enable increased focus on the company's larger brands.

#### Pipeline – further delays managed with current financing

Recruitment to the phase 3 studies for MOB-015 continues in parallel in North America and Europe, however, a significantly higher screening failure rate than expected has caused delays. A rigorous screening process is basically positive, as it is critical to obtaining robust study results. We are not satisfied with the development of the studies with delays and increased costs and have therefore initiated an extensive action program. Our current assessment is, that we in North America will complete recruitment in the summer of 2018 and in the second half of 2018 in Europe, and also that we can complete both studies without additional external financing. Topline results are expected approximately 15 months after completion of recruitment for each study, respectively.

With regard to BUPI, Cadila Pharmaceuticals, our partner in India, submitted the application for a Phase 3 program in the third quarter. We have also obtained patent protection in Canada, over and above the protection we already have in Europe. In September, the positive results from the Phase 2 study were published in the journal *Pain Reports*. They showed that BUPI achieved a statistically significant reduction in pain in the oral cavity compared to standard treatment.

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<sup>2</sup> Symphony IRI, U.S. MULO during the year up to October 8, 2017



# GROUP REVENUE AND EARNINGS

## REVENUE

### Third quarter (July-September 2017)

As a whole, sales results were satisfactory, with net revenue of SEK 108.3 million (104.1)<sup>3</sup>, an increase of 4% compared with the previous year, mainly driven by the acquisition of Dermoplast® as well as growth for New Skin®, with the ad campaign for the latter continuing to produce results.

We are seeing strong retail sales for Dermoplast® that are not fully reflected in our revenue, which indicates residual inventory effects since the takeover of the product at the end of the year. Together with an upcoming branding effort, this will facilitate higher growth over time.

Sales of Kerasal Nail® in the US increased by 6% to SEK 28.5 (26.8) million; in local currency the increase was 14%, while distributor sales decreased by 64%. In total, sales of Kerasal Nail® decreased by 25 %.

The company's total revenue mainly comes from sales in the US and is dominated by the three largest brands – Kerasal Nail®<sup>4</sup>, Dermoplast® and New Skin® - together accounting for 78% of revenue in the third quarter and an even higher share of profitability. Against this backdrop, we have chosen as of this quarter to separately recognize revenue from New Skin®, which was previously included in *Other brands*, as well as to specify FX effects on our sales in the tables below.

Most of the company's invoicing is in US dollars and euro, so we are dependent on the development of these currencies in relation to the Swedish krona. In the third quarter of 2017, revenue in US dollars was recognized at an average exchange rate of SEK 8.14, compared with SEK 8.52 in 2016. The equivalent figures for the euro were an average exchange rate of SEK 9.58, compared with SEK 9.56 in 2017. Exchange rates therefore had a negative impact on revenue with 4 %. In local currency, revenue increased by 8% compared with the third quarter of 2016.

On August 28, the Fiber Choice® brand was sold for SEK 54 million (USD 6.7 million) with a capital gain of SEK 13 million. In the third quarter, Fiber Choice® contributed SEK 7.3 million to the company's revenue.

### Nine-month period (January-September 2017)

We just completed a strong high season for Kerasal Nail® and New Skin®, with solid growth for both brands in the US. Growth at the consumer level was 17% for both products<sup>5</sup>. With the company's current product mix, aggregate revenue follows a clearer seasonal pattern than before, with demand for Kerasal Nail® and New Skin® strongest in the spring and summer, while other products are not seasonal.

Other operating income consisted of positive net foreign exchange changes on operating receivables and liabilities, the capital gain of SEK 13 million on the sale of Fiber Choice®, revaluation of contingent considerations of SEK 4 million and re-invoicing of certain expenses. Other operating income for 2016 also included research grants and a capital gain of SEK 41.1 million in connection with the divestment of the JointFlex®, Fergon® and Vanquish® brands.

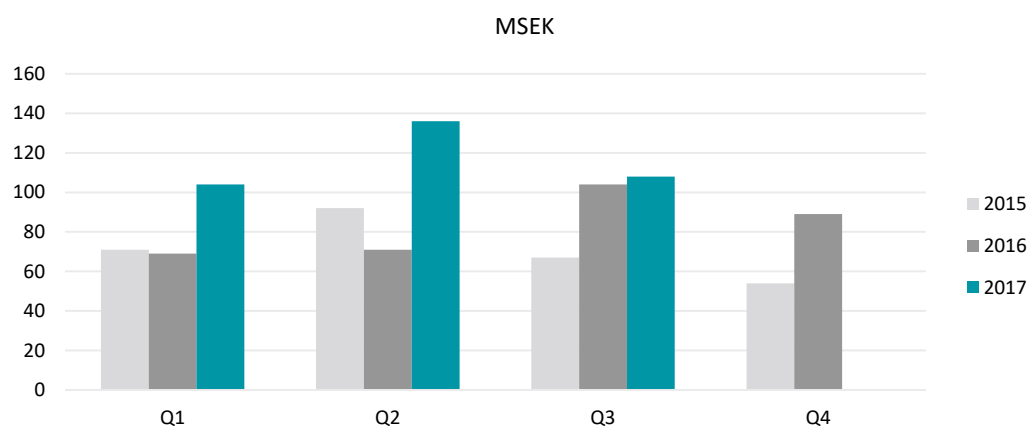
<sup>3</sup> The products New Skin®, PediaCare®, and Fiber Choice® were acquired on July 7, 2016 and are included in the income statement from this date. The product Dermoplast® was acquired on December 30, 2016 and is included in the income statement from January 1, 2017. The product FiberChoice® was divested on August 28, 2017 and is included in the income statement until this date. The comparative figures also include the products divested on April 1, 2016 (JointFlex®, Vanquish®, and Fergon®), and PediaCare®, divested on December 19, 2016.

