# PROFITABLE AND GROWING

ANNUAL REPORT
2014
MOBERG PHARMA

# CONTENTS

# TRACK RECORD OF ESTABLISHING NEW PRODUCTS IN THE GLOBAL MARKET

## – MOBERG PHARMA HAS CREATED A PLATFORM FOR FUTURE GROWTH –

### WHAT WE DO

Moberg Pharma prides itself on "Providing unique Products in Underserved Niches through Commercial and Innovation Excellence." Today, Moberg Pharma markets six brands and sells products in more than 40 countries with leading market share positions for its lead product Kerasal Nail® in U.S., Canada, Scandinavia and several EU countries. Expansion into additional territories are on track for 2015 and beyond with launches in China and Southeast Asia recently initiated.

In its pipeline, Moberg Pharma has two compelling products in development. MOB-015 to treat nail fungus (onychomycosis), and BUPI (Bupivacine lozenge) for the treatment of oral pain due to oral mucositis. Line extensions for current brands are in development or being analyzed for potential development.

In addition to internal development, the Company pursues an active M&A and in-licensing strategy to expand its portfolio with new brands, products and technologies.

Based on Moberg Pharma's current portfolio and growth opportunities in M&A and product development, the Company is on track toward its financial goal of achieving EBITDA margin of at least 25 percent in 2016, while maintaining healthy growth.

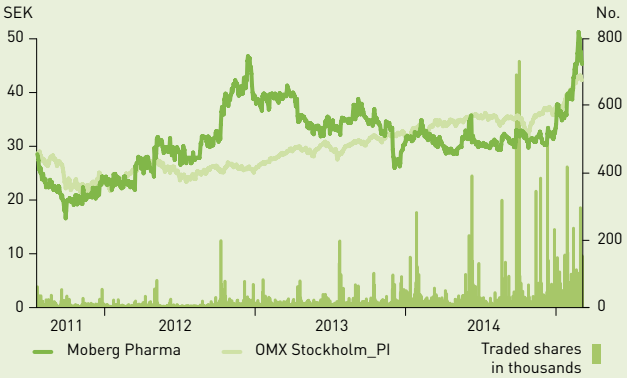
### KEY FINANCIALS 2014

- Revenues 200 MSEK +27% (157 MSEK)
- Gross margin 75% (75%)
- EBITDA 25 MSEK, 13% (-8 MSEK)
- Commercial EBITDA 43 MSEK, 22% (17 MSEK)
- Net Profit 12 MSEK (-11 MSEK)
- Operating Cash Flow 16 MSEK (-3 MSEK)

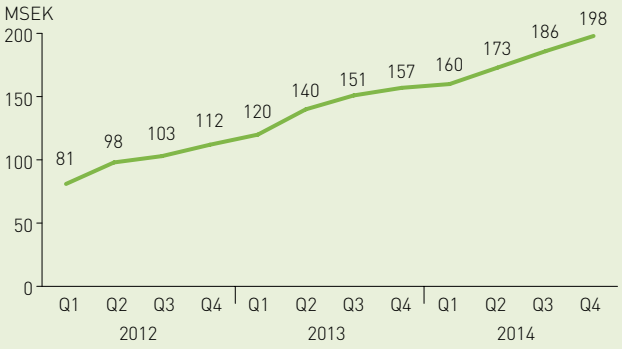
### KEY OPERATIONAL ACCOMPLISHMENTS IN 2014

- Grew direct sales in the U.S. by 48% and strengthened the position of key brands
- Enable growth of distributor sales through expansion to Southeast Asia
- Acquired the global rights to BUPI, a patent pending topical formulation for the treatment of oral pain
- Completed a private placement generating SEK 60 million in proceeds, before transaction costs
- Positive Phase II data for MOB-015 in nail fungus

### SHARE PRICE PERFORMANCE SINCE LISTING




### SALES REVENUE, ROLLING 12 MONTHS




### MOB-015 MYCOLOGICAL CURE RATE

**54%**







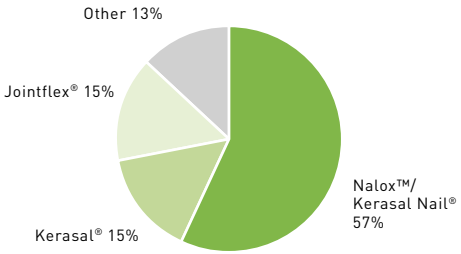
**PRODUCT PORTFOLIO**

| PRODUCT | Nalox™<br>Kerasal Nail®<br>Emtrix® | Kerasal® | JointFlex® | Domeboro® | Vanquish® | Fergon® |
|---|---|---|---|---|---|---|
| **INDICATION** | Damaged nails, for example caused by nail fungus or psoriasis | Dry feet and cracked heels<br>Foot pain | Arthritis and muscle pain | Itching and minor skin irritation | Headache, menstrual pain, back and muscle pain and cold pain | Iron supplement |
| **STATUS** | Direct sales in the U.S.<br>Launched by 10 partners in more than 25 markets | Direct sales in the U.S.<br>Launched by 14 partners in 15 markets | Direct sales in the U.S.<br>Launched by 15 partners in 22 markets | Direct sales in the U.S. | Direct sales in the U.S. | Direct sales in the U.S. |

# 22%

## U.S. MARKET SHARE FOR KERASAL NAIL® 2014

**SALES BY PRODUCT IN 2014**




# 27%

SALES INCREASE 2014

## 2014 I SIFFROR

| | |
|---|---|
| Revenue | 200 MSEK (157 MSEK) |
| Gross Margin | 75 % (75 %) |
| EBITDA | 25 MSEK (-8 MSEK) |
| Commercial EBITDA | 43 MSEK (17 MSEK) |
| Net Profit | 12 MSEK (-11 MSEK) |
| Operation Cash Flow | 16 MSEK (-3 MSEK) |

## LARGEST SHAREHOLDERS:

| Shareholders | % of votes and capital |
|---|---|
| The Baltic Sea Foundation | 16.2 |
| Insurance company, Avanza Pension | 6.9 |
| JPM Chase Na (Altaris Capital Partners) | 6.9 |
| Handelsbanken Fonder AB RE JPMEL | 6.1 |
| Tredje AP-Fonden | 4.7 |

## FINANCIAL CALENDAR

| | |
|---|---|
| Annual General Meeting | May 11, 2015 |
| Interim report for January–March 2015 | May 11, 2015 |
| Interim report for January–June 2015 | August 11, 2015 |
| Interim report for January–September 2015 | November 10, 2015 |

## SIGNIFICANT EVENTS OF 2014

**FEBRUARY**
Moberg Pharma extends its distribution agreement with Menarini Group for Kerasal Nail® to Southeast Asia, (including Singapore, Taiwan, Indonesia, Philippines, Malaysia, Hong Kong, Thailand and Vietnam) which in aggregate represents more than 550 million people in one of the fastest growing regions in the world.

**MARCH**
Launches new patent-pending formulation of Kerasal Nail® in the U.S. further demonstrating the value of Moberg Pharma's development approach and providing long-term IP protection for the Company's lead product.

**APRIL**
Acquires assets and global rights to BUPI, a novel and patent pending oral formulation of the proven substance bupivacaine for the treatment of pain in the oral cavity. The initial target indication is pain management for patients suffering from oral mucositis during cancer therapy.

**MAY**
Completes a private placement of 2.1 million shares of Moberg common stock at a price of SEK 29 per share generating approximately MSEK 60 before transaction costs, thereby strengthening the balance sheet and supporting opportunities to pursue partnerships, acquisitions, license agreements as well as product development programs.

**SEPTEMBER**
Announces positive top line data for MOB-015 in Phase II study for the treatment of nail fungus (onychomycosis). The primary endpoint, mycological cure after 15 months, was achieved in 54% of the patients.

