



## Year-end report 2017

Moberg Pharma AB (Publ)

Q1

Q2

Q3

Q4





## STRONG GROWTH FOR KERASAL NAIL INCREASES EBITDA

*"Successful marketing and integration of acquisitions has resulted in double-digit growth in retail sales for our three major brands,"* says Peter Wolpert, CEO of Moberg Pharma.

### PERIOD (FULL YEAR 2017)\*

- Net revenue SEK 439.0 million (334.3)
- EBITDA SEK 89.4 million (77.9)
- EBITDA margin 20% (23)
- EBITDA for current product portfolio SEK 106.0 million (93.5)
- Operating profit (EBIT) SEK 51.1 million (62.2)
- Net profit after tax SEK 11.1 million (32.7)
- Diluted earnings per share SEK 0.64 (2.25)
- Operating cash flow per share SEK 3.07 (-1.24)
- The Board of Directors proposes that no dividend be paid for the 2017 financial year

### FOURTH QUARTER (OCT-DEC 2017)

- Net revenue SEK 90.1 million (89.4)
- EBITDA SEK 27.0 million (12.0)
- EBITDA margin 30% (13)
- EBITDA for current product portfolio SEK 30.7 million (17.5)
- Operating profit (EBIT) SEK 17.6 million (7.1)
- Net profit after tax SEK 9.6 million (-2.5)
- Diluted earnings per share SEK 0.55 (-0.17)
- Operating cash flow per share SEK 1.68 (0.36)

\*Includes a capital gain in Q3 of SEK 13 million from the divestment of Fiber Choice®. The comparative figures include a capital gain in Q2 2016 of SEK 41.1 million from the divestment of the Jointflex®, Fergon® and Vanquish® brands.

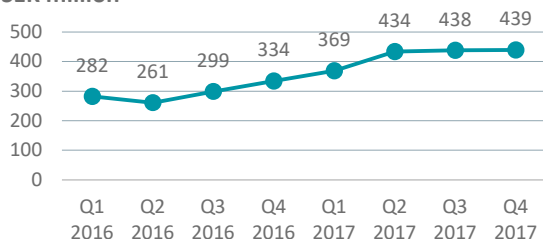
### SIGNIFICANT EVENTS DURING THE FOURTH QUARTER

- In November, an extensive action plan for MOB-015 was announced with the goal of delivering strong results without further external financing. Among the actions was replacing the CRO with primary responsibility for the two ongoing Phase 3 studies, as well as an updated timeline for each study.
- A new global Consumer Health unit was created, comprising both direct and distributor sales. Jeff Vernimb, currently General Manager North America, was appointed VP Global Consumer Health.

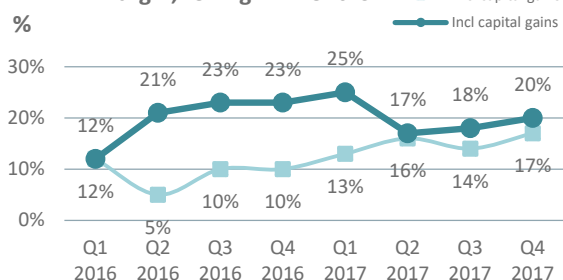
### SIGNIFICANT EVENTS AFTER THE END OF THE QUARTER

- A favorable outcome was received from the National Advertising Division (NAD) in a challenge filed against the largest US competitor to Kerasal Nail® for deceptive marketing. The competitor will discontinue its current packaging design and advertising.

Sales revenue, rolling 12 months  
SEK million



EBITDA margin, rolling 12 months



### CONFERENCE CALL

CEO Peter Wolpert will present the report at a telephone conference today, February 13, 2018, at 3:00 p.m.  
Telephone: SE +46-8-566 426 96, US +1 646 502 51 18



## STATEMENT FROM THE CEO

Acquisitions and divestments in the last 18 months have resulted in a more streamlined product portfolio with a focus on our three major brands in the US. In the fourth quarter, strong development for Kerasal Nail® was the biggest contributor to increased profitability. In the next two years, we will focus on driving organic growth as well as realizing the substantial value of our pipeline by delivering robust Phase 3 results and prepare for commercialization.

### Commercial operations with significant growth potential

Net revenue amounted to SEK 90.1 million (89.4), an increase of 1% compared with the previous year. In local currency, growth was 9%, and adjusted for acquisitions and divestments it was 12%<sup>1</sup>, mainly driven by a strong quarter for Kerasal Nail®. EBITDA in the fourth quarter doubled to SEK 27.0 million, resulting in an EBITDA margin of 30% (13).

Successful marketing and integration of the 2016 acquisitions resulted in double-digit growth in retail sales for our three major brands – in the fourth quarter and for the full year 2017. New Skin® and Dermoplast® represent a growing share of sales, while we are seeing a weaker trend for our smaller brands. In the coming year, we plan to increase our digital presence in terms of both marketing and e-commerce primarily through Amazon. We also look forward to launching targeted marketing of Dermoplast®, where we see exciting opportunities in both hospital and retail sales. Note that inventory effects from the transaction affected sales in 2017 and that the underlying demand from end customers is strong.

Kerasal Nail® has held a market-leading position in the US for the last two years, leveraging stronger claims supported by a new clinical study published in 2017, where visible improvements were demonstrated after just one week of treatment. We anticipate favorable market conditions in the US after our main competitor was forced to discontinue its current marketing and change its packaging design and ads. We are also beginning to test launch Kerasal Nail® to a totally new target group: patients suffering from nail psoriasis, for which there is no over-the-counter treatment currently available.

Sales volumes outside the US declined in 2017 from the previous year, though we saw a recovery in the fourth quarter. We are working to stabilize revenue levels in the year ahead by focusing on the markets where we see the biggest opportunities, mainly in the EU and some markets in Asia.

### In the pipeline – The company's greatest potential is in MOB-015

The two Phase 3 studies for MOB-015 are underway in parallel in North America and Europe. The detailed action plan to accelerate these studies is progressing according to schedule, including the replacement of the CRO in Europe to TFS International. With these changes in place, we still expect patient recruitment in North America to be completed in the summer of 2018 and in Europe in the second half of 2018, and that we will be able to finalize both studies without further external financing. In the meantime, preparations for commercialization are underway. Market demand is high; a majority of physicians surveyed in 2017 said they would prefer MOB-015 to current treatments, both topical and oral. During the year, we verified that the market potential for MOB-015 is USD 250–500 million, with most of the sales expected to come from the high-priced US prescription drug market.

We recently received an update on BUPI from our partner for India, Cadila Pharmaceuticals. The Indian regulatory authority has concerns regarding the Phase 3 application, due to potential risks for overdosing related to the broad access to prescription drugs in India. We evaluate possibilities to overcome this local concern as well as other options of going forward.

### Focus on advancing the pipeline and maximizing growth potential

During 2017, the focus was on the integration of our new brands and addressing the challenges associated with patient recruitment for MOB-015. We finished the year with a strong fourth quarter, where a more streamlined product portfolio contributed to growth in retail sales for our major brands, a gross margin of 72%, and improved EBITDA. In the coming year, we will focus on advancing our pipeline and maximizing the growth potential in our portfolio.

Peter Wolpert, CEO Moberg Pharma

<sup>1</sup> Excluding New Skin®, PediaCare®, Fiber Choice®, Dermoplast®, JointFlex®, Vanquish®, and Fergon®.



## ABOUT MOBERG PHARMA

Moberg Pharma develops and markets consumer healthcare products for treatment of skin conditions and pain. The product portfolio comprises well established global brands, each of which is a leader in its niche. 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 over-the-counter products dominating sales: Kerasal Nail® with clinically proven efficacy for the treatment of nails affected by nail fungus, New Skin® - a waterproof liquid bandage also used to prevent blisters, 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 in association with 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 was submitted in India. The study is to be conducted and 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

**During the year, the commercial operations underwent significant changes in terms of both product mix and geographical focus. We integrated the brands acquired in 2016 and successfully relaunched one of them, while advancing the development of Kerasal Nail® and advanced Phase 3 studies for MOB-015. In the next two years, our focus is on maximizing growth potential in the product portfolio and highlighting the underlying value in the pipeline.**

### IN THE MARKET

#### Strong commercial operations with sales doubling in the last three years

The commercial operations underwent significant changes during the year. After having been dominated by a single brand, alongside a number of smaller products, the product portfolio today mainly consists of three major brands, each a leader in its niche. After streamlining the product portfolio, together with a successful integration process and increased economies of scale in the US, profitability for the commercial operations is beginning to follow a seasonal pattern in line with our long-term expectations. In the fourth quarter, EBITDA amounted to SEK 27 million, or an EBITDA margin of 30%. The gross margin was 72%. Sales remained strong at SEK 90.1 million, a residual effect of last summer's strong ad campaigns.

#### Kerasal Nail maintains leading position and benefits from new market conditions

Kerasal Nail® has maintained a market-leading position in US in the last two years with 17%<sup>2</sup> growth in retail sales, both in the quarter and for the year as a whole, thanks in no small part to new, stronger claims, supported by a new clinical study published in 2017, where visible improvements were reported after just one week of treatment. The growth rate for our own sales is slightly lower due to inventory effects at the customer level. We have maintained a strong market share at 28%, though this measure will become less relevant over time, since a growing share of our competitors' sales are being replaced by private label sales at major retailers, which do not show up in the market data. Kerasal Nail is expected to further consolidate its leading position going forward thanks to a favorable outcome from the NAD in the US. Our main competitor has agreed to discontinue current marketing and change its packaging design, TV ads and print ads for the product. We also intend to begin test marketing Kerasal Nail to a totally new target group: patients suffering from nail psoriasis. In the clinical trial, 94% of the patients with nail psoriasis reported visible improvement after eight weeks. The results are very compelling, since there is no over-the-counter treatment for nail psoriasis available today.

Sales volumes outside the US declined from the previous year and are expected to account for a smaller, though profitable, share of the company's total revenue going forward. The launch in Asia unfortunately has not met our expectations. Local regulations and consumer preferences differ significantly between markets in the region, which has affected outcomes to a greater degree than expected. Where revenue levels are significant and we see opportunities to introduce stronger sales arguments, we hope to stabilize the current sales trend, including in the EU, Japan, Taiwan and Hong Kong. In certain other markets, including China, we have stopped sales pending the next-generation nail fungus product. The global potential for MOB-015 in markets outside the US is significantly higher than for Kerasal Nail®, and a drug registration would create much more attractive opportunities in China and Japan, for example. At the end of the year, the company's sales operations were reorganized to maximize global synergies and better reflect our increased focus on the North American market, which currently accounts for nearly 90% of the company's total revenue. A Global Consumer Health organization was established and now comprises both direct and distributor sales. The current General Manager North America, Jeff Vernimb, was appointed VP Global Consumer Health.

#### Double-digit growth for New Skin and Dermoplast since acquisitions

Besides Kerasal Nail®, New Skin® and Dermoplast® account for a growing share of sales. In just over a year since the takeover of these brands, a successful integration, effective marketing and an expanded number of sales locations<sup>3</sup> including Walmart and Walgreens, have produced double-digit sales growth for both brands. New Skin® generated growth at the consumer level of 18% for the full year and 21% for the fourth quarter, which is a result of extensive brand positioning work, including in-depth consumer studies and nationwide TV advertising (Mr. Cut). In the coming year, we look forward to increasing our digital presence.

<sup>2</sup> Symphony IRI, U.S. MULO, during the year up to December 31, 2017

<sup>3</sup> In total, both New Skin® and Dermoplast® are sold in circa 25 000 stores each



For Dermoplast®, which we only owned in 2017, underlying demand from end customers is strong with 13% sales growth in retail sales through drugstores during the year and 14% for the quarter<sup>4</sup>. Total growth is still lower than expected, however, due to inventory built-up for hospital sales prior to the takeover, which has now been worked through. We see good potential for a growth plan for Dermoplast®, similar to what we did for Kerasal Nail® and New Skin®, and are excited by the growth opportunities we see in both hospital and retail sales, as well as through an increased digital presence.

### **Streamlined portfolio to focus on larger brands**

In November 2017 Fiber Choice® was sold for SEK 54 million plus inventory value, for a capital gain of SEK 13 million. PediaCare® was sold at the end of 2016 for USD 5 million plus inventory value. Every brand contributed positively while we owned it, but by streamlining the product portfolio resources are freed up for the company's larger brands. The long-term acquisition strategy is still focused on the brands in our core businesses as well as companies/products of value to the commercialization of our pipeline.

## **IN THE PIPELINE – ON THE WAY TO PHASE 3 DATA**

### **The company's greatest potential is in MOB015**

The two Phase 3 studies for MOB-015 continued in parallel in North America and Europe. The timetable to finalize patient recruitment has however been delayed, due to a significantly higher screening failure rate than expected. A rigorous screening process is basically positive, as it is critical to obtaining strong study results. To accelerate the program, especially in Europe, we decided to implement an extensive action plan. Among other things, we replaced the CRO with primary responsibility with TFS International, which has been tasked with finalizing the European study. TFS has extensive expertise within dermatology and nail fungus, a broader presence in Europe and a concrete strategy to accelerate patient recruitment. In North America, Moberg Pharma is currently working directly with Novella Clinical, previously a subcontractor, which streamlines the process compared with the former setup. With the action plan in place, the situation has improved, patient enrollment is increasing and our plan is still to finalize recruitment in North America in the summer of 2018 and in Europe in the second half of 2018, and to finalize both studies without further external financing. Topline results are expected approximately 15 months after completion of recruitment for each study.

The focus in the next two years is to finalize both studies as scheduled, produce convincing Phase 3 results and begin the process of registering the drug. In the meantime, we are establishing relationships with possible commercialization partners and developing launch strategies for prospective markets. In 2017, we extended and verified our market analysis. Among other things, a survey was conducted of 90 US physicians (podiatrists and dermatologists), where we found a high demand for a better topical treatment for nail fungus without the medical risks associated with oral treatments. Seven of ten stated that they avoid prescribing oral terbinafine due to the risk of liver damage. More than six of ten stated that they would prefer a topical treatment with MOB-015's target profile over existing topical treatments, compared with just over 25% who would continue to prescribe existing treatments. In a follow-up question for the physicians who prescribed oral treatment, 65% said they would prefer a topical treatment with MOB-015's profile, alone or in combination with oral terbinafine, just to avoid the risk of liver damage. The results further strengthen our belief in the potential for MOB-015.

Around five million nail fungus treatments are prescribed each year in the North American market. Underlying growth in the last five years has been around 5% per year. Many patients don't treat their problem and others who do begin treatment don't complete it for various reasons. Prior launches have shown that the market is open to new types of treatment and that the patient base grows when a new product is launched. Conditions vary from one region to the next, with prescription treatments, high list prices (about USD 1,700/package in the US) and extensive discount systems in the US, Japan and Canada, among other countries, but lower-priced over-the-counter treatments (about USD 15/package) in other regions such as the EU and Asia. With a conservative assumption of a 5–7.5% market share in the US, the potential revenue for MOB-015 in this market alone is SEK 170–300+ million depending on discount levels, and corresponds to USD 50–100 million each in Japan/Canada and the EU/rest of the world, respectively.

### **BUPI – ongoing preparations for Phase 3**

In 2017, on top of the protection we already have in the EU, we received patent protection in Canada until 2031. A patent decision is expected in the US in 2018. 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 with standard treatment.

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<sup>4</sup> Note that approximately 60% of sales of Dermoplast® are through hospitals, which means that retail sales data do not provide as complete a picture as for other brands.



We recently received an update on BUPI from our partner for India, Cadila Pharmaceuticals. An advisory panel to the Indian regulator has recommended to reject the Phase 3 application for BUPI, due to concerns for potential overdosing, related to the broad access to prescription drugs in India. We do not expect this issue to be translated to our key commercial regions U.S., Canada, Europe and Japan, where dispensing in pharmacy is controlled. We evaluate the possibilities to overcome this local concern as well as other options of going forward. Despite this challenge, we remain convinced of the value and feasibility of BUPI.

## GROUP REVENUE AND EARNINGS

### REVENUE

#### Fourth quarter (October-December 2017)

Net revenue amounted to SEK 90.1 million (89.4)<sup>5</sup>, an increase of 1% compared with the previous year, while the increase adjusted for acquisitions and divestments was 12%, mainly due to a strong quarter for Kerasal Nail® and a weaker trend for our smaller brands.

In total, revenue for Kerasal Nail® increased by 44% (8% excluding milestone payments), of which direct sales rose by 2% to SEK 14.7 million (14.5), while distributor sales increased by 121% (20% excluding milestone payments).

For Dermoplast®, we continue to see strong sales at the consumer level that are not fully reflected in our revenue. Hospital sales, which account for about 60%, were still affected by the high inventory levels ahead of the acquisition in December 2016.

The company's total revenue mainly comes from sales in the US and is dominated by the three largest brands – Kerasal Nail®, Dermoplast® and New Skin® - together accounting for 84% of revenue in the fourth quarter. Most of the company's invoicing is in foreign currency (mainly the US dollar and euro), so we are dependent on the development of these currencies in relation to the Swedish krona. In local currency, revenue rose by 9% compared with the fourth quarter of 2016, while the increase was 1% in Swedish krona. Exchange rates therefore had a negative impact on revenue of 8% in the fourth quarter, as indicated in the tables below.

#### Reporting period (full year 2017)

We reported solid growth for Kerasal Nail® and New Skin® in the US, both our own sales and underlying sales at the consumer level. The growth is driven by successful category management and effective marketing, mainly in the second and third quarters, which also had a positive effect in the rest of the year. Both products follow a clear seasonal pattern, with demand for Kerasal Nail® and New Skin® strongest in the spring and summer. As these products develop and account for a larger share of sales, coupled with the change in the product mix through divestments, we are seeing a more distinctive seasonal pattern for the portfolio as a whole.

Other operating income consisted of positive net foreign exchange rate 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, exchange rate fluctuations on operating receivables and a capital gain of SEK 41.1 million in connection with the divestment of the JointFlex®, Fergon® and Vanquish® brands.

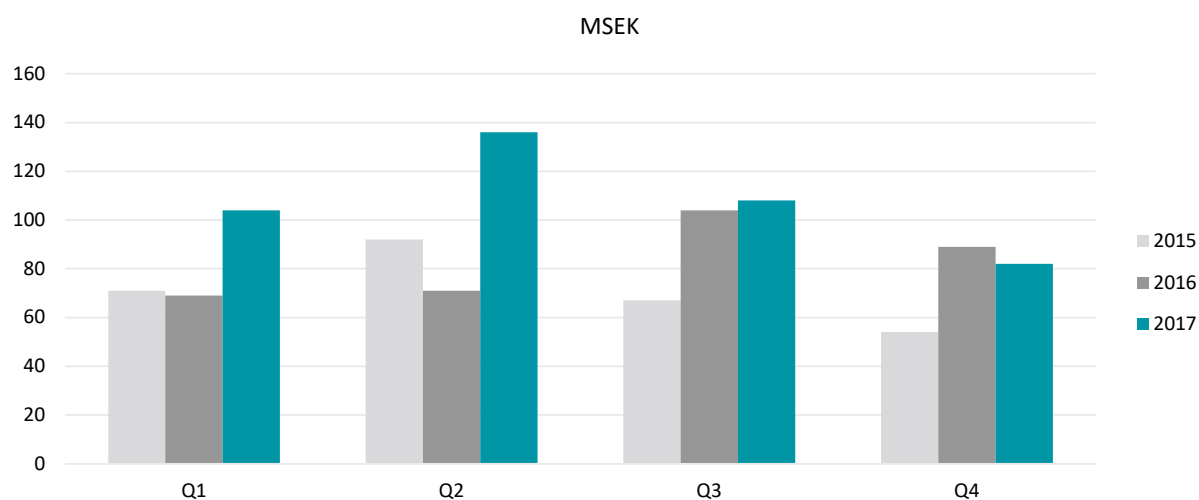
<sup>5</sup> The products New Skin®, PediaCare® and Fiber Choice® were acquired on July 7, 2016 and are included as of this date in the income statement. The product Dermoplast® was acquired on December 30, 2016 and is included in the income statement as of January 1, 2017. The product FiberChoice® was divested on August 28, 2017 and is included in the income statement as of this date. The comparative figures also include the products divested on April 1, 2016 (JointFlex®, Vanquish® and Fergon®) as well as PediaCare®, which was divested on December 19, 2016.

<sup>6</sup> Kerasal Nail®/Emtrix®/Nalox™/Naloc™/Zanmira® Nail etc. by market

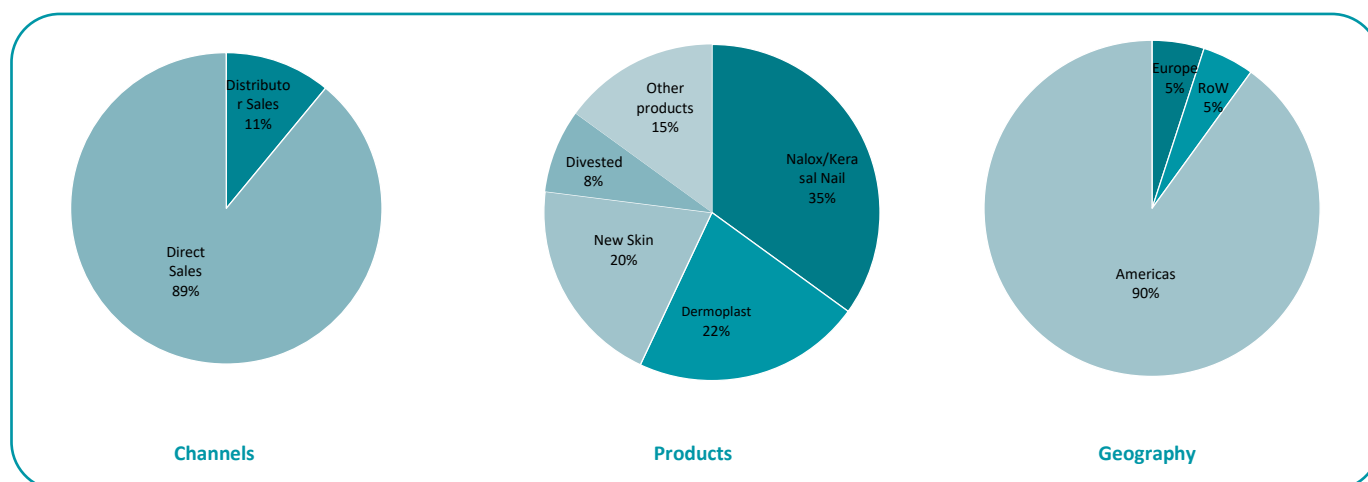




## Income from product sales by quarter



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



Net revenue by product category (SEK thousand)	Oct-Dec					Full year				
	2017	2016	Percentage changes			2017	2016	Percentage changes		
			Local currency	Currency effect	Total			Local currency	Currency effect	Total
Kerasal Nail®	32,159	22,382	50	-6	44	154,169	151,289	2	0	2
- of which direct sales	14,717	14,481	9	-7	2	103,927	90,724	16	-1	15
- of which to distributors	17,442	7,901	118	3	121	50,242	60,565	-19	2	-17
Dermoplast®	23,275	-	-	-	-	95,451	-	-	-	-
New Skin®	20,950	21,148	7	-8	-1	86,568	35,948	141	0	141
Other products	13,740	18,446	-17	-9	-26	65,504	82,064	-19	-1	-20
Divested products <sup>7</sup>	0	27,447	-100	-	-100	37,340	65,003	-43	0	-43
<b>TOTAL</b>	<b>90,124</b>	<b>89,423</b>	<b>9</b>	<b>-8</b>	<b>1</b>	<b>439,032</b>	<b>334,304</b>	<b>31</b>	<b>0</b>	<b>31</b>

<sup>7</sup> JointFlex®, Fergon®, Vanquish®, PediaCare®, Fiber Choice®



Net revenue by channel	Oct-Dec					Full year				
	2017	2016	Percentage changes			2017	2016	Percentage changes		
			Local currency	Currency effect	Total			Local currency	Currency effect	Total
(SEK thousand)										
Direct sales, organic	28,456	32,927	-6	-8	-14	169,430	172,789	-1	-1	-2
Direct sales, acquisition & divestments <sup>8</sup>	44,226	48,595	-1	-8	-9	219,359	94,430	132	0	132
Sales to distributors, organic <sup>9</sup>	9,467	7,901	19	1	20	42,028	60,565	-32	1	-31
Sales to distributors, acquisition and divestments <sup>10</sup>	-	-	-	-	-	-	6,520	-100	-	-100
Milestone payments	7,975	-	-	-	-	8,214	-	-	-	-
<b>TOTAL</b>	<b>90,124</b>	<b>89,423</b>	<b>9</b>	<b>-8</b>	<b>1</b>	<b>439,032</b>	<b>334,304</b>	<b>31</b>	<b>0</b>	<b>31</b>

Net revenue by geographical market	Oct-Dec					Full year				
	2017	2016	Percentage changes			2017	2016	Percentage changes		
			Local currency	Currency effect	Total			Local currency	Currency effect	Total
(SEK thousand)										
Europe	1,635	1,006	64	-1	63	20,434	19,412	8	-3	5
North and South America	80,581	57,193	50	-9	41	358,689	216,351	67	-3	64
Rest of the world	7,907	3,777	116	-7	109	22,568	33,538	-35	2	-33
Divested products <sup>11</sup>	-	27,447	-100	-	-100	37,340	65,003	-43	0	-43
<b>TOTAL</b>	<b>90,124</b>	<b>89,423</b>	<b>9</b>	<b>-8</b>	<b>1</b>	<b>439,032</b>	<b>334,304</b>	<b>31</b>	<b>0</b>	<b>31</b>

<sup>8</sup> JointFlex®, Fergon®, Vanquish®, PediaCare®, Fiber Choice®, Dermoplast®, New Skin®

<sup>9</sup> 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.

<sup>10</sup> JointFlex®

<sup>11</sup> JointFlex®, Fergon®, Vanquish®, PediaCare®, Fiber Choice®, Dermoplast®, New Skin®



## 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.



### Fourth quarter (October-December 2017)

Operating profit amounted to SEK 17.6 million (7.1). Aside from effective marketing, the increase was primarily driven by acquisitions and divestments, which produced a change in the product mix and economies of scale. The company also had non-recurring milestone payments that strengthened profit. The cost of goods sold was SEK 24.8 million (28.6), giving a gross margin of 72% (68) or 70% adjusted for milestone payments, which means that the margin strengthened even when the milestone payments are excluded.

Operating expenses, excluding the cost of goods sold during the quarter, amounted to SEK 47.7 million (57.7), most of which comprised selling expenses, excluding depreciation/amortization<sup>12</sup>, of SEK 24.4 million (36.0). Selling expenses excluding depreciation/amortization thereby accounted for a total of 27% (40) of net revenue, in line with what we expect in the fourth quarter with the current portfolio. Our seasonality results in higher marketing expenses in the second and third quarters, while we have fewer campaigns and lower expenses in the fourth quarter.

Administrative expenses and research and development costs for the commercial operations were in line with previous years given the company's total size. Other operating expenses mainly relate to valuation effects from working capital, but in the fourth quarter we recognized a revaluation of contingent considerations, which raised expenses by SEK 1 million.

Depreciation/amortization costs increased as a result of the acquisitions in 2016, with amortization of product rights of SEK 8.6 million (5.3). Total depreciation/amortization costs amounted to SEK 9.4 million (5.0).

Profit after net financial items was SEK 7.7 million (0.8) and the quarterly net profit after tax was SEK 9.6 million (-2.5). In the US, we reported a tax gain of SEK 3 million from an upcoming change in tax rates, which affects our deferred tax liabilities.

Comprehensive income after translation differences was SEK 12.8 million (10.5) and included currency translation of SEK 3.2 million due to the stronger US dollar exchange rate at December 31, 2017 compared with the end of the financial year 2016.

EBITDA was SEK 27.0 million (12.1), resulting in an EBITDA margin of 30% (13).

### Reporting period (full year 2017)

Operating profit amounted to SEK 51.1 million (62.2). The cost of goods sold was SEK 125.2 million (101.4), giving a gross margin of 71% (70). Operating expenses, excluding the cost of goods sold, amounted to SEK 280.1 million (220.0), which corresponds to a constant share of the increasing revenue. Note that the underlying operating profit improved since the previous year's operating profit included a significant capital gain from the divestment of Jointflex®, Fergon® and Vanquish® amounting to SEK 41.1 million.

<sup>12</sup> Amortization of product rights is recognized as selling expenses in the income statement.



EBITDA was SEK 89.4 million (77.9), giving an EBITDA margin of 20% (23). Adjusted for capital gains, EBITDA doubled year-over-year to SEK 76.4 million. The corresponding EBITDA margin was 17% (10). Higher EBITDA margins in fourth quarter than for the period January – December reflect seasonal effects and intensified marketing of our Kerasal Nail® and New Skin® brands in high season (second and third quarters).

EBITDA summary (SEK thousand)	Oct-Dec 2017	Oct-Dec 2016	Full year 2017	Full year 2016
Net revenue	90,124	89,423	439,032	334,304
Cost of goods sold	-24,839	-28,557	-125,179	-101,355
<b>Gross profit</b>	<b>65,285</b>	<b>60,866</b>	<b>313,853</b>	<b>232,949</b>
%	72%	68%	71%	70%
Selling expenses	-24,355	-36,003	-190,809	-156,618
Administrative expenses	-7,097	-6,294	-23,707	-20,520
Research and development costs – commercial operations <sup>13</sup>	-1,798	-1,144	-6,145	-5,068
Other operating income/operating expenses	-1,303	76	12,820	42,788
<b>EBITDA from commercial operations</b>	<b>30,732</b>	<b>17,501</b>	<b>106,012</b>	<b>93,531</b>
%	34%	20%	24%	28%
Research and development costs – future products <sup>14</sup>	-721	-2,070	-6,299	-6,100
Business development expenses	-3,000	-3,381	-10,270	-9,524
<b>EBITDA</b>	<b>27,011</b>	<b>12,050</b>	<b>89,443</b>	<b>77,907</b>
%	30%	13%	20%	23%
Depreciation/amortization	-9,435	-4,991	-38,368	-15,735
<b>Operating profit (EBIT)</b>	<b>17,576</b>	<b>7,059</b>	<b>51,075</b>	<b>62,172</b>

<sup>13</sup> Research and development costs – commercial operations include R&D costs for new product variations of existing brands, regulatory activities and quality.

<sup>14</sup> Research and development costs – future products include R&D costs for completely new product candidates.



# FINANCIAL POSITION

## CASH FLOW

### Fourth quarter (October-December 2017)

Cash flow from operating activities amounted to SEK 18.3 million (5.2) before, and SEK 29.3 million (5.4) after, changes in working capital. Tied-up working capital decreased in line with our seasonal pattern.

### Reporting period (full year 2017)

For the reporting period, cash flow from operating activities amounted to SEK 41.8 million (26.5) before, and SEK 53.8 million (-17.9) after, changes in working capital. The company's tied-up capital decreased due to significantly lower inventories after divestments as well as the work to optimize working capital tied up in receivables and liabilities.

Cash flow from investing activities amounted to SEK -19.7 million (-680.6) 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.<sup>15</sup>

Cash flow from financing activities amounted to SEK 0.9 million (738.0) 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 119.4 million (86.1 million) at the end of the period.

## CAPITAL EXPENDITURE

Investments in intangible assets in 2017 mainly referred to capitalized expenditure for research and development activities of SEK 71.8 million (50.7). The company has three ongoing development projects in a late phase that were capitalized in 2017: 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 12.4 million (11.2) that were recognized directly in the statement of comprehensive income, of which SEK 6.3 million (6.1) was related to future products.

R&D expenses (costs and investments) (SEK thousand)	Oct-Dec 2017	Oct-Dec 2016	Full year 2017	Full year 2016
R&D expenses – current products	-1,798	-1,144	-6,145	-5,068
R&D expenses – future products	-721	-2,070	-6,299	-6,100
Depreciation/amortization of R&D investments	-557	-393	-1,967	-1,274
<b>R&amp;D expenses (in statement of comprehensive income)</b>	<b>-3,076</b>	<b>-3,607</b>	<b>-14,411</b>	<b>-12,442</b>
New capitalized R&D investments	-30,141	-13,752	-71,827	-50,674
Depreciation/amortization of capitalized R&D investments	355	229	1,277	667
Depreciation/amortization of other R&D investments	202	164	690	607
<b>Change in R&amp;D investments (in statement of financial position)</b>	<b>-29,584</b>	<b>-13,359</b>	<b>-69,860</b>	<b>-49,400</b>
<b>Total R&amp;D expenditure</b>	<b>-32,660</b>	<b>-16,966</b>	<b>-84,271</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 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 591.8 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.com](http://www.mobergpharma.com)

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 21 million) may be payable, for which the company has recognized a liability of USD 1.85 million (corresponding to SEK 15 million).

<sup>15</sup> Investments in intangible assets in 2016 mainly referred to the acquisition of New Skin®, Fiber Choice® and PediaCare® for USD 40 million, the acquisition of Dermoplast® for USD 47.6 million, the divestments of the JointFlex®, Fergon® and Vanquish® brands for USD 10 million, the divestment of PediaCare® for USD 5 million and capitalized R&D expenditure of SEK 50.7 million.





The contingent consideration limits Moberg Pharma's risk exposure with regard to returns and certain 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 (1,741,184.20) 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 December 29, 2017:

Shareholders	Number of shares	% of votes and capital
THE FOUNDATION FOR BALTIC AND EAST EUROPEAN STUDIES	2,274,179	13.0
CUSTODY ACCOUNT FOR THE EXCLUSIVE	1,734,000	9.9
ZIMBRINE HOLDING BV	1,732,849	9.9
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION <sup>16</sup>	1,643,888	9.4
SOCIETE GENERALE	736,583	4.2
MERRIL LYNCH PROF CLEAR CORP	664,446	3.8
NORDNET PENSIONS FÖRSÄKRING AB	442,388	2.5
GRANDEUR PEAK INTERNATIONAL	334,194	1.9
LUNDMARK, ANDERS	318,000	1.8
EUROCLEAR BANK S.A./N.V, W8-IMY	314,753	1.8
GRANDEUR PEAK GLOBAL, OPPORTUNITIES	255,657	1.5
SKANDIA, FÖRSÄKRINGS	247,541	1.4
PRIORITET CAPITAL AB	220,368	1.3
SYNSKADADES STIFTELSE	172,201	1.0
ML, PIERCE, FENNER & SMITH INC	148,414	0.9
DANICA PENSION	118,015	0.7
HL-FAMILY OY	117,944	0.7
GRANDEUR PEAK GLOBAL REACH, FUND	111,100	0.6
SEB LIFE INTERNATIONAL	104,000	0.6
TVÅ GENERATIONER MAGNUSSON AB	100,000	0.6
<b>TOTAL, 20 LARGEST SHAREHOLDERS</b>	<b>11,790,520</b>	<b>67.6</b>
Other shareholders	5,650,242	32.4
<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>16</sup> Includes 435,399 shares owned by the company's CEO, Peter Wolpert, through an endowment insurance policy.



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 December 31, 2017, there were a total of 1,027,334 warrants outstanding. If all warrants were exercised to subscribe for shares, the number of shares would increase by 1,028,168, from 17,440,762 shares at the end of the period to 18,468,930, or a dilution effect of 5.9%.

## ORGANIZATION

As of December 31, 2017, the Moberg Pharma Group had 40 employees, of whom 70% were women. The parent company had 27 employees, of whom 74% 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) and B2B, 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.

In November, the sales and marketing operations were reorganized to better reflect the company's increased focus on the North American market and to maximize global synergies. A global Consumer Health unit will be established to manage Moberg's direct and distributor sales. Jeff Vernimb, currently General Manager North America, was appointed VP Global Consumer Health.

## 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 130.1 million for the period from January to December 2017, compared with SEK 103.3 million in the previous year. Operating expenses, excluding the cost of goods sold, amounted to SEK 88.0 million (64.3), while profit after financial items was SEK 3.2 million (18.1). Cash and cash equivalents amounted to SEK 97.2 million (72.3) 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, and clinical trials.



## OUTLOOK

Moberg Pharma aims to create 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 2018, the focus is on driving organic growth with a focus on our three largest brands, stabilizing sales outside the US, 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 and establish relations with potential commercialization partners in multiple territories.



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(SEK thousand)	Oct-Dec 2017	Oct-Dec 2016	Full year 2017	Full year 2016
Net revenue	90,124	89,423	439,032	334,304
Cost of goods sold	-24,839	-28,557	-125,179	-101,355
<b>Gross profit</b>	<b>65,285</b>	<b>60,866</b>	<b>313,853</b>	<b>232,949</b>
Selling expenses <sup>17</sup>	-33,137	-40,538	-226,573	-170,833
Business development and administrative expenses	-10,193	-9,738	-34,614	-30,290
Research and development costs	-3,076	-3,607	-14,411	-12,442
Other operating income	2	3,942	17,284	49,211
Other operating expenses	-1,305	-3,866	-4,464	-6,423
<b>Operating profit (EBIT)</b>	<b>17,576</b>	<b>7,059</b>	<b>51,075</b>	<b>62,172</b>
Interest income and similar items	-	-	-	15,308
Interest expenses and similar items	-9,869	-6,291	-39,402	-30,935
<b>Profit after financial items (EBT)</b>	<b>7,707</b>	<b>768</b>	<b>11,673</b>	<b>46,545</b>
Tax on profit for the period	1,859	-3,246	-515	-13,877
<b>PROFIT FOR THE PERIOD</b>	<b>9,566</b>	<b>-2,478</b>	<b>11,158</b>	<b>32,668</b>
<b>Items that will be reclassified to profit</b>				
Translation differences of foreign operations	3,213	12,931	-23,577	19,584
<b>Other comprehensive income</b>	<b>3,213</b>	<b>12,931</b>	<b>-23,577</b>	<b>19,584</b>
<b>TOTAL PROFIT FOR THE PERIOD</b>	<b>12,779</b>	<b>10,453</b>	<b>-12,419</b>	<b>52,252</b>
Profit for the period attributable to parent company shareholders	9,566	-2,478	11,158	32,668
Profit for the period attributable to non-controlling interests	-	-	-	-
Total profit attributable to parent company shareholders	12,779	10,453	-12,419	52,252
Total profit attributable to non-controlling interests	-	-	-	-
<b>Basic earnings per share</b>	<b>0.55</b>	<b>-0.17</b>	<b>0.64</b>	<b>2.27</b>
<b>Diluted earnings per share<sup>18</sup></b>	<b>0.55</b>	<b>-0.17</b>	<b>0.64</b>	<b>2.25</b>
<b>EBITDA</b>	<b>27,011</b>	<b>12,050</b>	<b>89,443</b>	<b>77,907</b>
Product right depreciation/amortization	-8,635	-5,254	-35,668	-13,838
Other depreciation/amortization	-800	263	-2,700	-1,897
<b>Operating profit (EBIT)</b>	<b>17,576</b>	<b>7,059</b>	<b>51,075</b>	<b>62,172</b>

<sup>17</sup> Including depreciation/amortization of product rights

<sup>18</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)	12/31/2017	12/31/2016
<b>Assets</b>		
Intangible assets	979,873	1,000,367
<i>Capitalized R&amp;D</i>	132,292	61,742
<i>Computer systems</i>	2,446	2,359
<i>Goodwill</i>	89,092	98,453
<i>Acquired product rights</i>	749,193	830,963
<i>Patents</i>	6,850	6,850
Tangible non-current assets	725	774
Non-current financial assets	-	1
Deferred tax asset	9,255	10,161
<b>Total non-current assets</b>	<b>989,853</b>	<b>1,011,303</b>
Inventories	26,561	42,224
Trade receivables and other receivables	87,406	92,545
Cash and cash equivalents	119,437	86,104
<b>Total current assets</b>	<b>233,404</b>	<b>220,873</b>
<b>TOTAL ASSETS</b>	<b>1,223,257</b>	<b>1,232,176</b>
<b>Equity and liabilities</b>		
Equity (attributable to parent company shareholders)	552,409	561,625
Non-current interest-bearing liabilities	591,788	589,040
Deferred tax liability	7,219	6,971
<b>Total non-current liabilities</b>	<b>597,157</b>	<b>596,011</b>
Current non-interest-bearing liabilities	73,691	74,540
<b>Total current liabilities</b>	<b>73,691</b>	<b>74,540</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,223,257</b>	<b>1,232,176</b>





## CONSOLIDATED STATEMENT OF CASH FLOWS IN BRIEF

(SEK thousand)	Oct-Dec 2017	Oct-Dec 2016	Full year 2017	Full year 2016
<b>Operating activities</b>				
Operating profit before financial items	17,574	7,057	51,073	62,171
Financial items, received and paid	-9,104	-3,835	-36,414	-8,319
Taxes paid	-23	2	-557	-24
<i>Adjustments for non-cash items:</i>				
Depreciation/amortization, capital gains and other	9,434	1,546	25,369	-29,073
Employee stock option costs <sup>19</sup>	411	460	2,326	1,748
<b>Cash flow before changes in working capital</b>	<b>18,292</b>	<b>5,230</b>	<b>41,797</b>	<b>26,503</b>
<b>Change in working capital</b>				
Increase (-)/Decrease (+) in inventories	-473	-5,232	12,105	-20,025
Increase (-)/Decrease (+) in operating receivables	2,741	28,652	4,219	-30,651
Increase (+)/Decrease (-) in operating liabilities	8,716	-23,238	-4,302	6,232
<b>OPERATING CASH FLOW</b>	<b>29,276</b>	<b>5,412</b>	<b>53,819</b>	<b>-17,941</b>
<b>Investing activities</b>				
Net investments in intangible assets	-30,139	-404,688	-19,295	-680,401
Net investments in equipment	-110	-140	-382	-255
Net investments in financial assets	-	10,748	-	-
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-30,249</b>	<b>-394,080</b>	<b>-19,677</b>	<b>-680,656</b>
<b>Financing activities</b>				
Borrowings (+) / Loan amortization (-)	-	210,559	-	584,263
Issue of new shares less transaction costs	-	152,152	858	153,689
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-</b>	<b>362,711</b>	<b>858</b>	<b>737,952</b>
<b>Change in cash and cash equivalents</b>	<b>-973</b>	<b>-25,957</b>	<b>35,000</b>	<b>39,355</b>
Cash and cash equivalents at the beginning of the period	120,759	111,141	86,104	45,356
Exchange rate differences in cash and cash equivalents	-349	920	-1,667	1,393
Cash and cash equivalents at the end of the period	119,437	86,104	119,437	86,104

<sup>19</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 – December 31, 2017</b>					
<b>Opening balance, January 1, 2017</b>	<b>1,741</b>	<b>524,003</b>	<b>62,119</b>	<b>-26,238</b>	<b>561,625</b>
<i>Total income</i>					
Profit for the period				11,158	11,158
Other comprehensive income – translation differences on translation of foreign operations			-23,577		-23,577
<i>Transactions with shareholders</i>					
New share issue	3	944			947
Transaction costs, new share issue		-69			-69
Employee stock options		2,325			2,325
<b>CLOSING BALANCE, DECEMBER 31, 2017</b>	<b>1,744</b>	<b>527,203</b>	<b>38,542</b>	<b>-15,080</b>	<b>552,409</b>
<b>January 1 - December 31, 2016</b>					
<b>Opening balance, January 1 2016</b>	<b>1,422</b>	<b>367,772</b>	<b>42,535</b>	<b>-58,906</b>	<b>352,823</b>
<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)	Oct-Dec 2017	Oct-Dec 2016	Full year 2017	Full year 2016
Net revenue	90,124	89,423	439,032	334,304
Gross margin %	72%	68%	71%	70%
EBITDA	27,011	12,050	89,443	77,907
EBITDA%	30%	13%	20%	23%
Operating profit (EBIT)	17,576	7,059	51,075	62,172
Net profit after tax	9,566	-2,478	11,158	32,668
Profit margin %	11%	Neg	3%	10%
Balance sheet total	1,223,257	1,232,176	1,223,257	1,232,176
Net receivables	-472,351	-502,936	-472,351	-502,936
Debt/equity ratio	107%	105%	107%	105%
Equity/assets ratio	45%	46%	45%	46%
Return on equity	1%	0%	2%	6%
Diluted earnings per share, SEK	0.55	-0.17	0.64	2.25
Diluted operating cash flow per share, SEK	1.68	0.36	3.07	-1.24
Equity per share, SEK	31.67	32.26	31.67	32.26
Basic average number of shares	17,440,762	14,891,737	17,428,719	14,413,627
Diluted average number of shares	17,440,762	15,050,547	17,540,270	14,503,738
Number of shares at the end of the period	17,440,762	17,411,842	17,440,762	17,411,842
Share price on balance sheet date, SEK	27.70	57.00	27.70	57.00
Market capitalization on balance sheet date, MSEK	483	992	483	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.

Net revenue adjusted for acquisitions and divestments	Net revenue for products owned by Moberg Pharma during the full reporting period and the full comparison period
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)	Oct-Dec 2017	Oct-Dec 2016	Full year 2017	Full year 2016
Net revenue	41,538	3,800	130,086	103,348
Cost of goods sold	-3,818	-3,590	-16,754	-23,223
<b>Gross profit</b>	<b>37,720</b>	<b>210</b>	<b>113,332</b>	<b>80,125</b>
Selling expenses	-11,392	-6,957	-44,827	-21,540
Business development and administrative expenses	-7,290	-7,213	-25,743	-24,736
Research and development costs	-2,602	-3,416	-13,036	-11,718
Other operating income	0	3,591	17,282	17,940
Other operating expenses	-1,292	-3,870	-4,431	-6,299
<b>Operating profit</b>	<b>15,144</b>	<b>-17,655</b>	<b>42,577</b>	<b>33,772</b>
Interest income	-	-	-	15,308
Interest expenses	-9,869	-6,291	-39,402	-30,935
<b>Profit after financial items</b>	<b>5,275</b>	<b>-23,946</b>	<b>3,175</b>	<b>18,145</b>
Tax on profit for the period	-1,135	5,370	-926	-3,713
<b>PROFIT</b>	<b>4,140</b>	<b>-18,576</b>	<b>2,249</b>	<b>14,432</b>



## PARENT COMPANY BALANCE SHEET IN BRIEF

(SEK thousand)	2017-12-31	2016-12-31
<b>Assets</b>		
Intangible assets	841,973	842,712
Property, plant, and equipment	294	452
Non-current financial assets	178,106	178,107
Deferred tax asset	9,255	10,161
<b>Total non-current assets</b>	<b>1,029,628</b>	<b>1,031,432</b>
Inventories	-	370
Trade receivables and other receivables	21,425	13,123
Receivables to Group companies	-	25,699
Cash and cash equivalents	97,205	72,379
<b>Total current assets</b>	<b>118,630</b>	<b>111,571</b>
<b>TOTAL ASSETS</b>	<b>1,148,258</b>	<b>1,143,003</b>
<b>Equity and liabilities</b>		
Equity	500,435	494,983
Non-current interest-bearing liabilities	591,788	589,040
Liabilities from Group companies	8,194	-
Current non-interest-bearing liabilities	47,841	58,980
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,148,258</b>	<b>1,143,003</b>





## PARENT COMPANY CASH FLOW STATEMENT IN BRIEF

(SEK thousand)	Oct-Dec 2017	Oct-Dec 2016	Full year 2017	Full year 2016
<b>Operating activities</b>				
Operating profit before financial items	15,144	-17,655	42,577	33,772
Financial items, received and paid	-9,104	-3,835	-36,414	-8,319
<i>Adjustments for non-cash items:</i>				
Depreciation/amortization and other adjustments	8,111	712	20,030	-3,450
Employee stock option costs	208	387	1,598	1,312
<b>Cash flow before changes in working capital</b>	<b>14,359</b>	<b>-20,391</b>	<b>27,791</b>	<b>23,315</b>
<b>Change in working capital</b>				
Increase (-)/Decrease (+) in inventories	35	110	370	36
Increase (-)/Decrease (+) in operating receivables	-10,618	16,148	15,538	18,317
Increase (+)/Decrease (-) in operating liabilities	12,343	11,305	-598	11,677
<b>OPERATING CASH FLOW</b>	<b>16,119</b>	<b>7,172</b>	<b>43,101</b>	<b>53,345</b>
<b>Investing activities</b>				
Net investments in intangible assets	-30,141	-405,818	-19,133	-740,303
Net investments in equipment	-	-	-	-115
Net investments in financial assets	-	10,748	-	-
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-30,141</b>	<b>-395,070</b>	<b>-19,133</b>	<b>-740,418</b>
<b>Financing activities</b>				
Borrowings (+) / Loan amortization (-)	-	210,559	-	584,263
Issue of new shares less transaction costs	-	152,152	858	153,689
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-</b>	<b>362,711</b>	<b>858</b>	<b>737,952</b>
<b>Change in cash and cash equivalents</b>	<b>-14,022</b>	<b>-25,187</b>	<b>24,826</b>	<b>50,879</b>
Cash and cash equivalents at the beginning of the period	111,227	97,566	72,379	21,500
Cash and cash equivalents at the end of the period	97,205	72,379	97,205	72,379



## ACCOUNTING POLICIES AND MEASUREMENT PRINCIPLES

The year-end 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 has finalized an analysis of the effects of the new IFRS standard for revenue recognition, IFRS 15, and IFRS 9 Financial Instruments, which entered into force on January 1, 2018.

**IFRS 15** – The standard regulates revenue recognition and disclosure requirements for commercial agreements (contracts) with customers where delivery of goods/services has been divided up into separately identifiable performance obligations that are recognized independently. A project was implemented in which the following areas were considered: variable and fixed discounts, expected returns, contract reviews, and when control has transferred to the customer. The conclusion, in summary, is that the new standard will not have a material effect on Moberg Pharma's revenue recognition and that implementation of the new standard will not necessitate a restatement of previous periods, since the effects are not material.

**IFRS 9** - The new standard on financial instruments replaces IAS 39. A project was implemented in the following areas: classification, measurement and documentation of financial liabilities and assets, adjustments to documentation for hedge accounting to the new regulation, and calculation of the effects of the transition to a new model for recognizing expected credit losses. The conclusion, in summary, is that the new standard will not have a material effect on Moberg Pharma's reporting and that implementation of the new standard will not necessitate a restatement of previous periods, since the effects are not material.

IFRS 16 Leasing will enter into force on January 1, 2018. The company does not expect that the new standard will have a material effect on Moberg Pharma.

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 with 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 December 31, 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 December 31, 2017 whereas the carrying amount was SEK 591.8 million. Purchase considerations are valued according to Level 3 of the fair value hierarchy and amounted to approx. SEK 15 million as of December 31, 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.

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. The Annual Report will be made available no later than April 16 at the Company's website [www.mobergpharma.com](http://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](http://www.mobergpharma.com)

The year-end report has not been reviewed by the Company's auditors.

## DECLARATION

The undersigned hereby declare that the year-end 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, February 12, 2018

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*