<sup>4</sup> Kerasal Nail®/Emtrix®/Nalox™/Naloc™/Zanmira® Nail etc. by market

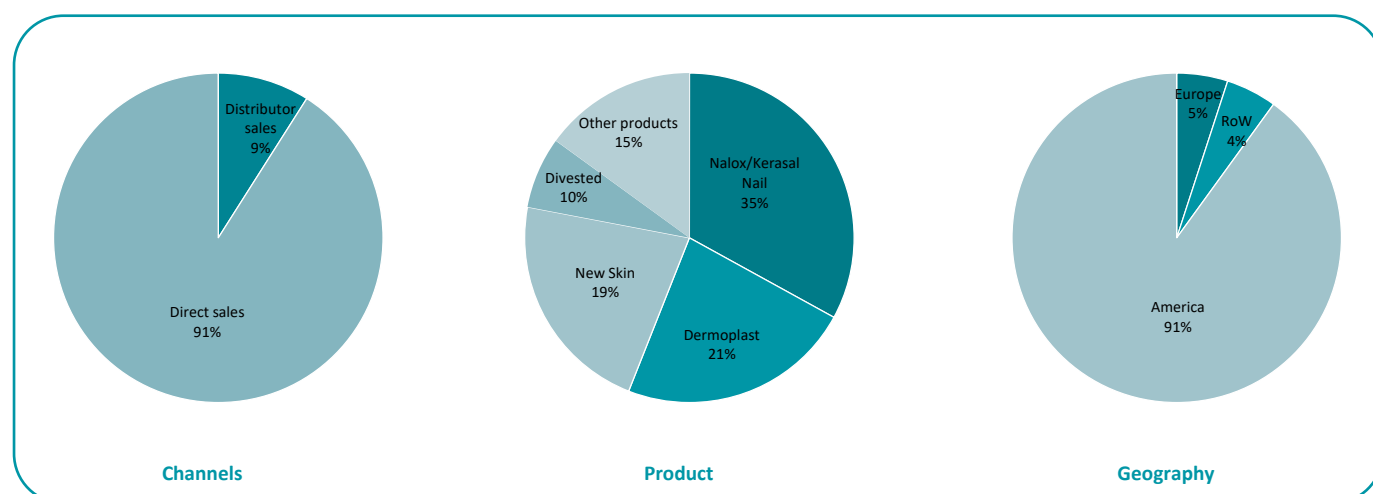
<sup>5</sup> Symphony IRI, MULO sales during the year up to October 8, 2017



## Income from product sales by quarter



## Distribution of net revenue, in percent, January – September 2017



Net revenue by product category (SEK thousand)	Jul-Sep					Jan-Sep				
	2017	2016	Percentage changes			2017	2016	Percentage changes		
			Local currency	Currency effect	Total			Local currency	Currency effect	Total
Kerasal Nail®	36,061	47,800	-21	-4	-25	122,010	128,907	-7	2	-5
- of which direct sales	28,460	26,822	14	-8	6	89,210	76,243	15	2	17
- of which sales to distributors	7,601	20,978	-64	0	-64	32,800	52,664	-39	1	-38
Dermoplast®	24,893	-	-	-	-	72,176	-	-	-	-
New Skin®	23,770	14,800	65	-4	61	65,618	14,800	333	10	343
Other products	16,213	20,301	-15	-5	-20	51,764	63,618	-21	2	-19
Divested products <sup>1)</sup>	7,349	21,234	-62	-3	-65	37,340	37,556	-3	2	-1
<b>TOTAL</b>	<b>108,286</b>	<b>104,135</b>	<b>8</b>	<b>-4</b>	<b>4</b>	<b>348,908</b>	<b>244,881</b>	<b>40</b>	<b>2</b>	<b>42</b>

1) JointFlex®, Fergon®, Vanquish®, PediaCare®, Fiber Choice®





Net revenue by channel  (SEK thousand)	Jul-Sep					Jan-Sep				
	2017	2016	Percentage changes			2017	2016	Percentage changes		
			Local currency	Currency effect	Total			Local currency	Currency effect	Total
Direct sales, organic	44,673	47,123	1	-6	-5	140,974	139,862	-1	2	1
Direct sales, acquisition & divestments <sup>2)</sup>	56,012	36,034	61	-6	55	175,134	45,835	273	9	282
Sales to distributors, organic <sup>3)</sup>	7,601	20,978	-64	0	-64	32,561	52,664	-39	1	-38
Sales to distributors, acquisition and divestments <sup>2)</sup>	-	-	-	-	-	-	6,520	-100	-	100
Milestone payments	-	-	-	-	-	239	-	-	-	-
<b>TOTAL</b>	<b>108,286</b>	<b>104,135</b>	<b>8</b>	<b>-4</b>	<b>4</b>	<b>348,908</b>	<b>244,881</b>	<b>40</b>	<b>2</b>	<b>42</b>

2) JointFlex®, Fergon®, Vanquish®, PediaCare®, Fiber Choice®, Dermoplast®, New Skin®

3) Note that distributor sales vary by quarter and do not directly reflect demand and pharmacy sales in the past period. Orders for most markets are placed 2-3 times per year.

Net revenue by geographical market  (SEK thousand)	Jul-Sep					Jan-Sep				
	2017	2016	Percentage changes			2017	2016	Percentage changes		
			Local currency	Currency effect	Total			Local currency	Currency effect	Total
Europe	5,584	6,187	-2	-8	-10	18,799	18,406	4	-2	2
North and South America	93,023	64,204	53	-8	45	278,108	159,158	71	4	75
Rest of the world	2,330	12,510	-82	1	-81	14,661	29,761	-53	2	-51
Divested products <sup>4)</sup>	7,349	21,234	-62	-3	-65	37,340	37,556	-3	2	-1
<b>TOTAL</b>	<b>108,286</b>	<b>104,135</b>	<b>8</b>	<b>-4</b>	<b>4</b>	<b>348,908</b>	<b>244,881</b>	<b>40</b>	<b>2</b>	<b>42</b>

4) JointFlex®, Fergon®, Vanquish®, PediaCare®, Fiber Choice®



## PROFIT

Moberg Pharma's sales are seasonal, where market investments increase during the high season. The majority of sales are made via direct sales in which customers place many orders each month. For distribution sales, orders for most markets are placed 2-3 times per year and sales may therefore vary between quarters.



### Third quarter (July-September 2017)

Operating profit amounted to SEK 26.6 million (23.4). The increase was primarily driven by acquisitions and divestments, which resulted in a changed product mix and economies of scale. The cost of goods sold was SEK 31.3 million (32.1), giving a gross margin of 71% (69).

Operating expenses, excluding the cost of goods sold during the quarter, amounted to SEK 50.4 million (48.6), most of which comprised selling expenses, excluding depreciation/amortization<sup>6</sup>, of SEK 47.1 million (36.0). Selling expenses excluding depreciation/amortization thereby accounted for a total of 43% (35) of net revenue, in line with what we expect in the third quarter as a result of the seasonality of our product portfolio. Costs for newly acquired products were minimal in third quarter of 2016, when we integrated the brands.

The divestment of Fiber Choice® generated a capital gain of SEK 13 million and means that we have now successfully divested both of the non-strategic brands included in the acquisition from Prestige Brands. While we owned it, Fiber Choice was a smaller, but profitable, brand, though with declining sales. By streamlining the product portfolio, we instead free up resources to grow our larger brands.

Depreciation/amortization costs increased as a result of the acquisitions in 2016, with depreciation/amortization of product rights of SEK 8.8 million (4.3).

Profit after net financial items was SEK 16.5 million (17.2) and the quarterly net profit after tax was SEK 12.4 million (12.8). Comprehensive income after translation differences was SEK 2.6 million (16.2) and included currency translation of SEK -9.8 million due to the weaker US dollar exchange rate at September 30, 2017 compared with the end of the financial year 2016.

EBITDA excluding capital gains rose by SEK 23.0 million. The EBITDA margin was 33% (28).

### Nine-month period (January-September 2017)

Operating profit amounted to SEK 33.5 million (55.1). The cost of goods sold amounted to SEK 100.3 million (72.8), giving a gross margin of 71% (70). Operating expenses, excluding the cost of goods sold, amounted to SEK 215.1 million (117.0), which corresponds to a constant share of the increasing revenue. Note that the underlying operating profit improved since previous year's operating profit included a capital gain of SEK 41.1 million from the divestment of Jointflex®, Fergon® and Vanquish®.

The EBITDA margin for the nine-month period was 18% (27). Higher EBITDA margins in third quarter than for the period January – September reflect seasonal effects and intensified marketing of our Kerasal Nail® and New Skin® brands in high season (second quarter).

<sup>6</sup> Depreciation/amortization of product rights are recognized as selling expenses in the income statement.



EBITDA summary (SEK thousand)	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Full year 2016
Net revenue	108,286	104,135	348,908	244,881	334,304
Cost of goods sold	-31,346	-32,118	-100,340	-72,798	-101,355
<b>Gross profit</b>	<b>76,940</b>	<b>72,017</b>	<b>248,568</b>	<b>172,083</b>	<b>232,949</b>
%	71%	69%	71%	70%	70%
Selling expenses	-47,087	-36,023	-166,454	-120,615	-156,618
Administrative expenses	-4,861	-4,466	-16,610	-14,226	-20,520
Research and development costs – commercial operations <sup>1)</sup>	-1,071	-1,213	-4,347	-3,924	-5,068
Other operating income/operating expenses	15,663	2,291	14,123	42,712	42,788
<b>EBITDA from commercial operations</b>	<b>39,584</b>	<b>32,606</b>	<b>75,280</b>	<b>76,030</b>	<b>93,531</b>
%	37%	31%	22%	31%	28%
Research and development costs – future products <sup>2)</sup>	-1,592	-1,664	-5,578	-4,030	-6,100
Business development expenses	-2,020	-1,900	-7,270	-6,143	-9,524
<b>EBITDA</b>	<b>35,972</b>	<b>29,042</b>	<b>62,432</b>	<b>65,857</b>	<b>77,907</b>
%	33%	28%	18%	27%	23%
Depreciation/amortization	-9,415	-5,679	-28,933	-10,744	-15,735
<b>Operating profit (EBIT)</b>	<b>26,557</b>	<b>23,363</b>	<b>33,499</b>	<b>55,113</b>	<b>62,172</b>

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

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



# FINANCIAL POSITION

## CASH FLOW

### Third quarter (July-September 2017)

Cash flow from operating activities amounted to SEK 14.3 million (29.4) before, and SEK 52.5 million (-21.0) after, changes in working capital. Tied-up working capital decreased due to the clearing of previous one-off items of SEK 18 million attributable to receivables/liabilities from acquisitions and divestments, the divestment of Fiber Choice®, and seasonal effects, since expenses for market investments decrease in the fall.

### Nine-month period (January-September 2017)

For the nine-month period, cash flow from operating activities amounted to SEK 23.5 million (21.2) before, and SEK 24.5 million (-23.4) after, changes in working capital. The company's tied-up capital increased slightly due to the expansion of direct sales activities by means of acquisitions in 2016.

Cash flow from investing activities amounted to SEK 10.5 million (-286.6) and consisted mainly of capitalized expenditure for research and development activities, see the section "Capital expenditure" below, as well as the divestment of Fiber Choice®. In 2016, cash flow from investing activities consisted mainly of the acquisition and divestment of product rights.

Cash flow from financing activities amounted to SEK 0.9 million (375.2) and related to subscribed shares via stock option schemes. During 2016, proceeds from bond loans were included in cash flow from financing activities.

Cash and cash equivalents amounted to SEK 120.8 million (111.1 million) at the end of the period.

## CAPITAL EXPENDITURE

Investments in intangible assets in 2017 mainly referred to the divestment of Fiber Choice® and capitalized expenditure for research and development activities of SEK 41.7 million (36.9). 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 had R&D expenses of SEK 9.9 million (8.0) that were recognized directly in the statement of comprehensive income, of which SEK 5.6 million (4.0) was related to future products.

R&D expenses (costs and investments) (SEK thousand)	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Full year 2016
R&D expenses – current products	-1,071	-1,213	-4,347	-3,924	-5,068
R&D expenses – future products	-1,592	-1,664	-5,578	-4,030	-6,100
Depreciation/amortization of R&D investments	-498	-344	-1,410	-881	-1,274
<b>R&amp;D expenses (in statement of comprehensive income)</b>	<b>-3,161</b>	<b>-3,221</b>	<b>-11,335</b>	<b>-8,835</b>	<b>-12,442</b>
New capitalized R&D investments	-20,260	-12,457	-41,686	-36,922	-50,674
Depreciation/amortization of capitalized R&D investments	329	192	922	438	667
Depreciation/amortization of other R&D investments	169	152	488	443	607
<b>Change in R&amp;D investments (in statement of financial position)</b>	<b>-19,762</b>	<b>-12,113</b>	<b>-40,276</b>	<b>-36,041</b>	<b>-49,400</b>
<b>Total R&amp;D expenditure</b>	<b>-22,923</b>	<b>-15,334</b>	<b>-51,611</b>	<b>-44,876</b>	<b>-61,842</b>

## LIABILITIES

Interest-bearing liabilities consist of a bond loan 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 e. 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 591.1 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](http://www.mobergpharma.se)

Current non-interest-bearing liabilities include contingent considerations to Prestige Brands in connection with the acquisition of New Skin®, Fiber Choice®, and PediaCare®. Contingent considerations of up to USD 2.5 million (corresponding to SEK 20 million) may be payable, for which the company has recognized a liability of USD 1.75 million (corresponding to SEK 14



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 restricted bank funds totaling SEK 0.7 million.

## CHANGES IN EQUITY

### SHARES

The number of shares and votes rose in June 2017 by 28,920 to 17,440,762. The change was due to warrants in Moberg Pharma being exercised within the framework of the company's share-based incentive schemes.

At the end of the period, share capital amounted to SEK 1,744,076.20 (1,428,918.80) and there were a total of 17,440,762 (14,289,188) ordinary shares outstanding with a nominal value of SEK 0.10.

### SHAREHOLDER INFORMATION

The company's largest shareholders as of September 30, 2017:

Shareholders	Number of shares	% of votes and capital
THE FOUNDATION FOR BALTIC AND EAST EUROPEAN STUDIES	2,274,179	13.0
ZIMBRINE HOLDING BV	1,619,536	9.3
CUSTODY ACCOUNT FOR THE EXCLUSIVE	1,456,000	8.4
FORSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	1,211,095	6.9
MERRIL LYNCH PROF CLEAR CORP	664,446	3.8
SOCIETE GENERALE	605,148	3.5
NORDNET PENSIONS FÖRSÄKRING AB	460,919	2.6
WOLCO INVEST AB <sup>7</sup>	435,399	2.5
EUROCLEAR BANK S.A/N.V, W8-IMY	342,616	2.0
GRANDEUR PEAK INTERNATIONAL	334,194	1.9
LUNDMARK, ANDERS	315,747	1.8
PRIORITET CAPITAL AB	300,000	1.7
GRANDEUR PEAK GLOBAL, OPPORTUNITIES	255,657	1.5
FORSÄKRINGS AB SKANDIA	220,641	1.3
HYVÄT LEHDET RSM OY	199,217	1.1
SYNSKADADES STIFTELSE	172,201	1.0
ML, PIERCE, FENNER & SMITH INC	148,414	0.9
GRANDEUR PEAK GLOBAL REACH, FUND	111,100	0.6
SEB LIFE INTERNATIONAL	105,000	0.6
DANICA PENSION	104,215	0.6
<b>TOTAL, 20 BIGGEST SHAREHOLDERS</b>	<b>11,335,724</b>	<b>65.0</b>
Other shareholders	6,105,038	35.0
<b>TOTAL</b>	<b>17,440,762</b>	<b>100</b>

### WARRANTS

On May 16, 2017, the Annual General Meeting of Moberg Pharma AB decided to implement a directed issue of 304,000 warrants (equal to 304,000 shares) with the company's wholly owned subsidiary Moberg Derma Incentives AB and to introduce the employee stock option scheme 2017:1. As part of this employee stock option scheme 2017:1, 304,000 stock

<sup>7</sup> Owned by the company's CEO, Peter Wolpert





options were allotted. The terms and conditions of the employee stock option scheme 2017:1 are the same as for the employee stock option scheme 2016:1 with the following exceptions: options in the 2017:1 scheme vest on June 30, 2020, the exercise price is SEK 59.50 per option, and the last day for subscription is December 31, 2021. A description of the terms and conditions of the employee stock option scheme 2016:1 can be found in the 2016 Annual Report on page 52.

As of September 30, 2017, there were a total of 1,113,334 warrants outstanding. If all warrants were exercised to subscribe for shares, the number of shares would increase by 1,114,168, from 17,440,762 shares at the end of the period to 18,554,930.

## ORGANIZATION

As of September 30, 2017, the Moberg Pharma Group had 41 employees, of whom 71% were women. The parent company had 28 employees, of whom 75% were women.

The Annual General Meeting in May elected Sara Brandt as a new member of the Board of Directors, where she replaced Wenche Rolfsen, who chose, after seven years as Board Director, to resign from the Board. Sara Brandt has extensive experience from Nordic and international companies in Fast Moving Consumer Goods (FMCG), where she has held a number of executive positions, including Vice President Region North and Managing Director Sweden at Berner and Executive Vice President and Head of the Nordic division at Cederroth AB.

In September, Torbjörn Wårnheim, Director Pharmaceutical Innovation and Development, joined the management team. Torbjörn Wårnheim has held this position at Moberg Pharma since 2013.

## 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. Parent Company net revenue totaled SEK 88.5 million for the period from January to September 2017, compared with SEK 99.5 million in the previous year. Operating expenses, excluding the cost of goods sold, amounted to SEK 48.2 million (28.5), while profit after financial items was SEK -2.1 million (42.1). Cash and cash equivalents amounted to SEK 111.2 million (97.6) 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, the focus is 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 utilizes 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)	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Full year 2016
Net revenue	108,286	104,135	348,908	244,881	334,304
Cost of goods sold	-31,346	-32,118	-100,340	-72,798	-101,355
<b>Gross profit</b>	<b>76,940</b>	<b>72,017</b>	<b>248,568</b>	<b>172,083</b>	<b>232,949</b>
Selling expenses <sup>8</sup>	-55,590	-41,291	-193,436	-130,295	-170,833
Business development and administrative expenses	-7,295	-6,433	-24,421	-20,552	-30,290
Research and development costs	-3,161	-3,221	-11,335	-8,835	-12,442
Other operating income	17,053	2,989	17,282	45,269	49,211
Other operating expenses	-1,390	-698	-3,159	-2,557	-6,423
<b>Operating profit (EBIT)</b>	<b>26,557</b>	<b>23,363</b>	<b>33,499</b>	<b>55,113</b>	<b>62,172</b>
Interest income and similar items	-	5,921	-	15,308	15,308
Interest expenses and similar items	-10,069	-12,068	-29,533	-24,644	-30,935
<b>Profit after financial items (EBT)</b>	<b>16,488</b>	<b>17,216</b>	<b>3,966</b>	<b>45,777</b>	<b>46,545</b>
Tax on profit for the period	-4,128	-4,417	-2,374	-10,631	-13,877
<b>PROFIT FOR THE PERIOD</b>	<b>12,360</b>	<b>12,799</b>	<b>1,592</b>	<b>35,146</b>	<b>32,668</b>
<b>Items that will be reclassified to profit</b>					
Translation differences of foreign operations	-9,790	3,439	-26,790	6,653	19,584
<b>Other comprehensive income</b>	<b>-9,790</b>	<b>3,439</b>	<b>-26,790</b>	<b>6,653</b>	<b>19,584</b>
<b>TOTAL PROFIT FOR THE PERIOD</b>	<b>2,570</b>	<b>16,238</b>	<b>-25,198</b>	<b>41,799</b>	<b>52,252</b>
Profit for the period attributable to parent company shareholders	12,360	12,799	1,592	35,146	32,668
Profit for the period attributable to non-controlling interests	-	-	-	-	-
Total profit attributable to parent company shareholders	2,570	16,238	-25,198	41,799	52,252
Total profit attributable to non-controlling interests	-	-	-	-	-
<b>Basic earnings per share</b>	<b>0.71</b>	<b>0.90</b>	<b>0.09</b>	<b>2.47</b>	<b>2.27</b>
<b>Diluted earnings per share<sup>9</sup></b>	<b>0.71</b>	<b>0.89</b>	<b>0.09</b>	<b>2.45</b>	<b>2.25</b>
<b>EBITDA</b>	<b>35,972</b>	<b>29,042</b>	<b>62,432</b>	<b>65,857</b>	<b>77,907</b>
Product right depreciation/amortization	-8,747	-4,353	-27,033	-8,584	-13,838
Other depreciation/amortization	-668	-1,326	-1,900	-2,160	-1,897
<b>Operating profit (EBIT)</b>	<b>26,557</b>	<b>23,363</b>	<b>33,499</b>	<b>55,113</b>	<b>62,172</b>

<sup>8</sup> Including depreciation/amortization of product rights

<sup>9</sup> 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)	09/30/2017	09/30/2016	12/31/2016
<b>Assets</b>			
Intangible assets	956,963	592,021	1,000,367
<i>Capitalized R&amp;D</i>	102,505	48,219	61,742
<i>Computer systems</i>	2,786	2,517	2,359
<i>Goodwill</i>	87,755	93,275	98,453
<i>Acquired product rights</i>	757,067	441,160	830,963
<i>Patents</i>	6,850	6,850	6,850
Tangible non-current assets	714	731	774
Non-current financial assets	1	10,749	1
Deferred tax asset	10,390	5,739	10,161
<b>Total non-current assets</b>	<b>968,068</b>	<b>609,240</b>	<b>1,011,303</b>
Inventories	25,815	38,682	42,224
Trade receivables and other receivables	80,006	76,863	92,545
Cash and cash equivalents	120,759	111,141	86,104
<b>Total current assets</b>	<b>226,580</b>	<b>226,686</b>	<b>220,873</b>
<b>TOTAL ASSETS</b>	<b>1,194,648</b>	<b>835,926</b>	<b>1,232,176</b>
<b>Equity and liabilities</b>			
Equity (attributable to parent company shareholders)	539,211	397,423	561,625
Non-current interest-bearing liabilities	591,122	377,982	589,040
Deferred tax liability	8,142	19,392	6,971
Current non-interest-bearing liabilities	56,173	41,129	74,540
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,194,648</b>	<b>835,926</b>	<b>1,232,176</b>



## CONSOLIDATED STATEMENT OF CASH FLOWS IN BRIEF

(SEK thousand)	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Full year 2016
<b>Operating activities</b>					
Operating profit before financial items	26,557	23,365	33,499	55,114	62,171
Financial items, received and paid	-9,403	22	-27,310	-4,484	-8,319
Taxes paid	11	-	-534	-26	-24
<i>Adjustments for non-cash items:</i>					
Depreciation/amortization, capital gains and other	-3,583	5,438	15,935	-30,619	-29,073
Employee stock option costs <sup>10</sup>	781	593	1,915	1,288	1,748
<b>Cash flow before changes in working capital</b>	<b>14,363</b>	<b>29,418</b>	<b>23,505</b>	<b>21,273</b>	<b>26,503</b>
<b>Change in working capital</b>					
Increase (-)/Decrease (+) in inventories	15,518	-20,622	12,578	-14,793	-20,025
Increase (-)/Decrease (+) in operating receivables	44,810	-52,700	1,478	-59,303	-30,651
Increase (+)/Decrease (-) in operating liabilities	-22,169	22,861	-13,018	29,470	6,232
<b>OPERATING CASH FLOW</b>	<b>52,522</b>	<b>-21,043</b>	<b>24,543</b>	<b>-23,353</b>	<b>-17,941</b>
<b>Investing activities</b>					
Net investments in intangible assets	32,432	-333,587	10,844	-275,713	-680,401
Net investments in equipment	-148	-	-272	-115	-255
Net investments in financial assets	-	185,627	-	-10,748	-
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>32,284</b>	<b>-147,960</b>	<b>10,572</b>	<b>-286,576</b>	<b>-680,656</b>
<b>Financing activities</b>					
Borrowings (+) / Loan amortization (-)	-	83,598	-	373,704	584,263
Issue of new shares less transaction costs	-	-	858	1,537	153,689
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-</b>	<b>85,598</b>	<b>858</b>	<b>375,241</b>	<b>737,952</b>
<b>Change in cash and cash equivalents</b>	<b>84,806</b>	<b>-85,405</b>	<b>35,973</b>	<b>65,312</b>	<b>39,355</b>
Cash and cash equivalents at the beginning of the period	36,559	196,145	86,104	45,356	45,356
Exchange rate differences in cash and cash equivalents	-606	401	-1,318	473	1,393
Cash and cash equivalents at the end of the period	120,759	111,141	120,759	111,141	86,104

<sup>10</sup> 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

	Share capital	Other capital contributions	Translation reserve	Accumulated loss	Total equity
(SEK thousand)					
<b>January 1 – September 30, 2017</b>					
Opening balance, January 1, 2017	1,741	524,003	62,119	-26,238	561,625
<i>Total income</i>					
Profit for the period				1,592	1,592
Other comprehensive income – translation differences on translation of foreign operations			-26,790		-26,790
<i>Transactions with shareholders</i>					
New share issue	3	944			947
Transaction costs, new share issue		-69			-69
Employee stock options		1,906			1,906
<b>CLOSING BALANCE, September 30, 2017</b>	<b>1,744</b>	<b>526,784</b>	<b>35,329</b>	<b>-24,646</b>	<b>539,211</b>
<b>January 1 - September 30, 2016</b>					
Opening balance, January 1, 2016	1,422	367,772	42,535	-58,906	352,823
<i>Total income</i>					
Profit for the period				35,146	35,146
Other comprehensive income – translation differences on translation of foreign operations			6,653		6,653
<i>Transactions with shareholders</i>					
New share issue	7	1,530			1,537
Transaction costs, new share issue					0
Employee stock options		1264			1264
<b>CLOSING BALANCE, September 30, 2016</b>	<b>1,429</b>	<b>370,566</b>	<b>49,188</b>	<b>-23,760</b>	<b>397,423</b>
<b>January 1 - December 31, 2016</b>					
Opening balance, January 1, 2016	1,422	367,772	42,535	-58,906	352,823
<i>Total income</i>					
Profit for the period				32,668	32,668
Other comprehensive income – translation differences on translation of foreign operations			19,584		19,584
<i>Transactions with shareholders</i>					
New share issue	319	158,432			158,752
Transaction costs, new share issue		-3,948			-3,948
Employee stock options		1,747			1,747
<b>CLOSING BALANCE, December 31, 2016</b>	<b>1,741</b>	<b>524,003</b>	<b>62,119</b>	<b>-26,238</b>	<b>561,625</b>





## KEY RATIOS FOR THE GROUP

(SEK thousand)	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Full year 2016
Net revenue	108,286	104,135	348,908	244,881	334,304
Gross margin %	71%	69%	71%	70%	70%
EBITDA	35,972	29,042	62,432	65,857	77,907
EBITDA%	33%	28%	18%	27%	23%
Operating profit (EBIT)	26,557	23,363	33,499	55,113	62,172
Net profit after tax	12,360	12,799	1,592	35,146	32,668
Profit margin %	11%	12%	0%	14%	10%
Balance sheet total	1,194,648	835,926	1,194,648	835,926	1,232,176
Net receivables	-470,363	-266,841	-470,363	-266,841	-502,936
Debt/equity ratio	110%	95%	110%	95%	105%
Equity/assets ratio	45%	48%	45%	48%	46%
Return on equity	2%	3%	0%	9%	6%
Diluted earnings per share, SEK	0.71	0.89	0.09	2.45	2.25
Diluted operating cash flow per share, SEK	3.01	-1.47	1.40	-1.64	-1.24
Equity per share, SEK	30.92	27.81	30.92	27.81	32.26
Basic average number of shares	17,440,762	14,289,188	17,424,660	14,253,224	14,413,627
Diluted average number of shares	17,458,142	14,393,197	17,575,669	14,371,290	14,503,738
Number of shares at the end of the period	17,440,762	14,289,188	17,440,762	14,289,188	17,411,842
Share price on balance sheet date, SEK	38.20	49.30	38.20	49.30	57.00
Market capitalization on balance sheet date, SEK millions	666	704	666	704	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)	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Full year 2016
Net revenue	31,167	44,134	88,548	99,548	103,348
Cost of goods sold	-3,557	-8,430	-12,936	-19,633	-23,223
<b>Gross profit</b>	<b>27,610</b>	<b>35,704</b>	<b>75,612</b>	<b>79,915</b>	<b>80,125</b>
Selling expenses	-11,015	-7,502	-33,435	-14,583	-21,540
Business development and administrative expenses	-4,753	-5,387	-18,453	-17,523	-24,736
Research and development costs	-2,892	-3,118	-10,434	-8,302	-11,718
Other operating income	17,053	2,748	17,282	14,349	17,940
Other operating expenses	-1,384	-672	-3,139	-2,429	-6,299
<b>Operating profit</b>	<b>24,619</b>	<b>21,773</b>	<b>27,433</b>	<b>51,427</b>	<b>33,772</b>
Interest income	-	5,922	-	15,308	15,308
Interest expenses	-10,069	-12,069	-29,533	-24,644	-30,935
<b>Profit after financial items</b>	<b>14,550</b>	<b>15,626</b>	<b>-2,100</b>	<b>42,091</b>	<b>18,145</b>
Tax on profit for the period	-3,221	-3,776	209	-9,083	-3,713
<b>PROFIT</b>	<b>11,329</b>	<b>11,850</b>	<b>-1,891</b>	<b>33,008</b>	<b>14,432</b>



## PARENT COMPANY BALANCE SHEET IN BRIEF

(SEK thousand)	09/30/2017	09/30/2016	12/31/2016
<b>Assets</b>			
Intangible assets	819,911	441,370	842,712
Property, plant, and equipment	327	508	452
Non-current financial assets	178,107	188,855	178,107
Deferred tax asset	10,390	3,679	10,161
<b>Total non-current assets</b>	<b>1,008,735</b>	<b>634,412</b>	<b>1,031,432</b>
Inventories	35	481	370
Trade receivables and other receivables	9,795	17,797	13,123
Receivables to Group companies	1,526	35,652	25,699
Cash and cash equivalents	111,227	97,566	72,379
<b>Total current assets</b>	<b>122,583</b>	<b>151,496</b>	<b>111,571</b>
<b>TOTAL ASSETS</b>	<b>1,131,318</b>	<b>785,908</b>	<b>1,143,003</b>
<b>Equity and liabilities</b>			
Equity	495,876	359,810	494,983
Non-current interest-bearing liabilities	591,122	377,982	589,040
Liabilities from Group companies	99	19,392	-
Current non-interest-bearing liabilities	44,221	28,724	58,980
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,131,318</b>	<b>785,908</b>	<b>1,143,003</b>



## PARENT COMPANY CASH FLOW STATEMENT IN BRIEF

(SEK thousand)	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Full year 2016
<b>Operating activities</b>					
Operating profit before financial items	24,619	21,773	27,433	51,427	33,772
Financial items, received and paid	-9,403	22	-27,310	-4,484	-8,319
<i>Adjustments for non-cash items:</i>					
Depreciation/amortization and other adjustments	-4,842	4,367	11,919	-4,162	-3,450
Employee stock option costs	552	403	1,390	925	1,312
<b>Cash flow before changes in working capital</b>	<b>10,926</b>	<b>26,565</b>	<b>13,432</b>	<b>43,706</b>	<b>23,315</b>
<b>Change in working capital</b>					
Increase (-)/Decrease (+) in inventories	66	15	335	-74	36
Increase (-)/Decrease (+) in operating receivables	41,919	-38,198	26,156	2,169	18,317
Increase (+)/Decrease (-) in operating liabilities	-2,948	-14,799	-12,941	372	11,677
<b>OPERATING CASH FLOW</b>	<b>49,963</b>	<b>-26,417</b>	<b>26,982</b>	<b>46,173</b>	<b>53,345</b>
<b>Investing activities</b>					
Net investments in intangible assets	32,596	-334,027	11,008	-334,485	-740,303
Net investments in equipment	-	-	-	-115	-115
Net investments in financial assets	-	185,627	-	-10,748	-
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>32,596</b>	<b>-148,400</b>	<b>11,008</b>	<b>-345,348</b>	<b>-740,418</b>
<b>Financing activities</b>					
Borrowings (+) / Loan amortization (-)	-	83,598	-	373,704	584,263
Issue of new shares less transaction costs	-	-	858	1,537	153,689
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-</b>	<b>83,598</b>	<b>858</b>	<b>375,241</b>	<b>737,952</b>
<b>Change in cash and cash equivalents</b>	<b>82,559</b>	<b>-91,219</b>	<b>38,848</b>	<b>76,066</b>	<b>50,879</b>
Cash and cash equivalents at the beginning of the period	28,668	188,785	72,379	21,500	21,500
Cash and cash equivalents at the end of the period	111,227	97,566	111,227	97,566	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. New or revised standards that were adopted effective January 1, 2017 have not had any material effect on the Group.

Moberg Pharma is currently finalizing an analysis of the effects of the new IFRS standard for revenue recognition, IFRS 15 and IFRS 9, Financial Instruments, which enters into force on January 1, 2018. According to the company's preliminary conclusions, the new standards are not expected to have a significant impact on the Group's accounting.

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 compared to as described in the 2016 Annual Report.

## FINANCIAL INSTRUMENTS

With the exception of bonds, the fair value of financial instruments approximates the carrying amount as of September 30, 2017. The fair value of bonds, according to Level 2 of the fair value hierarchy, amounted to approx. SEK 621 million (based on their liquid trading price) as of September 30, 2017. Purchase considerations are valued according to Level 3 of the fair value hierarchy and amounted to approx. SEK 14 million as of September 30, 2017.





## INFORMATION AND FINANCIAL CALENDAR

This information is such that Moberg Pharma AB (publ) is obliged to disclose pursuant to the Securities Market Act and/or the Financial Instruments Trading Act.

Year-end report for the fiscal year 2017	February 13, 2018
Interim report for January – March 2018	May 8, 2018
Interim report for January – June 2018	August 7, 2018
Interim report for January – September 2018	November 6, 2018

The Annual General Meeting for Moberg Pharma will be held on May 15, 2018 at 5 p.m. at the company's premises. The deadline for stockholders to request to have agenda items transacted at the Annual Stockholders' Meeting is March 27, 2018.

## FOR FURTHER INFORMATION, PLEASE CONTACT

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Anna Ljung, CFO, tel. +46 (0)8-522 307 01, [anna.ljung@mobergpharma.se](mailto:anna.ljung@mobergpharma.se)

For more information on Moberg Pharma's business, please see the company's website, [www.mobergpharma.se](http://www.mobergpharma.se)

This interim report has 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, November 13<sup>th</sup>, 2017

Thomas Eklund  
*Chairman of the Board*

Sara Brandt  
*Board member*

Torbjörn Koivisto  
*Board member*

Thomas Thomsen  
*Board member*

Geert Cauwenbergh  
*Board member*

Mattias Klintemar  
*Board member*

Peter Wolpert  
*CEO*



## AUDIT REPORT

To the Board of Directors of Moberg Pharma AB (publ), Corp. Reg. No. 556697-7426

### Introduction

We have reviewed the condensed interim report for Moberg Pharma AB as at September 30, 2017 and for the nine-month period then ended. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of the review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 Review of Interim Financial Statements Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden.

The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Opinion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, November 13<sup>th</sup>, 2017

Ernst & Young AB

Andreas Troberg

Authorized Public Accountant