**OCTOBER**
Commences Phase II study of BUPI, (bupivacaine formulated as a lozenge) to treat oral pain.

**NOVEMBER**
Announces the appointment of Jeff Vernimb as General Manager of U.S. operations, bringing more than 25 years of consumer health sales, marketing and brand management expertise to the Company.

**DECEMBER**
Launches new Kerasal Nail® line extension (Kerasal Nail® Fungal Nail Repair) in beauty section of CVS, the second largest drug store chain in the U.S.

# PROFITABLE AND GROWING

As we begin our fourth full year as a a public company, I look back with pride at the past year and a broad and rapidly growing list of accomplishments. We are laying the foundation to grow from an over-the-counter dermatology company into an emerging specialty pharma company with strategic and well-established brands and opportunities to build and expand in our strategic focus areas; Foot Care, Dermatology and Topical pain management.

From a financial and operational perspective, 2014 was highlighted by our first full year of profitability and positive cash flow from operations. We delivered revenue growth of 27%, from MSEK 157 to MSEK 200 and strengthened our partnerships in preparation for our 2015 launch in China and Southeast Asia. A major milestone was the strong phase II data for MOB-015 and the subsequent U.S. patent approval, which further strengthens our commitment to becoming the leader in nail fungus. Today we are cash flow positive, have decreased our debt to 17 MSEK and have MSEK 62 in cash and cash equivalents compared with MSEK 27 at year end 2013. We now have critical mass, a profitable base business and will continue to invest in developing and acquiring brands.

**NORTH AMERICA DRIVING THE GROWTH**

North America was a key growth driver in 2014, with top line growth of 57% (from MSEK 94 to 148) with strong performance with our direct sales business in the U.S. as well as distributor sales in Canada. The business expanded through organic growth and from brands acquired in December 2013. Our lead product, Kerasal Nail®, gained additional market share which reached [22%][1] for the year. Kerasal Nail® is widely available through approximately 30,000 retail outlets in North America, at more than [30] drug, mass and food retailers, including the leading chains Walmart, Walgreens, CVS, Rite Aid and Target. The launch in Canada of the nail fungus product, under our Emtrix® brand, was a tremendous success. By the end of 2014, Emtrix® had become the market leader with a share exceeding 50% of sales in the OTC nail fungus category. To pursue future growth opportunities, in December we strengthened our leadership by appointing Jeff Vernimb General Manager for our U.S. operations. Jeff brings strong operational skills and excellent consumer health experience to the management team.

Our European distributor sales, which represented 15% of revenues in 2014, decreased from MSEK 43 to MSEK 30. Importantly, in May 2014 we received regulatory approval for additional direct antifungal claims and an expanded indication for our lead nail product in Europe. Through the approval of stronger claims, conditions are in place to support further growth in Europe.

[1] Based on retail dollar sales of branded nail fungus products in the foot care section at MultiOutlet retailers as reported by SymponyIRI for 52 weeks ending December 28, 2014.

Peter Wolpert

When promoting this product, we can now in labelling and advertising fully leverage the unique claims of rapid improvement in nail appearance as well as the clinically proven antifungal efficacy. During the first quarter 2015, we moved to a new distributor for Russia, which increases the potential for future growth.

In RoW (rest of world), where we generated 11% of our total sales in 2014, we sell through distributors. Sales for the year totalled MSEK 22 compared to 20 MSEK for 2013. Moreover, we anticipate Asia becoming our fastest growing market in 2015. To that end, we advanced our partnership with Menarini Asia-Pacific with launches of Emtrix®/Kerasal Nail® in Malaysia, China and Hong Kong. Launches in additional markets in the region are being prepared.

**INNOVATION ENGINE DRIVES FUTURE GROWTH**

At Moberg Pharma, our Innovation Engine encompasses all aspects of marketing, business and product development. Commercial improvements played a key role in delivering our first full year of profitability in 2014. Through a focus on increasing marketing and sales efficiency, we improved our segmentation and marketing mix and executed new marketing campaigns during the year with no increase in marketing headcount. In 2014, we also rejuvenated the mature brands we acquired and developed new consumer-driven packaging designs for Domeboro®, Vanquish® and Fergon®.

Our successful building of strong brands in selected niches and brand equity development efforts also enabled us to announce two line extensions for Kerasal Nail®. Kerasal Nail® Fungal Nail Repair is packaged and merchandised specifically for beauty shoppers and was launched at CVS in January 2015. With Kerasal Nail® Complete Care, launched at Walgreens and CVS, the brand now also offers a treatment kit which simultaneously addresses problems of Athlete's Foot as well as fungal nails.

"Our strategy is to satisfy the needs of patients for new treatments with unique advantages in commercially attractive niche markets."

In 2014, our Innovation Engine also advanced our longer-term pipeline assets. We continue moving towards our goal of becoming the leader in nail fungus treatments in selected geographic regions with the advancement of product development activities for MOB-015 to treat nail fungus. A key milestone was the excellent Phase II data where the primary efficacy variable - mycological cure - was met in 54% of the patients who completed the study. Since the study was conducted in a severely affected patient population, average affected nail area approximately 60%, the results bodes well for achieving a positive outcome in phase-III and thus to gain regulatory approval for a product that can claim superiority over existing treatments.

Our strategy for MOB-015 includes finding partners who will absorb an significant share of the investment needed for Phase III development and commercialization. MOB-015 has the potential to be our most significant product with an estimated peak sales potential to $250 – 500 million. There is significant growth potential with currently only 3.6 million prescriptions per year in the U.S. market compared to an estimated prevalence of 30-35 million patients.

The second project in clinical development is BUPI (bupivacine lozenge) for the treatment of oral pain. After acquiring the BUPI assets last April, we announced enrollment of our first patient in a randomized, controlled, Phase II study in October. Our goal is to confirm the promising results of several smaller pilot studies and to evaluate if bupivacaine formulated as a lozenge can be an effective, safe and patient-friendly treatment of oral pain in oral mucositis patients. We anticipate reporting our findings in the summer of 2015.

In addition to internal development, we will continue to seek out in-licensing and acquisition opportunities as important sources of new products that will expand our portfolio. Our strategy is to satisfy the needs of patients for new treatments with unique advantages in commercially attractive niche markets.

**WELL POSITIONED TO DRIVE PROFITABLE GROWTH**

We are proud of our 2014 accomplishments and are genuinely excited about the future prospects for Moberg Pharma. With our innovation engine delivering across all fronts, we have created a platform for further growth by improving the profitability of the base business, bolstering our balance sheet through a 60 MSEK private placement, and strengthening our leadership. Looking ahead to 2015 and beyond, we will continue to strive to build our brand equity, expand our intellectual property estate and leverage new opportunities as they arise, and, ultimately, enhance the value that we deliver to patients, physicians and shareholders globally.

Sincerely,

PETER WOLPERT
PRESIDENT AND FOUNDER

April 2015



# MARKET DYNAMICS

## MARKET DYNAMICS

IMS projects[1] that global spending on medicines will increase at a CAGR of 4–7% (on a constant currency basis) to nearly $ 1.3 trillion in 2018. This growth rate will be slightly higher than the 5.2% recorded during the past five years (2009–2013). The uptick is due to the introduction of new specialty medicines, increased accessibility for patients, and reduced impact from patent expiries in developed markets.

### Significant Growth Opportunities in Niche Markets

Moberg Pharma operates in an attractive niche segment of the global pharmaceutical industry - in the OTC market with its dermatology, foot care and pain relief products. This market is highly fragmented, creating an opportunity for smaller companies such as Moberg Pharma to establish successful operations. According to IMS, the OTC segment accounts for approximately 12%, of the global pharmaceutical market. In addition, Moberg Pharma's pipeline assets are in two specialty indications – Dermatology and Oncology Supportive Care – which are suitable for a smaller player due to the concentration of specialists and the fragmented industrial players.

### Moberg Pharma is meeting the market demand for self-treatment (OTC) options

The demand for OTC products is growing in tandem with the movement toward self-treatment, which is growing due to:

- An aging population worldwide;
- Increased interest in taking personal responsibility for healthcare decisions;
- Greater number of self-help resources driven by the abundance of information available via the internet and other media;
- Continuously rising number of proven compounds losing patent protection and being switched to OTC;
- The cost gap between OTC and prescription treatments.

**Market for Dermatological Products -** Recent market data indicate the dermatology segment is expected to grow at a 5-8% compounded annual growth rate through 2018 in the developed markets and 9-12% in emerging markets to reach a total of $31-36 billion in 2018.

The most common dermatological afflictions that require treatment are infections. In particular, the incidence of nail fungus affects hundreds of millions of people worldwide. Based on U.S market data (see below) and Moberg Pharma estimates, the global market in 2014 for nail fungus treatments is estimated to approximately $1,5-2,0 billion.

### U.S. nail fungus market expected to be a significant growth driver

In 2014, two new topical drugs were launched in the U.S. market. Jublia (Valeant) and Kerydin (launched by Sandoz and originally developed by Anacor). The first few months of sales confirm the growth potential of the nail fungus market. In Q4 2014, Jublia trended at an annual rate exceeding $200 million[2] and Kerydin's first few weeks were even stronger than Jublia's. Peak sales for Jublia have been estimated to be $750 million.

In 2014, previously available generic drugs sold at approximaterly $1 billion, with oral generic terbinafine representing approximately 3.6 million prescriptions. With new topical drugs entering the market at significantly higher prices, Moberg Pharma expects the market to grow in number of prescriptions, but more importantly in value to $2-3 billion by the time MOB-015 is launched in the market. Note that the gap between 3.6 million annual prescriptions and the 30-35 million Americans suffering from nail fungus represents a significant growth opportunity.

[1] Global outlook for medicines Through 2018, IMS November 2014
[2] www.valeant.com: Valeant J.P. Morgan 2015 Healthcare Presentation, January 14, 2015

# STRATEGY

"Moberg Pharma has a proven track record of bringing new products to the market and achieving strong market positions."

Moberg Pharma's strategy includes the following key elements

- Building strong brand equity by bringing unique innovations to the market which meet needs of patients/consumers
- Developing innovations based on proven molecules through novel positioning, drug delivery approach or repurposing of proven molecules
- Pursuing the best ideas and know-how globally through building a motivated and skilled internal team and engage with the best external experts and partners
- Driving growth organically as well as through acquisitions and in-licensing
- Driving growth by focusing on our strategic areas, which are Foot Care, Dermatology and Topical pain management. Additional areas to be added over time

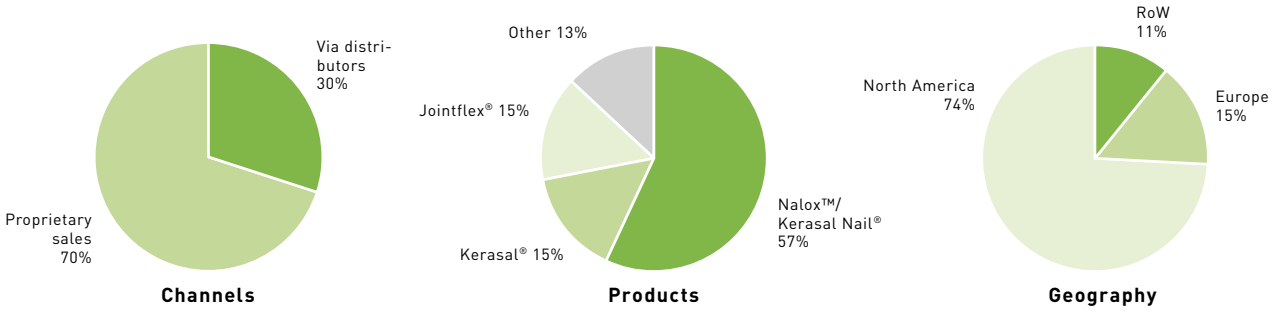
**Sales and marketing**

Moberg Pharma sells its products in North America, directly to retail outlets via its established, proprietary sales and marketing team and sells globally through distributors and partners.

Internal business and marketing teams with expertise in international product commercialization support the sales and marketing efforts on a global scale. For distributors, who are responsible for the sales and marketing spend, Moberg Pharma's marketing team supports efforts by developing marketing concepts, sales strategies and marketing materials. Since Moberg Pharma's current products are OTC, direct marketing and advertising to the end customer is a key component of the sales strategy.

Moberg has demonstrated to its retail customers that it can successfully market niche OTC products and create brand awareness and loyalty. By focusing on select niches and utilizing marketing tactics customized for each channel, Moberg Pharma has successfully reached the consumer and accelerated sales at the retail level. Customer purchase data supports this by consistently showing Moberg Pharma products earning the highest loyalty ratings, repeat purchases and market basket dollar values, in particular for Moberg's lead brand Kerasal® and including Kerasal Nail®.

**REVENUE DISTRIBUTION IN PERCENT, 2014**




## INTERVIEW WITH JEFF VERNIMB, GENERAL MANAGER FOR U.S. OPERATIONS

**What attracted you to Moberg Pharma?**
I have spent a number of years in consumer healthcare, working for both large and small companies and in various categories and across multiple sales and marketing functions. Through the years, I have learned that creating successful brands requires continuously seeking out marketplace learnings and new consumer insights. Sustainable value results when these powerful insights are used to drive innovation. At Moberg Pharma, the drive to innovate and act quickly is part of the company culture. The Kerasal® brand is a great example as we have consistently identified consumer trends and responded with innovative advertising, marketing and branding strategies. Besides organic growth, Moberg will continue to actively pursue a targeted and thoughtful acquisition strategy.

**What makes Moberg Pharma unique compared to other consumer over-the-counter drug companies?**
Today, Moberg has an established foothold in the OTC dermatology market. What sets Moberg apart is our relentless pursuit of opportunities to leverage our know-how across brands. Our M&A strategy has also enabled us to expand strategically into first aid and analgesics. We have a tremendous opportunity to fortify our presence in dermatology and other markets as a result of our exciting pipeline prospects in the prescription drug (Rx) market. Having OTC and Rx products in dermatology will enable us to build brand value across the professional market and the consumer market. We think this is a great place to be and will set us apart from our competitors.

From a people perspective, our team seeks to constantly challenge the status quo. We understand that to achieve our goals, we must constantly ask "How do we better serve our consumers and customers?" From the answers, we will continue to refine our market positions, improve our product offerings and strengthen marketing campaigns, positioning and key messages.

**Where do you see the greatest opportunity for growth in the U.S?**
We have a number of significant opportunities to grow. In particular, the Kerasal® brand affords us a great opportunity to expand the portfolio. There is a very large opportunity in the foot care market, which is an under-appreciated, under-resourced and still nascent market. With a high incidence of suffering related to various foot ailments, but limited treatment options and low market penetration, we plan to create a win for the consumer with more efficacious products, a win for the retailer via category growth innovation, and a win for our shareholders by building lasting value. Already we have moved deep into the innovation process for Domeboro®, one of our more recently acquired products, and we now have that product well positioned for advancement in the coming years.

**What do you see as your biggest challenge?**
We must constantly be vigilant in our drive to innovate. That includes finding the right opportunities to grow organically as well as through acquisition. If we continue to maintain our focus and maintain the momentum we've created over the course of the past few years, we are in an excellent position to overcome these challenges.

# BRANDS, PRODUCTS AND PIPELINE



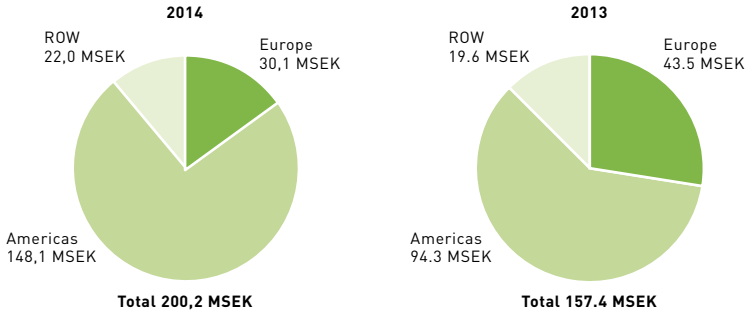
Moberg Pharma launched its first product, Kerasal Nail® (also known as Emtrix® and Nalox™, in certain geographies) in 2010.

Since then, the Company has expanded globally via its own sales organization in the U.S. and through 10 distribution partners in more than 40 markets globally. In 2012, Moberg Pharma added direct sales capabilities in the U.S. with the acquisition of its U.S. distributor, Alterna LLC. This transaction included the addition of two OTC brands, Kerasal® and Jointflex®.

In 2013, Moberg Pharma acquired a portfolio of three OTC products (Domeboro®, Vanquish® and Fergon®) from Bayer Healthcare.

Today, Moberg Pharma's highest selling product is Kerasal Nail®. These products garner strong market share positions in key markets including a 22% market share in the U.S., :">50% market share in Canada and >30% in Scandinavia.

**NET SALES BY GEOGRAPHICAL MARKETS (MSEK)**




**KERASAL NAIL®/NALOX™/EMTRIX®**

Nalox™ is a prescription-free, clinically proven over-the-counter product for the treatment of nail fungus. Nalox™ has a unique and rapid mechanism of action, demonstrating highly competitive results, including the achievement of visible improvement within 2-4 weeks of treatment. Efficacy and safety have been documented in several clinical trials with more than 600 patients. Launched in in the autumn of 2010, Nalox™ quickly became a market leader. Product variants with claims that vary in different geographies are sold under the names Nalox™, Naloc™, Emtrix® and Kerasal Nail® the international reach is growing steadily via a direct sales organization in the U.S. and ten partners who have rights in more than 60 markets and currently have launched in more than 25 markets, including the major EU markets, Canada, China, and South East Asia.


**KERASAL®**

Kerasal® is a non-prescription brand for the effective treatment of common but difficult-to-treat foot problems such as cracked heals, calluses and foot pain. Several clinical trials have confirmed the efficacy of Kerasal® for the treatment of extremely dry and damaged skin on the feet by softening and moisturizing dry feet and helping to retain moisture in new cell layers. The manufacturing process is patented. The product is sold at drugstores and various retailers across the U.S. The brand also includes products for resale only by specialists. During autumn 2013, the brand was expanded with Kerasal® NeuroCream, a non-prescription analgesic foot cream.


**JOINTFLEX®**

JointFlex® is a clinically-proven, topical, non-prescription treatment that provides significant, rapid, long-term pain relief for joint and muscle pain. The products contain natural cooling pain-relieving ingredients and are produced using FUSOME™ technology, which improves the skin's absorption of the analgesic ingredients. The product is available in the U.S., through the same sales channels as Kerasal®


**DOMEBORO®**

Domeboro® is a topical drug for the treatment of itching and irritated skin. The product has a drying and astringent effect that reduces inflammation by contributing to the contraction of blood cells in the skin. Domeboro® is effective for irritated skin conditions caused by insect bites or reactions from plant toxins (e.g. poison ivy) and washing detergents/cosmetics. The brand has been on the market for over 50 years and has nationwide distribution in the U.S. at CVS, Walgreens, Rite Aid and Walmart along with several regional chains. Moberg Pharma acquired Domeboro® from Bayer Healthcare in December 2013.


**VANQUISH®**

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


**FERGON®**

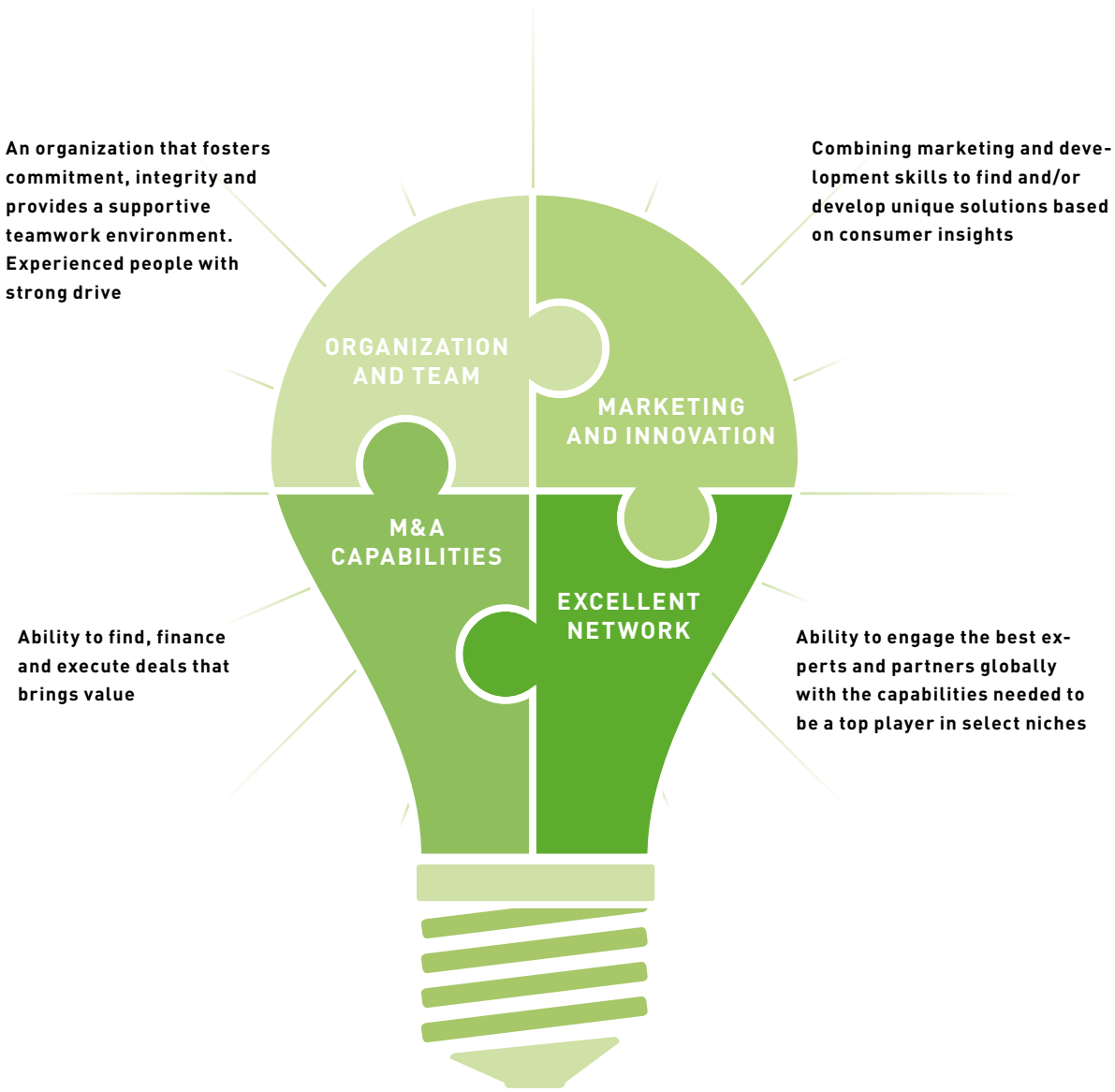
Fergon® is a national brand iron supplement which is marketed primarily for women and is sold at Rite Aid stores and through wholesalers to independent pharmacies and retailers. Fergon® was acquired from Bayer Healthcare in December 2013.

# INNOVATION ENGINE

Our innovation engine is a key growth driver for Moberg Pharma. It encompasses an integrated view on marketing, development and M&A. We identify opportunities through understanding consumer insights and market dynamics in-depth and drive external and internal opportunities to acquire, in-license and develop the pieces needed to get to a superior product profile.

We are firm believers in the power of brands and the power of innovation. Combining these two create the possibility to deliver outstanding returns, as we did with our launch of Kerasal Nail® in the U.S.

Our innovation engine has over the past three years delivered three acquisitions, two phase II assets with several hundred million dollars in peak sales potential and several line extensions for existing brands.



**PIPELINE ASSETS**

# MOB-15

In September 2014, Moberg announced successful top-line results from it Phase II study for **MOB-015** in nail fungus (onychomycosis), which is a large and growing market. The purpose of the study was to demonstrate proof-of-concept for MOB-015 in nail fungus. The open-label clinical study included 25 patients with nail fungus affecting 25-75% of at least one great toenail. Patients were followed for a total of 14 months. The study included patients with more severe nail fungus (on average 60% of the nail was affected) than recently published studies of topical treatment alternatives. Of the 24 patients who completed the study, 13 (54%) met the primary endpoint, mycological cure after 14 months from start of treatment. Significant clear nail growth and excellent clinical improvement was observed in 29% of the patients. Biopsies confirmed high levels of the active antifungal ingredient terbinafine in the nail plate and nail bed (median values 1610 and 45 µg/g, respectively, which is 1000x and 40x higher than what has been achieved with oral terbinafine). MOB015 was generally well tolerated with low levels of terbinafine in plasma.

These results are promising for future phase III studies. We are now proceeding with partner discussions for further development and commercialization of MOB-015.

# BUPI

**BUPI** is an innovative and promising treatment for severe oral pain. Moberg acquired the BUPI assets in April 2014. Since then, the project has progressed rapidly and clinical development is underway.

The product is a novel lozenge formulation of bupivacaine, a local anaesthetic with a well-established long-acting effect, currently available on the market for other indications as an injectable. The original innovation came out of the work by clinicians at Hvidovre Hospital, Copenhagen, Denmark. The goal is to make the treatment available to patients within a few years.

**About the phase II study and the product:**
The phase II study is being conducted at Rigshospitalet in Denmark. The trial aims to enroll 40 patients with head and neck cancer suffering from pain due to oral mucositis. The primary endpoint is average oral pain intensity measured by a Visual Analog Scale, a standard method for measuring pain. The patients will be randomized to receive standard pain treatment with or without the addition of a bupivacaine lozenge.

## INTERVIEW WITH MARIE SCHERLUND, PROJECT MANAGEMENT DIRECTOR

**How does Moberg's Innovation Engine process and philosophy benefit the R&D activities?**

Our "company genome" includes a great belief in innovation and a commitment to find and pursue the best ideas internally as well as externally. This creates a challenging environment and great interactions with external innovators and companies as well as within internal multifunctional teams. There are some clear benefits with our approach; we do not get stuck on internal ideas only, we embrace and welcome collaborations with external innovators and the R&D team gets direct market feedback, which increases our possibilities to ensure that the products we develop will work in the real world.

**Tell us more about what makes the R&D team unique.**

When we think about innovation, it doesn't just apply to how we create studies or define our work processes, it's also a way of thinking, which originates from a drive for finding solutions to unmet patient needs. Our team is a good mix of experienced and creative people who are conditioned to think outside the box with the drive to deliver. This provides a fast paced and exciting working environment. We strive to engage the leading experts and key opinion leaders globally in our focus areas. We challenge ourselves by asking, "Can we do this in a new way?" It also helps that the company is managed in a way that facilitates simple processes and rapid decision making.

**What else makes your product development strategy stand apart from others?**

To reduce time to market, development costs and risk compared with conventional drug development, our product development strategy focuses on seeking out proven compounds as well as developing or acquiring innovative drug delivery systems. Working with proven compounds shortens time to market and reduces risk. Focusing on indications in which there is a clear medical need, a unique market niche and the potential to make an impact, as well as capitalizing on our existing brand awareness, are all critical components of our product development approach.

MOB-015, our topical pipeline asset for nail fungus, is an excellent example of executing on this strategy. The active compound, terbinafine, is a well-known antifungal agent and was a blockbuster as an oral treatment. We initiated the project with the ambition to eliminate the side effects associated with the oral treatment and to deliver significant amounts of the active drug through the nail. Many companies previously failed to do this. Building on our Kerasal Nail® franchise, we had a different starting point and managed to develop novel delivery innovations that enhanced the penetration through the nail. Judging from the phase II data, it seems that we have succeeded to develop a very promising and valuable new treatment, based on a proven molecule.

Marie Scherlund

# ORGANIZATION AND EMPLOYEES

The people of Moberg Pharma fuel our Innovation Engine. Our team of experienced and dedicated professionals deliver value to patients, physicians and our shareholders.

### HOW WE WORK TOGETHER

Our team consists of individuals with a range of specialist expertise and experience from the pharmaceutical industry. We supplement their talent with a network of international experts, primarily in dermatology and drug development.

Our organization is divided into three main areas: research and development, business development, and sales and marketing. Our research and development team seeks innovations that will lead to new treatments that we can bring quickly to market. The business development team focuses on building Moberg Pharma's global footprint by evaluating new markets and identifying potential partners. Our sales and marketing organization takes the lead in product distribution, working with partners in Europe and around the globe, except in the U.S., where our own subsidiary manages sales and marketing activities.

### STRUCTURE AND INCENTIVES

With ca 30 employees, Moberg Pharma is organized into small, agile teams that operate efficiently and with great fluidity. The company leverages the core team by outsourcing many functions to trusted partners.

Our employees are united by a set of values that include strategic focus, drive and individual commitment. Our team works toward corporate objectives determined by senior management and our Board. Based on these objectives, our executives in each department meet with each employee and set individual goals. Semi-annually, together they conduct a goal-fulfillment assessment, which forms the basis of the employee's compensation review. This is a way to secure that our team works toward shared goals, while providing incentives that reward corporate as well as individual results and performance.

#### Working at Moberg Pharma

Moberg Pharma strives to be a desirable, safe and healthy workplace. We believe that a positive work environment contributes to job satisfaction, reduces sick leave and increases productivity.

To protect our employees' health, Moberg Pharma offers ergonomic work tools and promotes a healthy lifestyle by providing preventative health care options and wellness activities.

Moberg Pharma is committed to workplace diversity and equal employment opportunities. The company evaluates job applicants without regard to ethnic background, religion, gender, sexual orientation, nationality, age, or disability. We value people with drive and a strong commitment to making a difference.

### SUSTAINABLE DEVELOPMENT AND ENVIRONMENTAL IMPACT

Moberg Pharma is committed to striking a balance between the development and production of life-enhancing pharmaceuticals and the protection of the environment that we all share.

Moberg Pharma's operations are conducted in accordance with ISO 13485, an international protocol for quality control, as well as the international laws and regulations that govern the production of our products. Our operations are conducted with the least possible environmental impact based on our technical and financial resources, and we work in cooperation with our partners, researchers and consultants to leave the smallest footprint on our environment.

**30**

## EMPLOYEES ORGANIZED IN SMALL AGILE TEAMS

Moberg Pharma does not engage in proprietary manufacturing, and our direct environmental impact is considered low. However, there may be some environmental impact in conjunction with our outsourced research activities and the outsourced manufacturing of our products.

### ETHICAL CONDUCT OF CLINICAL TRIALS

Moberg Pharma values the use of responsible and ethical practices in the preclinical and clinical trials of our products. The company holds itself and its production and research partners to the highest applicable standards set forth in international laws and regulations.

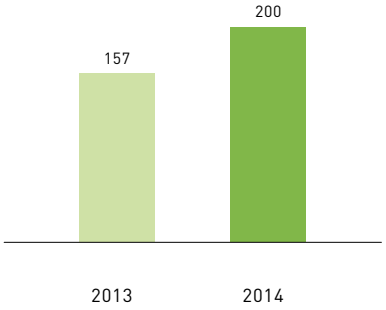
An important component of the evaluation of our contract research companies is their track record of compliance with ethical and regulatory standards. Moberg Pharma works closely with our research partners to design clinical trials in accordance with Good Clinical Practice (GCP) and Standard Operating Procedures, and the final design must be approved by Moberg Pharma.


Anna Ljung, CFO

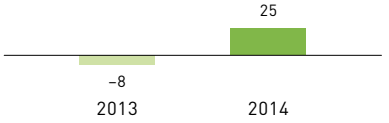
# FINANCIAL INFORMATION

”Moberg Pharma has shown strong growth and we are heading towards our financial goal - focusing on profitable growth and targeting a long term EBITDA margin of at least 25% from 2016 and onwards”.

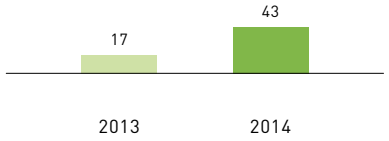
**NET SALES, MSEK**




**EBITDA, MSEK**




**EBITDA COMMERCIAL OPERATIONS, MSEK**



# DIRECTORS' REPORT

The Board of Directors and Chief Executive Officer of Moberg Pharma AB (publ), Corp. Reg. No. 556697-7426, hereby present the Annual Report and the Consolidated Financial Statements for the fiscal year January 1, 2014 to December 31, 2014.

### DEFINITIONS OF KEY RATIOS

**Net receivables** – Cash and cash equivalents less interest-bearing liabilities

**Debt/equity ratio** – Interest-bearing liabilities in relation to shareholders' equity

**Equity/assets ratio** – Shareholders equity at year-end in relation to total assets

**Return on equity** – Profit/loss for the year divided by closing equity

**Earnings per share** – Profit after tax divided by the average number of shares outstanding after dilution

**Equity per share** – Equity divided by the number of shares outstanding at year-end

[1] In those periods where a consolidated loss is recognized, no dilution arises. This is because dilution is recognized only when a potential for convention to common shares would entail lower earnings per share.

### FINANCIAL OVERVIEW 2010-2014

A five-year financial overview of the Group's operations is provided below.

| **FROM STATEMENT OF COMPREHENSIVE INCOME** (KSEK) | **2014** | **2013** | **2012** | **2011** | **2010** |
|---|---|---|---|---|---|
| Net sales | 200,180 | 157,389 | 112,469 | 55,943 | 8,512 |
| Gross profit | 151,116 | 117,422 | 87,592 | 39,313 | 5,663 |
| Operating profit/loss | 17,227 | -14,055 | 12,594 | -7,598 | -30,119 |
| Net profit/loss for the year | 12,268 | -11,358 | 35,813 | -6,384 | -31,031 |
| *Comprehensive income* | *45,312* | *-12,083* | *32,984* | *-6,384* | *-31,031* |
| **FROM STATEMENT OF FINANCIAL POSITION** (KSEK) | **2014** | **2013** | **2012** | **2011** | **2010** |
| Non-current assets | 242,275 | 212,390 | 179,507 | 755 | 683 |
| Inventories | 13,135 | 6,968 | 9,739 | 1,239 | 244 |
| Current receivables | 41,847 | 25,113 | 38,093 | 16,407 | 8,694 |
| Cash and bank balances | 62,463 | 27,138 | 53,423 | 74,052 | 2,761 |
| *Total assets* | *359,720* | *271,609* | *280,762* | *92,453* | *12,383* |
| Equity | 303,749 | 201,494 | 178,234 | 76,787 | 688 |
| Non-current liabilities | 3,333 | 18,527 | 42,270 | 0 | 150 |
| Current liabilities | 52,638 | 51,588 | 60,258 | 15,666 | 11,545 |
| *Total equity and liabilities* | *359,720* | *271,609* | *280,762* | *92,453* | *12,383* |
| **FROM CASH FLOW STATEMENT** (KSEK) | **2014** | **2013** | **2012** | **2011** | **2010** |
| Cash flow from operating activities | 16,162 | -3,150 | 9,476 | -9,020 | -30,412 |
| Cash flow from investment activities | -24,497 | -47,158 | -97,696 | -535 | -159 |
| Cash flow from financing activities | 42,604 | 24,049 | 67,590 | 80,846 | 254 |
| *Cash flow for the period* | *34,269* | *-26,259* | *-20,629* | *71,291* | *-30,317* |
| **KEY RATIOS** | **2014** | **2013** | **2012** | **2011** | **2010** |
| Net receivables (KSEK) | 45,797 | -2,862 | 13,423 | 73,902 | 2,421 |
| Debt/equity ratio | 5% | 15% | 22% | 0% | 49% |
| Equity/assets ratio | 84% | 74% | 63% | 83% | 6% |
| Return on equity | 4% | -6% | 20% | -8% | -4512% |
| Research and development expenses (KSEK) | -19,930 | -29,039 | -30,782 | -26,808 | -18,992 |
| Personnel expenses (KSEK) | -38,551 | -37,014 | -27,952 | -19,075 | -15,464 |
| Number of employees at end of period | 29 | 29 | 29 | 15 | 12 |
| **Share data** | | | | | |
| Earnings per share before dilution (SEK)[1] | 0.96 | -1.01 | 3.85 | -0.82 | -5.08 |
| Earnings per share after dilution (SEK)[1] | 0.95 | -1.01 | 3.68 | -0.82 | -5.08 |
| Equity per share (SEK) | 21.75 | 16.94 | 16.48 | 8.46 | 0.11 |
| Dividend per share | 0 | 0 | 0 | 0 | 0 |
| Number of shares at end of period | 13,962,537 | 11,893,572 | 10,812,572 | 9,079,020 | 6,113,988 |

Amounts are expressed in KSEK (thousands of Swedish kronor) unless otherwise stated. Amounts and figures in parentheses are comparative figures from the preceding year.

## OPERATIONS

Moberg Pharma AB (publ) was formed in 2006 and is a rapidly growing Swedish pharmaceutical company with direct sales through its own sales organization in the United States and sales through distributors in more than 40 countries. The company's product portfolio includes Kerasal Nail®/Emtrix®/Nalox™, a product for topical treatment of nail fungus, Kerasal®, for the treatment of dry and cracked skin, Jointflex®for joint and muscle pain, Domeboro®, a topical treatment for itching and irritated skin, Vanquish®, a pain reliever, and Fergon®, an iron supplement. Kerasal Nail®/Emtrix®/Nalox™ is the leading product for the treatment of nail diseases in the United States, Canada and the Nordic region. The portfolio is being developed through acquisitions and the licensing-in of products, as well as through product development focusing on innovative drug delivery of proven substances. The company has two pharmaceutical projects in the clinical development phase. The company's products are based on proven substances, which reduces time to market, development costs and risk. Moberg Pharma has offices in Stockholm and New Jersey.

## COMPANY INFORMATION

The Group is active as a limited liability company headquartered in Stockholm, Sweden, and with a subsidiary in the United States. The address of the head office is Gustavslundsvägen 42, 5th floor, SE-167 51 Bromma. The Group consists of the Parent Company, Moberg Pharma AB (publ), corp. reg. no. 556697-7426, and its wholly owned subsidiaries Moberg Derma Incentives AB, corp. reg. no. 556750-1589, and Moberg Pharma North America LLC (formerly Alterna LLC). The sole business conducted by Moberg Derma Incentives AB is administration of Moberg Pharma's employee stock option program. The operations of Moberg Pharma North America LLC comprise marketing and sales of non-prescription drugs.

## EARNINGS AND FINANCIAL POSITION

### Sales

During 2014, net sales totaled MSEK 200.2 (157.4), up 27%. Adjusted for milestone payments, net sales increased 30%. The greater part, MSEK 112.8 (93.2), was derived from product sales of Nalox™/Kerasal Nail®. Product sales totaled MSEK 29.0 (26,3) for Kerasal®, MSEK 30.9 (32,7) for JointFlex® and MSEK 25.4 (0,4) for other products. The growth in sales has mainly taken place in the U.S, where sales rose by 57% to MSEK 148.1, while sales totaled MSEK 30.1 in Europe and MSEK 22.0 in the rest of the world. Other operating income primarily comprised exchange-rate fluctuations.

### Results

Operating profit for 2014 was MSEK 17.2 (loss: 14.1). Cost of goods sold was MSEK 49.1 (40.0). Operating expenses, excluding cost of goods sold during the quarter, totaled MSEK 139.7, compared with MSEK 132.5 for the previous year.

Profit after financial items amounted to MSEK 16.6, compared with a loss of MSEK 16.2 for 2013. The improvement in profit is principally due to increased sales, improved gross margin, lower marketing expenses in relation to revenue and reduced R&D expenses for future products. Sales revenue increased 27% and cost of goods sold 23% during the period, while other operating expenses rose by 5% during 2014 compared with 2013.

The largest item in operating expenses comprised selling expenses, which totaled MSEK 93.2 (75.7) for the period, a reduced share of revenue but an increase in expenses in absolute terms which is explained by increased distribution of Kerasal Nail®, as well as the launch of Kerasal Neurocream™, and market initiatives for the products Domeboro®, Vanquish® and Fergon®, which were acquired in December 2013. Selling expenses include costs for amortization of product rights totaling MSEK 7.2 (5.9).

Profit for the period after tax was MSEK 12.3 (loss: 11.4) and comprehensive income MSEK 45.3 (loss: 12.1). The improvement in comprehensive income includes currency translation gains on translation of foreign operations of MSEK 33.0 due to the stronger USD.

### Capital expenditures

Investments in subsidiaries relate to additional consideration paid for the acquisition of Moberg Pharma North America and amounted to MSEK 17.2 (16.7). With this, the final additional consideration for the acquisition of the U.S. operations has now been paid.

Investments in intangible assets pertain principally to the acquisition of rights from Oracain II Aps for a patent-pending formulation of the proven substance bupivacaine for the treatment of oral pain. The initial investment was MSEK 2.0, including transaction expenses. In addition to the initial compensation, Oracain is entitled to a payment of MDKK 4 after positive Phase II data have been obtained, and a royalty on future sales as gross profit generated from these sales exceeds Moberg Pharma's accumulated development costs prior to launch.

In addition to the acquisition of Oracain, the company has investments in intangible assets in the form of IT systems of MSEK 1.9 (0) and capitalized expenditure for research and development work totaling MSEK 3.3 (0.4). Moberg Pharma also has R&D costs of MSEK 19.9 (29.0) that are expensed directly in the statement of comprehensive income, of which MSEK 12.3 (18.8) was related to future products.

In 2014, the company invested less than MSEK 0.1 in property, plant and equipment, compared with MSEK 0.2 the previous year.

### Liquidity and financial position

To date, Moberg Pharma's operations have been financed by shareholder contributions through new issues, loan financing and revenue generated by product sales. Future investments are expected to be financed by income from revenue from current cash flow and revenue from product sales. Should the opportunity arise for faster growth, for example through acquisitions, Moberg Pharma may need to raise additional capital through new share issues or loans.

At year-end, the equity/assets ratio was 84 percent (74 percent). Cash flow from operating activities for 2014 was a positive MSEK 16.2, compared with a negative cash flow of MSEK 3.1 in the previous year. Cash and cash equivalents were MSEK 62.5 at the end of the year, compared with MSEK 27.1 at the end of 2013.

## SIGNIFICANT EVENTS IN 2014

### Increased distribution

- *Expanded partnership with Menarini for Kerasal Nail® expanded to South East Asia*
  In February, the company announced that Menarini Asia-Pacific, part of the Menarini Group which is one of the 40 largest global pharmaceutical companies - has been granted exclusive rights to market and sell Kerasal Nail® in eight countries in South East Asia.

  The expanded distribution agreement is based on an existing partnership between the two companies, which resulted in the successful launch of the product in Italy and a previous distribution agreement for China. The expansion encompasses eight countries in South East Asia: Singapore, Taiwan, Indonesia, The Philippines, Malaysia, Hong Kong, Thailand and Vietnam.

- *Intensified cooperation with the Emerson Group in the United States*
  In November, Moberg Pharma announced that the company had entered into a services agreement with Emerson Healthcare, a division of Emerson Group, which will provide certain logistical services and all order to settlement functions for retail and wholesale customers in the United States. At the same time, a new Sales Representation Agreement was signed with the Emerson Group. The two agreements are expected to result in savings in sales and administrative expenses.

### Product and project development

- *Positive results from Phase II clinical trial for MOB-015*
  In September, positive results were announced from the Phase II clinical trial of MOB-015. After 12 months of treatment with MOB-015 and a three-month follow-up period, 54% of the patients were mycologically cured (free from fungus). No problems with side effects related to the product have been identified. MOB-015 is a topical formulation of terbinafine for the treatment of nail fungus. The study confirms the product concept underlying MOB-015 and provides a basis for a Phase III study and discussions with potential partners.

- *Launch of new patented formulation of Kerasal Nail® in the U.S.*
  In March the company announced that deliveries had started to American customers of a new improved patent-pending formulation of the company's market-leading product Kerasal Nail®. The new product is being delivered under existing agreements and will gradually replace the previous product at all retailers, including major pharmacy chains, such as CVS, Walgreens and Rite-Aid, mass retailers such as Walmart and Target and leading grocery chains such as Safeway and Publix. The new formula provides benefits to consumers by improving user-friendliness, facilitating nail penetration and improving stability.

- *New line extension of Kerasal Nail® targeted at customers wishing to purchase beauty products*
  December saw the commencement of deliveries to CVS of Kerasal Nail® Fungal Nail Repair, a new line extension of Kerasal Nail®. CVS is the first pharmacy chain to sell the new product, which in its new packaging is specifically aimed at customers wishing to buy beauty products.

- *Acquisition of global rights to innovative topical formulation for the treatment of oral pain*
  In April 2014, the company announced that it had entered into an agreement with the Danish company Oracain II Aps to acquire the global rights to a novel and patent-pending oral formulation for the proven substance bupivacaine used in the treatment of pain in the oral cavity. The initial indication is for pain management for patients suffering from oral mucositis during cancer therapy.

- *First patient included in Phase II study with BUPI*
  In October, Moberg Pharma announced that the first patient had been included in a randomized, controlled Phase II study of BUPI, a novel topical formulation for the treatment of oral pain. The aim is to confirm the promising results gained from several smaller pilot studies and to evaluate whether bupivacaine formulated as a lozenge can be an effective, safe and patient-friendly treatment of oral pain. The results are expected in the first half of 2015.

### Strengthened financial position

- *Private placement of MSEK 60 for continued expansion*
  In May 2014, the Board of Directors resolved, based on authorization from the 2014 Annual General Meeting (AGM), to by-pass the shareholders' preferential rights and issue 2,068,965 new shares to a limited group of Swedish and international institutional qualified investors at a price of SEK 29 per share through a private placement procedure. The private placement generated approximately MSEK 60 before issue expenses, and the proceeds from the private placement will strengthen Moberg Pharma's balance sheet and enable value-creating investments, including acquisitions of additional brands/products as well as preparations for licensing and developing product candidates in the clinical phase.

### Significant changes in personnel

- *Moberg Pharma recruits new General Manager for U.S. operations*
  On December 15, 2014, Jeff Vernimb was appointed as the new CEO of the company's U.S. operations and a member of Moberg Pharma's management group. Jeff Vernimb has over 25 years' experience within the marketing and selling of non-prescription pharmaceuticals within both multinational companies and small enterpreneur-run companies.

## EVENTS AFTER THE END OF THE FINANCIAL YEAR

- *The nail fungus product approved in China*
  In January 2015, Moberg Pharma's partner, Menarini Asia-Pacific, gained approval for Moberg's nail product in China. Launch preparations in a number of markets in the region are progressing faster than planned and Menarini has initiated launch activities in Malaysia, Singapore and Hong Kong. Preparations are under way in other markets in the region.

- *Moberg Pharma and the Menarini Group expand their collaboration to Russia and Ukraine*
  In February 2015, Berlin-Chemie AG, part of the Menarini Group, was granted exclusive rights to market and sell Emtrix® in Russia and Ukraine. The product rights for Emtrix® in Russia have been released from a previous distribution agreement with Meda AB.

- *Approved patent in the U.S.*
  The United States Patent and Trademark Office has approved the U.S. patent with number 8,952,070, and the European Patent Office has issued Patent no. 2,672,962 concerning MOB-015 for the topical treatment of nail fungus. The patent is expected to be in effect until 2032. The United States Patent and Trademark Office has also issued U.S Patent No. 8,987,330 for Kerasal Nail. The patent expires in 2034.

- *New Kerasal® product launched in the U.S.*
  February saw the commencement of deliveries to Walgreens of Kerasal® Complete Care, a new footcare product in a duo-pack with two effective treatments, which restore a healthy appearance to nails affected by nail fungus and treat foot fungus. The product is aimed at the large group of patients who have both nail fungus and foot fungus.

## INSURANCE

In addition to corporate insurance, Moberg Pharma's insurance cover includes insurance for patients who participate in clinical trials and product liability insurance for products under development and in the market. The insurance cover is subject to continuous review. The Board deems that the company's insurance cover is appropriate to the current scope of the business.

## ENVIRONMENT AND LIABILITY

Moberg Pharma conducts no operations that involve particular environmental risk or that require environmental permits or decisions from authorities. Moberg Pharma deems that the company generally operates under applicable health and safety regulations and offers its employees a safe and healthy working environment.

## DISPUTES

Moberg Pharma is not, and has never been, a party to any legal proceedings or arbitration proceedings, which at any time have or have had a significant impact on Moberg Pharma's financial position or profitability.

## WORK OF THE BOARD IN 2014

At the 2014 AGM, seven Directors were elected for the period until the next AGM. In the fourth quarter, when the last additional payment was made for the acquisition of Alterna LLC, George E. Aitken-Davies retired from the Board.

The Directors' expertise encompasses the fields of drug development, medical research, and marketing, financial and strategic issues. The Board held 14 minuted meetings during the year, of which one meeting was held by correspondence and six were held by teleconference. Reports at the meetings were presented mainly by the CEO, but also by other members of the management team.

The main focus of the Board's work in 2014 was on strategic issues, particularly matters relating to acquisitions, product development, business development, risk mitigation and financing, as well as further development of the company's business plan. The Board's work follows established rules of procedure, which regulate areas such as the division of responsibility, the number of mandatory meetings, the format of convening notices, fundamental documentation and minutes, conflicts of interest, mandatory matters the CEO has to submit to the Board and appointing authorized company signatories. On an ongoing basis, the Board handles such matters as the current business situation, closing of accounts for each period, budget, strategies and external information.

The Board has a remuneration committee, which has prepared proposals on remuneration issues. Other than this, all issues have been addressed by the Board as a whole. For detailed information about the Directors, see page 62.

## NOMINATION COMMITTEE

The Nomination Committee for the 2015 AGM consists of four members: Per-Olof Edin, George E. Aitken-Davies, Ulrica Slåne and Mats Pettersson. The Nomination Committee submits proposals for the appointment of a Chairman and other Board members, as well as proposals on fees and other remuneration to be paid to Directors. The Nomination Committee also presents proposals for the appointment and remuneration of the company's auditor. The Nomination Committee's proposals will be presented in the notice of the 2015 AGM.

## CORPORATE GOVERNANCE

Moberg Pharma has applied the Swedish Corporate Governance Code since May 26, 2011, the date when Moberg Pharma's share was listed on NASDAQ OMX Nordic Exchange Stockholm. The Corporate Governance Report can be found on page 55.

## INFORMATION DISCLOSURE

Moberg Pharma strives to uphold good communication with shareholders. Company information must be correct, clear, factual and timely. Communication from Moberg Pharma must also be characterized by openness, with regular interim and annual reports published in Sweden and English. Events considered to affect share value are to be announced in press releases.

### PROPOSAL TO THE 2015 AGM – BOARD OF DIRECTORS' MOTION FOR RESOLUTION ON PRINCIPLES FOR REMUNERATION OF SENIOR EXECUTIVES

The Board of Directors' proposal for resolution on principles for remuneration of senior executives is consistent with previous years' principles for remuneration and is mainly based on existing contracts between the company and senior executives. Moberg Pharma is to offer a market-aligned total remuneration package that facilitates the recruitment and retention of qualified senior executives. The remuneration paid to the Chief Executive Officer and other senior executives is to comprise basic salary, variable remuneration, other benefits and pension benefits. The total remuneration is to be based on the basic salary, which must be proportionate to the executive's responsibilities and authority. Variable compensation is capped at 25-50 percent of each executive's basic annual salary. Variable compensation is to be based on results achieved in relation to individually defined qualitative and quantitative targets, as well as the company's results in relation to targets set by the Board of Directors. Pensionable salary comprises only basic salary. To the extent that Directors perform work for the company or any other group company, in addition to work on the Board of Directors, a market-aligned consultancy fee may be payable.

In case of termination, the notice period is to be at least three months if this is on the initiative of the senior executive and between three and 12 months if the company takes the initiative. Severance amounts are not payable. Any share- and share price-related programs must be adopted by an AGM. Allotment from such programs must be in accordance with a resolution from the AGM. With the exception of the employee stock options that have been allotted and vested, and what is provided for under employment contracts as referred to above, senior executives are not entitled to any post-employment/assignment benefits.

The Board of Directors is to be entitled to disapply the aforementioned principles for remuneration of senior executives if there are special reasons for doing so.

### OUTLOOK FOR 2015

Moberg Pharma aims to create value and generate a solid return for shareholders through profitable growth, targeting a long-term EBITDA margin of at least 25% from 2016 and onward. The company's growth strategy includes organic growth of strategic brands, acquisition/in-licensing of new products and commercialization of pipeline assets and line extensions.

In 2015, the focus will be on growth in sales and improved earnings. Important components are to identify further business development opportunities, discussions for development programs and supporting the company's distributors and retailers.

### THE PARENT COMPANY MOBERG PHARMA AB (PUBL)

Moberg Pharma AB (Publ), Corp. Reg. No. 556697-7426, is the Parent Company of the Group. Group operations are conducted primarily in the Parent Company (in addition to the sales organization in the U.S.) and comprise research and development, marketing and administrative functions. Parent Company revenue totaled MSEK 93.8 for 2014, compared with MSEK 82.3 during the previous year. Operating expenses, excluding cost of goods sold, amounted to MSEK 50.0 (MSEK 60.8), while profit after financial items amounted to MSEK 20.9 (MSEK 1.7). Cash and cash equivalents were MSEK 56.1 (MSEK 22.2) at the end of the period.

### PROPOSED DISTRIBUTION OF UNAPPROPRIATED EARNINGS (KSEK)

The amount available for appropriation by the AGM comprises the following: unrestricted reserves, earnings brought forward and the profit for the year in the Parent Company:

| | |
|---|---|
| