



## Interim report January – June 2018

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Moberg Pharma AB (Publ)

Q1

**Q2**

Q3

Q4





## STRONG GROWTH, HIGHER PROFITABILITY AND PIPELINE PROGRESS

*“Net revenue for the three key brands in the U.S. grew at record pace, fundamentally outpacing the market and strengthening our leading position in all key categories, while significantly increasing profitability. Meanwhile, MOB-015 studies are progressing according to plan with screening in North America recently completed,”* says Peter Wolpert, CEO of Moberg Pharma.

### PERIOD (JAN-JUN 2018)

- Net revenue SEK 233.4 million (240.7)
- EBITDA SEK 47.3 million (26.5)
- EBITDA excluding capital gains\* SEK 42.3 million (26.5)
- EBITDA margin 20% (11)
- EBITDA for commercial operations SEK 57.8 million (35.7)
- Operating profit (EBIT) SEK 28.8 million (6.9)
- Net profit after tax SEK 6.7 million (-10.8)
- Diluted earnings per share SEK 0.38 (-0.62)
- Operating cash flow per share SEK 1.57 (-1.61)

### SECOND QUARTER (APR-JUN 2018)

- Net revenue SEK 141.9 million (136.1)
- EBITDA SEK 25.4 million (9.8)
- EBITDA excluding capital gains\* SEK 20.4 million (9.8)
- EBITDA margin 18% (7)
- EBITDA for commercial operations SEK 30.7 million (14.7)
- Operating profit (EBIT) SEK 16.3 million (0.0)
- Net profit after tax SEK 4.7 million (-7.8)
- Diluted earnings per share SEK 0.27 (-0.45)
- Operating cash flow per share SEK 0.91 (-1.44)

\* Excluding a capital gain in Q2 2018 of SEK 5.0 million from the divestment of Balmex®.

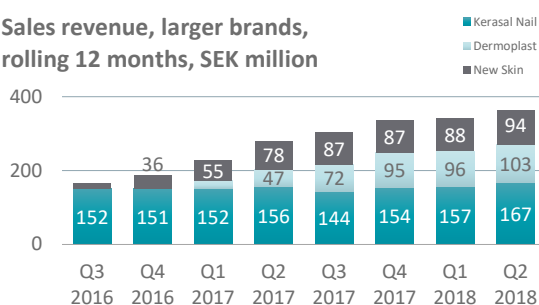
### SIGNIFICANT EVENTS IN THE SECOND QUARTER

- The divestment of the brand Balmex® was finalised in April. The sale generated 4.25 million USD in cash plus inventory.
- Patent granted for BUPI in the USA to 2032, complementing patents in Canada and Europe.
- Anna Malm Bernstein elected as new Board member.
- Mark Beveridge was appointed Vice President Finance and member of the management team.
- The total number of common shares in the company increased to 17,703,762. The 263,000 newly issued shares are held by the company to secure its commitments under incentive programmes.

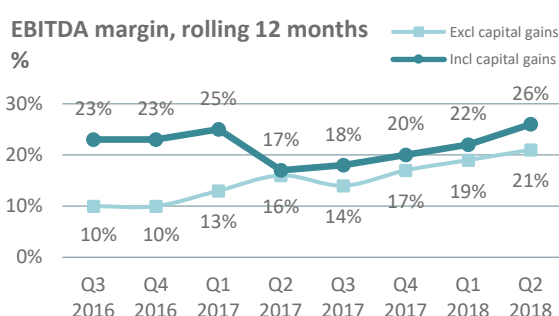
### SIGNIFICANT EVENTS AFTER THE END OF THE QUARTER

- None to report

Sales revenue, larger brands, rolling 12 months, SEK million



EBITDA margin, rolling 12 months



### CONFERENCE CALL

CEO Peter Wolpert will present the report at a telephone conference today, August 7, 2018, at 3:00 p.m.  
Telephone: SE +46-8-505 564 53, US +1 646 502 51 16



## STATEMENT FROM THE CEO

I am very pleased with the second quarter resulting in strong growth, higher profitability and pipeline progress. Net revenue for the three key brands in the U.S. grew at record pace, 29-43% in local currency, fundamentally outpacing the market and strengthening our leading position in all key categories, while doubling EBITDA to SEK 20.4 million, excluding capital gains. Meanwhile, the screening for the North American phase 3-study for MOB-015 is now completed and enrollment in Europe is expected to be finalized before the year-end.

### Excellent growth in the U.S. key driver

The divestment of Balmex in April represented another milestone in our two-plus year effort to streamline the North American OTC portfolio. Six separate transactions have resulted in a synergistic portfolio of high margin niche brands with leading positions in the Foot Care and First Aid categories. The portfolio delivered double-digit gains in retail sales and net revenue, as well as higher gross margins and brand contribution following our effort to focus the portfolio, strengthen marketing and improve the return on invested dollars.

Since the brand re-launch in 2016, Kerasal Nail® has delivered outstanding sales performance over ten consecutive quarters. Consumption growth over the prior two seasons of +37%<sup>1</sup> is indicative of the brand's strength in the US where Kerasal Nail® continues to strengthen its #1 position in its category. In the U.S., net revenue grew by 43% in local currency. For the distributor sales, which now represent less than 5% of total revenues, the aim is to stabilize sales versus last year.

Kerasal Intensive Foot Repair was re-launched in May supported by a high impact television campaign leading to strong double-digit gains (+20.6% L4W<sup>1</sup>) in retail sales and excellent net revenue growth (+42% in local currency) of Other Products. Kerasal Nail Psoriasis launched in late May exclusively on Amazon, representing our first new product introduction through e-commerce only.

Both Dermoplast® and New Skin® expanded their market leading positions, delivering strong net revenue growth of 31% and 29% respectively, following successful campaigns and enhanced digital marketing including social media. Retail sales for Dermoplast® are growing at double-digit levels reflecting a positive response to the launch of the growth plan for the brand.

### Pipeline progress

The Phase 3 studies for MOB-015 are progressing according to the plan from November 2017. The screening for the North American study was recently completed, and we expect the last patient to be randomized around the turn of the month of August. Recruitment in Europe is gaining momentum under the management of our CRO TFS and is expected to be finalized before the year-end. As the Phase 3 development is progressing, we continue to refine our long-term plans for which we see excellent potential in documenting differentiating claims versus key competitors, primarily focusing on three benefits i.e. better cure rates, fast visible improvement and shorter treatment time.

The recent U.S. patent approval for BUPI enables dialogues with new partners in North America and Europe, in addition to Cadila Pharmaceuticals.

### Continued momentum

We continue to realize the exciting growth prospects for our commercial portfolio and pipeline, creating significant short-term and long-term value.

*Peter Wolpert, CEO Moberg Pharma*

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<sup>1</sup> Symphony IRI, MULO, 4, 12 and 52 weeks through June 17, 2018. Note that approximately 60% of sales of Dermoplast® are through hospitals, which means that that retail sales data does not provide as complete a picture as for other brands.



## ABOUT MOBERG PHARMA

Moberg Pharma develops and markets consumer healthcare products to treat, relieve or improve the appearance of damaged skin and nails. The product portfolio comprises well established brands, each of which is a leader in its niche category. The Group'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

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 built on collaboration, full team commitment, creativity and entrepreneurial spirit. The business is managed through high-performing cross-functional teams with 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 U.S. is by far our largest market, with three key non-prescription brands dominating sales: Kerasal Nail® with clinically proven efficacy for the improved appearance 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, the product is currently sold in some 30 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 fast relief of pain and itching

#### **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





## PIPELINE WITH TWO PRODUCTS IN PHASE 3

Moberg Pharma has developed a clinical pipeline with revenue potential 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 attractive OTC markets across the globe. Nail fungus (onychomycosis) is 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, superior cure rate and shorter treatment time (vs other topical medications)



#### Phase 3 ongoing

- 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



#### Patent protection until 2032

- Patents granted in large markets, incl USA, EU, and Japan
- 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 affected nails

- 54% mycological cure at 60 weeks
- 100% negative culture at 60 weeks
- 1000x more terbinafine in the nail vs oral administration
- 40x more terbinafine in the nail bed vs 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 vs existing products

#### Partnering and preparations for Phase 3 ongoing

- Partnering discussions ongoing, in addition to current partner Cadila Pharmaceuticals
- Advisory meetings held with agencies in Sweden and Germany

#### Patent protection until 2032

- Patents granted in EU, Canada and 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 vs Standard of care

- Primary endpoint: 31% less pain in the BUPI group vs Standard of care (maximum VAS value in the mouth/throat,  $p = 0.0032$ )
- In mouth: 50% less pain in the BUPI group ( $p = 0.0002$ )

Estimated annual sales potential: USD 100–200 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 at USD 250–500 million annually. Phase 3 studies are underway with screening in North America completed in July 2018 and expected to be finalized in Europe before year-end 2018. Topline results are expected approximately 15 months after completion of recruitment for each study. Upon positive Phase 3 results and based on the excellent Phase 2 data with high mycological cure rates and high terbinafine levels in the nail and nail bed, the company sees excellent potential in documenting differentiating claims versus key competitors, primarily focusing on three benefits i.e. better cure rates, fast visible improvement and shorter treatment time.

## 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. Based on an analysis by LifeSci Capital<sup>2</sup>, Moberg Pharma estimates the annual sales potential for BUPI to USD 100 - 200 million, assuming successful commercialization in oral mucositis and at least one further indication.

<sup>2</sup> LifeSci Capital, Oral Mucositis Market Insights – Based on Findings from a Physician Survey, February 2018



## BUSINESS DEVELOPMENT IN 2018

In the first six months of 2018, the U.S. portfolio sustained high growth in retail sales and continued to outpace the OTC market. The MOB-015 studies are progressing according to schedule, while the recent U.S. patent for BUPI enables intensified discussions with potential partners.

### IN THE MARKET

Revenues increased from 136 to SEK 142 million in the second quarter, despite divestments of the Balmex and Fiber Choice brands during the past year and currency headwinds. The divestment of Balmex was finalized in April, generating a total of USD 4.25 million in cash plus inventory value. Having refocused the North American OTC portfolio through six individual transactions, Moberg Pharma now has leadership positions across several synergistic, higher margin and less competitive niche categories. As a result, net sales in our U.S. commercial business grew by 32% in the second quarter. The main drivers were strong marketing campaigns and new distribution achieved in 2017 across several key retailers as well as expanded digital and social media, driving improvements in gross margin and brand contribution. EBITDA increased from 9.8 to SEK 25.4 million in the second quarter with a gross margin of 78%.

#### Strong high season

Kerasal Nail® continues to outperform key competitors across the Nail Fungal Segment, with retail gains of 27.6%<sup>3</sup> compared to previous year and +37%<sup>3</sup> over the prior two seasons. The most recent campaign “Toes for Fingers” sustains the positive trend, now over ten consecutive quarters since the brand re-launched in 2016. Distributor sales were low in Q2, partly reflecting delivery timings, and represented less than 5% of total Q2 revenues. Our plan remains to stabilize full year distributor sales versus last year.

Our latest brand innovation, Kerasal Nail Psoriasis, launched in late May exclusively on Amazon, which provides an exciting opportunity to gain valuable insights. The product targets a niche segment of users who to date, have not had access to a clinically proven non-prescription option to improve the appearance of nails damaged by psoriasis.

Kerasal Intensive Foot Repair was re-launched in May supported by a television campaign reaching tens-of-thousands of new consumers who suffer from dry, cracked feet. After just a few weeks on air, Kerasal Intensive Foot Repair is already seeing high double-digit gains (+20.6% L4W<sup>3</sup>) in retail sales and exceeding expectations for the year. Given the strong product performance, we expect the new campaign to generate excellent brand repeat and sustained gains in sales.

New Skin® also expanded its leading position in the Liquid Bandage category. Since integrating the brand and re-launching in 2017 behind the highly impactful “Mr. Cut” campaign, advertising has delivered double-digit consumption gains for the brand and the Liquid Bandage category. Television support resumed in the second quarter and immediately drove brand growth with retail sales +23.4%<sup>3</sup> for the latest 12-week period. Breakthrough television has been supplemented with expanded digital marketing investment including social media.

Dermoplast® continues to deliver strong performance and is tracking well ahead of year ago results (+14.3% retail sales for the latest 12-week period). The brand remains the #1 Pain Relieving Spray in the U.S. The second quarter saw the launch of new consumer and healthcare professional marketing communications which included impactful awareness building campaigns targeting mothers, hospital and retail pharmacists, OB/GYN nurses and nurse-midwives.

### IN THE PIPELINE – PROGRESSING ACCORDING TO PLAN

#### The company's greatest potential is in MOB-015

The two Phase 3 studies for MOB-015 continue in parallel in North America and Europe and progress according to the plan communicated in November 2017. The transition to a new CRO was finalized in the second quarter with several new sites up and running in Europe. The screening for the North American study was recently completed, and we expect the last patient to be randomized around the turn of the Month of August. The European patient recruitment is expected to be finalized before year-end. Topline results are expected approximately 15 months after completion of recruitment for each study.

Meanwhile, we are refining our commercialization plans based on extended market analyses and payor interactions and continue to refine our long-term plans for which we see excellent potential in documenting differentiating claims versus key competitors, primarily focusing on three benefits i.e. better cure rates, fast visible improvement and shorter treatment time.

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<sup>3</sup> Symphony IRI, MULO through June 17, 2018



### BUPI – ongoing preparations for Phase 3

The recent U.S. patent approval for BUPI, complementing previous patents in Europe and Canada, enables a full-fledged partnering process, while the dialogue with Cadila Pharmaceuticals continues.

## CORPORATE EVENTS

Mark Beveridge was appointed Vice President Finance and member of the management team, effective from July 1<sup>st</sup> 2018. Mark holds 26,537 shares in Moberg Pharma and was a senior advisor to the company before joining the Operating team in 2015 filling various finance roles.

Kjell Rensfeldt, VP Research and Development, announced that he will retire on October 1, 2018. Kjell will remain with the company part-time as Senior Adviser. The process of finding his replacement has started.

At the Annual general meeting, Thomas Eklund, Geert Cauwenbergh, Sara Brandt and Mattias Klintemar were re-elected as members of the Board of Directors, while Anna Malm Bernstein was elected as a new member of the Board of Directors. Anna Malm Bernstein was formerly CEO of Carmeda AB and held executive positions in international marketing and sales at Pharmacia, ASSA ABLOY and GE Healthcare, among others. Anna is Chairman of the Board of Medivir AB and Björn Axén AB and a board member of Cellavision AB, Probi AB and Pågengruppen AB.



# GROUP REVENUE AND EARNINGS

## REVENUE

### Second quarter (April-June 2018)

Net revenue amounted to SEK 141.9 million (136.1)<sup>4</sup>, an increase of 4% compared with the previous year, despite divestments. Adjusted for divestments, net revenue reported increased by 24%, with all major brands reporting strong double-digit growth. In local currency, the increase was 27%.

Sales in the US continue to be strong, supported by breakthrough advertising campaigns which started in March 2018. Media buys have been spread strategically to maximize on-air time and penetration within a given budget, yielding excellent results. During the first days of July 2018, our warehouse was closed due to a move to a larger facility. As a result, some orders delivered in late June would otherwise likely have been fulfilled in July. We estimate the positive impact on sales for June 2018 to be approximately SEK 5-10 million.

In local currency, Kerasal Nail® increased by 20%, of which direct sales rose by 43%. Sales to distributors however were weaker, primarily due to delivery timing. Sales growth for Dermoplast® was 31% and for New Skin®, 29% in local currency. Other products include Kerasal Intensive Foot Repair, which reported an impressive 42% growth from 2017. We anticipate Kerasal Intensive Foot Repair to continue on this trajectory for the balance of the year.

### Six-month period (January-June 2018)

The Group's total revenue comes predominantly from sales in the US and is dominated by the three largest brands – Kerasal Nail®, Dermoplast® and New Skin® – together accounting for 90% of our current revenue stream (excluding divested products). All three key brands show continued strong growth for the year.

In local currency, Kerasal Nail® increased by 19%, of which direct sales rose by 37%. Sales to distributors for the total period were less than expected, where some orders due to be delivered in June were pushed to July. Sales growth in local currency for Dermoplast® was 23% and for New Skin®, 24%.

Excluding divested products, revenue increased by 21% in local currency (16% in group currency (SEK)). This is in comparison to total revenue reported, where in local currency, revenue increased by 2% compared to 2017 (-3% in group currency). Given Balmex® was divested on April 27, 2018 and Fiber Choice® divested on August 21, 2017, comparative numbers for 2017 include sales for both Balmex and Fiber Choice for the entire period, whereas 2018 numbers only include Balmex for a portion of the period.

Most of the Group's invoicing is in foreign currency (predominantly US dollars and to a lesser extent euro), so we are dependent on the development of these currencies in relation to the Swedish krona. This has an effect on how amounts are translated into group currency for any given period. During this period, we have had a negative currency effect of 5% on reported net sales.

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<sup>4</sup> The comparative figures also include FiberChoice®, which was divested on August 28, 2017.





Net revenue by product  (SEK thousand)	Apr-Jun					Jan-Jun				
	2018	2017	Percentage changes			2018	2017	Percentage changes		
			Fixed Rate	FX effect	Total			Fixed Rate	FX effect	Total
Kerasal Nail®	63,108	53,246	20	-1	19	98,857	85,949	19	-4	15
- of which direct sales	56,444	40,923	43	-5	38	78,393	60,750	37	-8	29
- of which to distributors	6,664	12,323	-48	2	-46	20,464	25,199	-21	2	-19
Dermoplast®	33,185	26,015	31	-3	28	54,861	47,283	23	-7	16
New Skin®	28,246	22,427	29	-3	26	49,063	41,848	24	-7	17
Other products	15,076	10,971	42	-5	37	22,221	18,850	25	-7	18
<b>CURRENT PORTFOLIO</b>	<b>139,616</b>	<b>112,659</b>	<b>27</b>	<b>-3</b>	<b>24</b>	<b>225,002</b>	<b>193,930</b>	<b>21</b>	<b>-5</b>	<b>16</b>
Divested products <sup>5</sup>	2,266	23,413	-91	1	-90	8,382	46,692	-81	-1	-82
<b>TOTAL NET REVENUE</b>	<b>141,881</b>	<b>136,072</b>	<b>7</b>	<b>-3</b>	<b>4</b>	<b>233,384</b>	<b>240,622</b>	<b>2</b>	<b>-5</b>	<b>-3</b>

Net revenue by channel  (SEK thousand)	Apr-Jun					Jan-Jun				
	2018	2017	Percentage changes			2018	2017	Percentage changes		
			Fixed Rate	FX effect	Total			Fixed Rate	FX effect	Total
Direct sales, organic	132,952	100,336	37	-4	33	204,538	168,731	34	-13	21
Sales to distributors, organic <sup>6</sup>	6,664	12,323	-47	2	-46	20,464	24,960	-20	2	-18
Milestone payments	-	-	N/A	N/A	N/A	-	239	-100	-	-100
<b>CURRENT PORTFOLIO</b>	<b>139,616</b>	<b>112,659</b>	<b>27</b>	<b>-3</b>	<b>24</b>	<b>225,002</b>	<b>193,930</b>	<b>21</b>	<b>-5</b>	<b>16</b>
Direct sales, divestments <sup>6</sup>	2,266	23,413	-91	1	-90	8,382	46,692	-81	-1	-82
<b>TOTAL NET REVENUE</b>	<b>141,881</b>	<b>136,072</b>	<b>7</b>	<b>-3</b>	<b>4</b>	<b>233,384</b>	<b>240,622</b>	<b>2</b>	<b>-5</b>	<b>-3</b>

Net revenue by market  (SEK thousand)	Apr-Jun					Jan-Jun				
	2018	2017	Percentage changes			2018	2017	Percentage changes		
			Fixed Rate	FX effect	Total			Fixed Rate	FX effect	Total
Europe	4,108	5,364	-24	1	-23	12,280	13,215	-8	1	-7
North and South America	132,460	100,128	36	-4	32	203,822	168,384	28	-7	21
Rest of the world	3,047	7,167	-60	3	-57	8,900	12,331	-31	3	-28
<b>CURRENT PORTFOLIO</b>	<b>139,615</b>	<b>112,659</b>	<b>27</b>	<b>-3</b>	<b>24</b>	<b>225,002</b>	<b>193,930</b>	<b>21</b>	<b>-5</b>	<b>16</b>
Divested products <sup>6</sup>	2,226	23,413	-91	1	-90	8,382	46,692	-81	-1	-82
<b>TOTAL NET REVENUE</b>	<b>141,881</b>	<b>136,072</b>	<b>7</b>	<b>-3</b>	<b>4</b>	<b>233,384</b>	<b>240,622</b>	<b>2</b>	<b>-5</b>	<b>-3</b>

<sup>5</sup> Fiber Choice®, Balmex®

<sup>6</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.



## 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.



### Second quarter (April-June 2018)

Operating profit increased to SEK 16.3 million (0.0), a result of continued effective marketing activities and strong retail consumption development. The Group has executed successfully against its stated strategy to develop a streamlined portfolio of brands that generate attractive profitability. Reported gross margin was strong at 78% (73).

Operating expenses, excluding the cost of goods sold during the quarter, amounted to SEK 102.3 million (98.9). The bulk of operating expenses comprise selling expenses, which excluding depreciation and amortization<sup>7</sup>, were SEK 78,4 million (75,3). Selling expenses excluding depreciation and amortization are high in peak season, with amounts reported at 55% (55) of net revenue. Our seasonality results in higher marketing expenses in the second and third quarters, where the second quarter has the highest proportion of spend.

Administrative expenses and research and development costs for the commercial operations were in line with previous years given the Group's total size.

Depreciation and amortization amounts mainly consist of amortization of product rights of SEK 8.4 million (9.1). Total depreciation and amortization expenses amounted to SEK 9.1 million (9.8).

Other operating revenue includes a gain on the sale of Balmex (SEK 5.0 million) plus positive net changes in exchange rates on operating receivables and liabilities.

Profit after net financial items was SEK 6.5 million (-9.3) and net profit after tax was SEK 4.7 million (-7.8). Comprehensive income was SEK 21.7 million (-20.4) and included currency translation of SEK 17.0 million (-12.6) due to the stronger US dollar exchange rate at June 30, 2018 compared with the end of the first quarter.

EBITDA was SEK 25,4 million (9,8), giving an EBITDA margin of 18% (7). Adjusted for R&D and business development costs for future products, the EBITDA margin for the commercial operations increased to 22% (11).

### Six-month period (January-June 2018)

Operating profit increased to SEK 28.8 million (6.9). Excluding the gain on the sale of Balmex, reported operating profit was SEK 23.8 million (6.9), a strong increase from the previous year. Gross margin strengthened to 76% (71), a reflection of a streamlined portfolio. Operating expenses, excluding the cost of goods sold, decreased to SEK 158,3 million (163,1).

EBITDA-margin reported amounted to 20% (11). Excluding the gain on sale of Balmex, reported EBITDA margin amounts to 18% (11).

#### EBITDA Summary

Apr-Jun

Apr-Jun

Jan-Jun

Jan-Jun

Full year

<sup>7</sup> Amortization of product rights is recognized as selling expenses in the income statement



(SEK thousand)	2018	2017	2018	2017	2017
Net revenue	141,881	136,072	233,384	240,622	439,032
Cost of goods sold	-31,470	-37,279	-55,746	-68,994	-125,179
<b>Gross profit</b>	<b>110,441</b>	<b>98,793</b>	<b>177,638</b>	<b>171,628</b>	<b>313,853</b>
%	78%	73%	76%	71%	71%
Selling expenses	-78,372	-75,323	-111,728	-119,367	-190,809
Administrative expenses	-7,135	-6,001	-13,144	-11,749	-23,707
Research and development costs – commercial operations <sup>8</sup>	-2,328	-1,459	-4,442	-3,276	-6,145
Other operating income/operating expenses	8,166	-1,347	9,472	-1,540	12,820
<b>EBITDA from commercial operations</b>	<b>30,742</b>	<b>14,663</b>	<b>57,796</b>	<b>35,696</b>	<b>106,012</b>
%	22%	11%	25%	15%	24%
Research and development costs – future products <sup>9</sup>	-2,051	-2,147	-3,629	-3,986	-6,299
Business development expenses	-3,312	-2,722	-6,862	-5,250	-10,270
<b>EBITDA</b>	<b>25,379</b>	<b>9,794</b>	<b>47,305</b>	<b>26,460</b>	<b>89,443</b>
%	18%	7%	20%	11%	20%
Depreciation/amortization	-9,128	-9,754	-18,534	-19,518	-38,368
<b>Operating profit (EBIT)</b>	<b>16,251</b>	<b>40</b>	<b>28,771</b>	<b>6,942</b>	<b>51,075</b>

## FINANCIAL POSITION

### CASH FLOW

#### Second quarter (April-June 2018)

Cashflow from operating activities reflect underlying performance of the Group's commercial operations. Cashflow from operating activities amounted to SEK 15.8 million (-25.1).

Cashflow from investing activities amounted to SEK 3.5 million (-12.8). Reported amounts include net receipts from the sale of Balmex (SEK 34.5 million) less investments in pipeline assets (SEK 30.8 million).

Cashflow from financing activities amounted to SEK -0.5 million (0.0). Reported amounts are attributed to transaction costs for the issue of shares which are held in trust by Moberg Pharma.

#### Six-month period (January to June 2018)

Cash flow from operating activities amounted to SEK 26.8 million (-28.0). Cashflow year to date has been strong, and will be supplemented from high sales in May and June not yet received.

Cash flow from investing activities amounted to SEK -25.8 million (-21.7) and consists of consideration received for the sale of Balmex of SEK 34.5 million, contingent consideration paid to Prestige Brands of SEK 10.0 million in connection with the acquisition of New Skin®, Fiber Choice® and PediaCare® and capitalized expenditure for research and development activities of SEK 50.1 million; see the section "Capital expenditure" below.

Cash and cash equivalents amounted to SEK 122.2 million (36.6 million) at the end of the period.

<sup>8</sup> Research and development costs – commercial operations include R&D expenses for new product variations under existing brands

<sup>9</sup> Research and development costs – future products include R&D expenses for new product candidates



## CAPITAL EXPENDITURE

Investments in intangible assets during the year refer mainly to capitalized expenditure for research and development activities of SEK 50.1 million (21.4). The company has two ongoing development projects in a late phase which are capitalized: MOB-015 and BUPI. In addition to capitalized R&D expenditure, Moberg Pharma had R&D expenses excluding depreciation of SEK 8.0 million (7.3) that were recognized directly in the statement of comprehensive income, of which SEK 3.6 million (4.0) was related to future products.

R&D expenses (costs and investments) (SEK thousand)	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Full year 2017
R&D expenses – current products	-2,328	-1,459	-4,442	-3,276	-6,145
R&D expenses – future products	-2,051	-2,147	-3,629	-3,986	-6,299
Depreciation/amortization of R&D investments	-567	-467	-1,133	-912	-1,967
<b>R&amp;D expenses (in statement of comprehensive income)</b>	<b>-4,946</b>	<b>-4,073</b>	<b>-9,204</b>	<b>-8,174</b>	<b>-14,411</b>
Capitalized R&D investments	-30,844	-12,710	-50,129	-21,426	-71,827
Depreciation/amortization of capitalized R&D investments	365	309	730	593	1,277
Depreciation/amortization of other R&D items	202	158	403	319	690
<b>Change in R&amp;D investments (in statement of financial position)</b>	<b>-30,277</b>	<b>-12,243</b>	<b>-48,996</b>	<b>-20,514</b>	<b>-69,860</b>
<b>Total R&amp;D expenditure</b>	<b>-35,223</b>	<b>-16,316</b>	<b>-58,200</b>	<b>-28,688</b>	<b>-84,271</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 amortized over the term of the loan, giving a difference between SEK 600 million and the amount of SEK 593.1 million shown 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 a contingent consideration to Prestige Brands in connection with the acquisition of New Skin®, Fiber Choice®, and PediaCare®. Contingent consideration of up to USD 1.0 million (corresponding to SEK 9 million) may be payable, for which the company has recognized a liability of USD 0.5 million (corresponding to SEK 4.5 million). The contingent consideration limits Moberg Pharma's risk exposure related to regulatory provisions for Fiber Choice®.

## 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

### SHARE-BASED COMPENSATION PLANS

The number of instruments outstanding as at June 30, 2018 was 1,031,334 warrants and 263,000 performance share units. If all warrants were exercised, the total number of shares would increase by 1,032,168. The performance share units are issued and held in trust, where the actual amount of shares that may vest range from 0% to 100%. If all warrants were exercised and all shares granted, the total number of shares would increase from 17,703,762 shares to 18,735,930 shares. Since the redemption price for the warrant programs vary from SEK 32.75 to SEK 65.70, and performance share units are tied to share performance from SEK 35.00, actual dilution would likely be significantly lower based on the current level of share price. For detailed information on the warrant programs, see the 2017 Annual Report. Detailed information on the performance share units may be found within the Notice to the Annual General Meeting for 2018, which were subsequently resolved to approve as noted in the minutes of the Annual General Meeting.



The following table gives an indication of the potential effects at different levels of share price:

Instruments granted based on strike price					
Share price	30	40	50	60	70
Number of new shares due to diluting warrants	-	140,418	541,418	845,418	1,032,168
Number of shares allocated by performance share units	-	32,875	78,900	109,583	131,500
Theoretical dilution	0.0%	1.0%	3.4%	5.1%	6.2%
Company's market capitalization, SEK million	531	715	916	1,120	1,321
Gain for instrument holders <sup>10</sup> , SEK million	0.0	1.7	8.5	16.7	28.6
<b>Diluted shares from share-based instruments<sup>11</sup></b>	<b>0.0%</b>	<b>0.2%</b>	<b>0.9%</b>	<b>1.5%</b>	<b>2.2%</b>

## SHARES

At the end of the period, external share capital amounted to SEK 1,744,076.20 (1,744,076.20) and there were a total of 17,703,762 (17,440,762) ordinary shares outstanding with a nominal value of SEK 0.10.

## SHAREHOLDER INFORMATION

The company's largest shareholders as of June 29, 2018:

Shareholders	Number of shares	% of votes and capital
ÖSTERSJÖSTIFTELSEN	2 274 179	12,9
ZIMBRINE HOLDING BV	1 762 849	10,0
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION <sup>12</sup>	1 741 774	9,8
CUSTODY ACCOUNT FOR THE EXCLUSIVE	1 650 000	9,3
NORDNET PENSIONS FÖRSÄKRING AB	782 331	4,4
SOCIETE GENERALE	683 312	3,9
LUNDMARK, SVEN ANDERS	320 000	1,8
EUROCLEAR BANK S.A/N.V, W8-IMY	317 943	1,8
JP MORGAN SECURITIES LLC, W9	304 000	1,7
LINDBÄRG, ERIK	285 130	1,6
MOBERG PHARMA AB (held in trust)	263 000	1,5
FÖRSÄKRINGS AB SKANDIA	247 713	1,4
SYNSKADADES STIFTELSE	172 201	1,0
ML, PIERCE, FENNER & SMITH INC	147 414	0,8
HL-FAMILY OY	134 500	0,8
GAMLA LIVFÖRSÄKRINGSAKTIEBOLAGET	124 597	0,7
NORMAN, CARL ERIK	121 000	0,7
DANICA PENSION	106 411	0,6
SEB LIFE INTERNATIONAL	104 000	0,6
TVÅ GENERATIONER MAGNUSSON AB	100 000	0,6
<b>TOTAL, 20 LARGEST SHAREHOLDERS</b>	<b>11 642 354</b>	<b>65,8</b>
Other shareholders	6 061 408	34,2
<b>TOTAL</b>	<b>17 703 762</b>	<b>100,0</b>

<sup>10</sup> Total pretax gain for instrument holders.

<sup>11</sup> Calculated from the gain made by instrument holders through market capitalization at the given share price.

<sup>12</sup> Includes 435,399 shares owned by the company's CEO, Peter Wolpert, through an endowment insurance policy





## ORGANIZATION

As of June 30, 2018, the Moberg Pharma Group had 39 employees, of whom 72% were women. The parent company had 26 employees, of whom 77% were women.

## PARENT COMPANY

Moberg Pharma AB (Publ), Corp. Reg. No. 556697-7426, is the parent company of the Group. Group operations are conducted primarily in the parent company (in addition to the sales organization in the US) and comprise research and development, sales and marketing, and administrative functions. For the period January to June 2018, the Parent Company's net revenue totaled SEK 66.5 million (57.4). Operating expenses, excluding the cost of goods sold, amounted to SEK 45.2 million (43.7). Operating profit was SEK 24.1 million (2.8), while profit after financial items was SEK 4.7 million (-16.7). Cash and cash equivalents reported at the end of the period amounted to SEK 100.9 million (28.7).

## 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 2017 Annual Report on page 28.

Over the next 12 months, the most significant risk factors are deemed to be associated with market developments, the development of established partnerships, 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 2018, we focus on driving organic growth primarily from 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)	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Full year 2017
Net revenue	141,881	136,072	233,384	240,622	439,032
Cost of goods sold	-31,470	-37,279	-55,746	-68,994	-125,179
<b>Gross profit</b>	<b>110,411</b>	<b>98,793</b>	<b>177,638</b>	<b>171,628</b>	<b>313,853</b>
Selling expenses <sup>13</sup>	-86,834	-84,552	-128,926	-137,846	-226,573
Business development and administrative expenses	-10,546	-8,781	-20,209	-17,126	-34,614
Research and development costs	-4,946	-4,073	-9,204	-8,174	-14,411
Other operating income	8,199	114	9,514	229	17,284
Other operating expenses	-33	-1,461	-42	-1,769	-4,464
<b>Operating profit (EBIT)</b>	<b>16,251</b>	<b>40</b>	<b>28,771</b>	<b>6,942</b>	<b>51,075</b>
Interest income and similar items	-	-	-	-	-
Interest expenses and similar items	-9,769	-9,371	-19,437	-19,464	-39,402
<b>Profit after financial items (EBT)</b>	<b>6,482</b>	<b>-9,331</b>	<b>9,334</b>	<b>-12,522</b>	<b>11,673</b>
Tax on profit for the period	-1,790	1,567	-2,635	1,754	-515
<b>PROFIT FOR THE PERIOD</b>	<b>4,692</b>	<b>-7,764</b>	<b>6,669</b>	<b>-10,768</b>	<b>11,158</b>
<b>Items that will be reclassified to profit</b>					
Translation differences of foreign operations	16,962	-12,597	20,555	-17,000	-23,577
<b>Other comprehensive income</b>	<b>16,962</b>	<b>-12,597</b>	<b>20,555</b>	<b>-17,000</b>	<b>-23,577</b>
<b>TOTAL PROFIT FOR THE PERIOD</b>	<b>21,654</b>	<b>-20,361</b>	<b>27,254</b>	<b>-27,768</b>	<b>-12,419</b>
Profit for the period attributable to parent company shareholders	4,692	-7,764	6,699	-10,768	11,158
Profit for the period attributable to non-controlling interests					-
Total profit attributable to parent company shareholders	21,654	-20,361	27,254	-27,768	-12,419
Total profit attributable to non-controlling interests					-
<b>Basic earnings per share</b>	<b>0,27</b>	<b>-0.45</b>	<b>0,38</b>	<b>-0.62</b>	<b>0.64</b>
<b>Diluted earnings per share<sup>14</sup></b>	<b>0,27</b>	<b>-0.45</b>	<b>0,38</b>	<b>-0.62</b>	<b>0.64</b>
<b>EBITDA</b>	<b>25,379</b>	<b>9,794</b>	<b>47,305</b>	<b>26,460</b>	<b>89,443</b>
Product right depreciation/amortization	-8,352	-9,134	-16,956	-18,286	-35,668
Other depreciation/amortization	-776	-620	-1,578	-1,232	-2,700
<b>Operating profit (EBIT)</b>	<b>16,251</b>	<b>40</b>	<b>28,771</b>	<b>6,942</b>	<b>51,075</b>

<sup>13</sup> Includes amortization of product rights

<sup>14</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 SUMMARY

(SEK thousand)	2018.06.30	2017.06.30	2017.12.31
<b>Assets</b>			
Intangible assets	994,482	991,874	979,873
<i>Capitalized R&amp;D</i>	181,691	82,575	132,292
<i>Computer systems</i>	1,939	1,947	2,446
<i>Goodwill</i>	96,968	91,655	89,092
<i>Acquired product rights</i>	707,034	808,847	749,193
<i>Patents</i>	6,850	6,850	6,850
Property, plant and equipment	504	670	725
Non-current financial assets	-	1	-
Deferred tax asset	8,044	13,611	9,255
<b>Total non-current assets</b>	<b>1,003,030</b>	<b>1,006,156</b>	<b>989,853</b>
Inventories	20,341	42,131	26,561
Trade receivables and other receivables	120,134	127,075	87,406
Cash and cash equivalents	122,173	36,559	119,437
<b>Total current assets</b>	<b>262,648</b>	<b>205,765</b>	<b>233,404</b>
<b>TOTAL ASSETS</b>	<b>1,265,678</b>	<b>1,211,921</b>	<b>1,223,257</b>
<b>Equity and liabilities</b>			
Equity (attributable to parent company's shareholders)	580,596	535,875	552,409
Non-current interest-bearing liabilities	593,120	590,456	591,788
Deferred tax liability	7,233	7,570	5,369
<b>Total non-current liabilities</b>	<b>600,353</b>	<b>598,026</b>	<b>597,157</b>
Current non-interest-bearing liabilities	84,729	78,020	73,691
<b>Total current liabilities</b>	<b>84,729</b>	<b>78,020</b>	<b>73,691</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,265,678</b>	<b>1,211,921</b>	<b>1,223,257</b>



## CONSOLIDATED STATEMENT OF CASH FLOWS SUMMARY

(SEK thousand)	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Full year 2017
<b>Operating activities</b>					
Operating profit before financial items	16,251	40	28,771	6,942	51,073
Financial items, received and paid	-9,103	-8,829	-18,205	-17,907	-36,414
Taxes paid	-8	-540	-8	-545	-557
<i>Adjustments:</i>					
Depreciation/amortization and capital gains	4,064	9,754	13,470	19,518	25,369
Employee share-based adjustments to equity	627	592	1,345	1,134	2,326
<b>Cash flow before changes in working capital</b>	<b>11,831</b>	<b>1,017</b>	<b>25,373</b>	<b>9,142</b>	<b>41,797</b>
<b>Change in working capital</b>					
Increase (-)/Decrease (+) in inventories	8,072	9,816	7,983	-2,940	12,105
Increase (-)/Decrease (+) in operating receivables	-39,648	-44,588	-40,817	-43,332	4,219
Increase (+)/Decrease (-) in operating liabilities	35,561	8,650	34,776	9,151	-4,302
<b>OPERATING CASH FLOW</b>	<b>15,816</b>	<b>-25,105</b>	<b>27,315</b>	<b>-27,979</b>	<b>53,819</b>
<b>Investing activities</b>					
Net investments in intangible assets	3,474	-12,710	-25,830	-21,588	-19,295
Net investments in equipment	-	-93	-	-124	-382
Net investments in financial assets	-	-	-	-	-
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>3,474</b>	<b>-12,803</b>	<b>-25,830</b>	<b>-21,712</b>	<b>-19,677</b>
<b>Financing activities</b>					
Borrowings (+) / Loan amortization (-)	-	-	-	-	-
Issue of new shares less transaction costs	-528	909	-528	858	858
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-528</b>	<b>909</b>	<b>-528</b>	<b>858</b>	<b>858</b>
<b>Change in cash and cash equivalents</b>	<b>18,762</b>	<b>-36,999</b>	<b>957</b>	<b>-48,833</b>	<b>35,000</b>
Cash and cash equivalents at beginning of period	102,481	74,045	119,437	86,104	86,104
Exchange rate differences in cash and cash equival.	930	-487	1,779	-712	-1,667
Cash and cash equivalents at the end of period	122,173	36,559	122,173	36,559	119,437



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Other capital contributions	Translation reserve	Accumulated loss	Total equity
(SEK thousand)					
<b>January 1 – June 30, 2018</b>					
Opening balance, January 1, 2018	1,744	527,203	38,542	-15,080	552,409
<i>Total income</i>					
Profit for the period				6,699	6,669
Other comprehensive income – translation differences on translation of foreign operations			20,555		20,555
<i>Transactions with shareholders</i>					
New share issue	26				26
Transaction costs, new share issue		-412			-412
Repurchase own shares	-26				-26
Employee share-based incentive adjustments		1,345			1,345
<b>CLOSING BALANCE, JUNE 30, 2018</b>	<b>1,744</b>	<b>528,136</b>	<b>59,097</b>	<b>-8,381</b>	<b>580,596</b>
<b>January 1 - June 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				-10,768	-10,768
Other comprehensive income – translation differences on translation of foreign operations			-17,000		-17,000
New share issue	3	944			947
Transaction costs, new share issue		-69			-69
Employee share-based adjustments		1,140			1,140
<b>CLOSING BALANCE, JUNE 30, 2017</b>	<b>1,744</b>	<b>526,018</b>	<b>45,119</b>	<b>-37,006</b>	<b>535,875</b>
<b>January 1 - December 31, 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				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 share-based adjustments		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>





## KEY RATIOS FOR THE GROUP

(SEK thousand)	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Full year 2017
Net revenue	141,881	136,072	233,384	240,622	439,032
Gross margin %	78%	73 %	76%	71 %	71%
EBITDA	25,379	9,794	47 305	26,460	89,443
EBITDA %	18%	7 %	20%	11 %	20%
Operating profit (EBIT)	25,379	40	28 771	6,942	51,075
Profit after tax	4,692	-7,764	6 699	-10,768	11,158
Profit margin %	3%	Neg.	3%	Neg.	3%
Balance sheet total	1,265,678	1,211,921	1,265,678	1,211,921	1,223,257
Net debt	-470,947	-553,897	-470,947	-553,897	-472,351
Debt/equity ratio	102%	110 %	102%	110 %	107%
Equity/assets ratio	46%	44 %	46%	44 %	45%
Return on equity	1%	-1 %	1%	-2 %	2%
Diluted earnings per share, SEK	0.27	-0.45	0.38	-0.62	0.64
Diluted operating cash flow per share, SEK	0.91	-1.44	1.57	-1.61	3.07
Equity per share, SEK	32.80	30.73	32.80	30.73	31.67
Basic average number of shares	17,446,606	17,421,058	17,443,684	17,416,476	17,428,719
Diluted average number of shares	17,446,606	17,539,276	17,443,684	17,589,601	17,540,270
Number of shares at the end of the period	17,703,762	17,440,762	17,703,762	17,440,762	17,440,762
Share price on balance sheet date, SEK	32.45	49.00	32.45	49.00	27.70
Market capitalization on balance sheet date, SEK millions	574	855	574	855	483

### Definitions of key ratios

Moberg Pharma presents certain financial performance measurements in the interim report that are not defined in accordance with IFRS. In Moberg Pharma's opinion, these performance measurements provide valuable additional information to investors and company management as they enable an evaluation of 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 the company through the entire reporting period and through the entire comparative 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 debt	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 SUMMARY

(SEK thousand)	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Full year 2017
Net revenue	30,670	26,247	66,471	57,381	130,086
Cost of goods sold	-2,490	-5,162	-6,692	-9,379	-16,754
<b>Gross profit</b>	<b>28,180</b>	<b>21,085</b>	<b>59,779</b>	<b>48,002</b>	<b>113,332</b>
Selling expenses	-10,706	-11,281	-21,328	-22,420	-44,827
Business development and administrative expenses	-7,698	-7,107	-15,244	-13,700	-25,743
Research and development costs	-4,675	-3,734	-8,598	-7,542	-13,036
Other operating income	8,199	133	9,514	229	17,282
Other operating expenses	-	-1,447	-	-1,755	-4,431
<b>Operating profit</b>	<b>13,300</b>	<b>-2,351</b>	<b>24,123</b>	<b>2,814</b>	<b>42,577</b>
Interest income	-	-	-	-	-
Interest expenses	-9,768	-9,371	-19,437	-19,464	-39,402
<b>Profit after financial items</b>	<b>3,532</b>	<b>-11,722</b>	<b>4,687</b>	<b>-16,650</b>	<b>3,175</b>
Tax on profit for the period	-953	2,539	-1,328	3,430	-926
<b>PROFIT</b>	<b>2,579</b>	<b>-9,183</b>	<b>3,359</b>	<b>-13,220</b>	<b>2,249</b>



## PARENT COMPANY BALANCE SHEET SUMMARY

(SEK thousand)	2018.06.30	2017.06.30	2017.12.31
<b>Assets</b>			
Intangible assets	847,090	847,629	841,973
Property, plant, and equipment	149	362	294
Non-current financial assets	178,106	178,107	178,106
Deferred tax asset	8,044	13,611	9,255
<b>Total non-current assets</b>	<b>1,033,389</b>	<b>1,039,709</b>	<b>1,029,628</b>
Inventories	466	101	-
Trade receivables and other receivables	15,530	15,388	21,425
Receivables from Group companies	-	37,639	-
Cash and cash equivalents	100,854	28,668	97,205
<b>Total current assets</b>	<b>116,849</b>	<b>81,796</b>	<b>118,630</b>
<b>TOTAL ASSETS</b>	<b>1,150,238</b>	<b>1,121,505</b>	<b>1,148,258</b>
<b>Equity and liabilities</b>			
Equity	504,727	483,783	500,435
Non-current interest-bearing liabilities	593,120	590,456	591,788
Liabilities to Group companies	16,611	-	8,194
Current non-interest-bearing liabilities	35,781	47,266	47,841
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,150,238</b>	<b>1,121,505</b>	<b>1,148,258</b>



## PARENT COMPANY CASH FLOW STATEMENT SUMMARY

(SEK thousand)	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Full year 2017
<b>Operating activities</b>					
Operating profit before financial items	13,300	-2,351	24,123	2,814	42,577
Financial items, received and paid	-9,103	-8,829	-18,205	-17,907	-36,414
<i>Adjustments:</i>					
Depreciation/amortization and capital gains	2,718	8,390	10,839	16,761	20,030
Employee share-based adjustments to equity	398	445	926	838	1,598
<b>Cash flow before changes in working capital</b>	<b>7,313</b>	<b>-2,345</b>	<b>17,683</b>	<b>2,506</b>	<b>27,791</b>
<b>Change in working capital</b>					
Increase (-)/Decrease (+) in inventories	-398	242	-466	269	370
Increase (-)/Decrease (+) in operating receivables	9,927	840	5,896	-15,763	15,538
Increase (+)/Decrease (-) in operating liabilities	17,873	2,455	6,894	-9,993	-598
<b>OPERATING CASH FLOW</b>	<b>34,715</b>	<b>1,192</b>	<b>30,007</b>	<b>-22,981</b>	<b>43,101</b>
<b>Investing activities</b>					
Net investments in intangible assets	3,474	-12,710	-25,830	-21,588	-19,133
Net investments in equipment	-	-	-	-	-
Net investments in financial assets	-	-	-	-	-
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>3,474</b>	<b>-12,710</b>	<b>-25,830</b>	<b>-21,588</b>	<b>-19,133</b>
<b>Financing activities</b>					
Borrowings (+) / Loan amortization (-)	-	-	-	-	-
Issue of new shares less transaction costs	-528	909	-528	858	858
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-528</b>	<b>909</b>	<b>-528</b>	<b>858</b>	<b>858</b>
<b>Change in cash and cash equivalents</b>	<b>37,661</b>	<b>-10,609</b>	<b>3,649</b>	<b>-43,711</b>	<b>24,826</b>
Cash and cash equivalents at the beginning of the period	63,193	39,277	97,205	72,379	72,379
Cash and cash equivalents at the end of the period	100,854	28,668	100,854	28,668	97,205



## NOTE 1 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 2017, 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 2017 Annual Report. New or revised standards that were adopted effective January 1, 2018, such as IFRS 15 on revenue recognition and IFRS 9 for financial instruments, have not had a material effect on the Group and implementation of the new standards does not require restatement of previous periods since the effects are insignificant. The Group has applied the transition to IFRS 15 prospectively.

IFRS 16 Leasing will enter into force on January 1, 2019. The company does not expect the new standard to 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.

## NOTE 2 SPECIFICATION OF MAJOR INTANGIBLE NON-CURRENT ASSETS

Specification of product rights (SEK thousand)	June 30, 2018
Product rights for Dermoplast®	407,478
Product rights for New Skin®	235,396
Product rights for Kerasal®	50,297
Product rights for Domeboro®	13,863
<b>Total product rights</b>	<b>707,034</b>

Specification of capitalized expenditure for research and development work (SEK thousand)	June 30, 2018
Capitalized expenditure for MOB-015	147,055
Capitalized expenditure for Kerasal®	21,549
Capitalized expenditure for BUPI	13,087
<b>Total capitalized expenditure for research and development work</b>	<b>181,691</b>

## NOTE 3 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.

## NOTE 4 ASSOCIATE TRANSACTIONS

No material changes have occurred in relationships and transactions with associates compared with as described in the Annual Report.





## NOTE 5 FINANCIAL INSTRUMENTS

With the exception of bonds, the fair value of financial instruments approximates the carrying amount as of June 30, 2018. The fair value of bonds, according to Level 2 of the fair value hierarchy, amounted to approximately SEK 599 million (based on their liquid trading price) as of June 30, 2018 whereas the carrying amount was SEK 593.1 million. The contingent purchase consideration is valued according to Level 3 of the fair value hierarchy and amounted to approx. SEK 4.5 million as of June 30, 2018.

## 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 – September 2018      November 6, 2018

## 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).

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

## DECLARATION

The undersigned hereby declare that the interim report provides a true and fair overview of the operations, financial position, and results of the parent company and Group, as well as a fair description of significant risks and uncertainties faced by the parent company and Group companies.

Bromma, August 7, 2018

Thomas Eklund  
*Chairman of the Board*

Sara Brandt  
*Board member*

Geert Cauwenbergh  
*Board member*

Mattias Klintemar  
*Board member*

Anna Malm Bernstein  
*Board member*

Peter Wolpert  
*CEO*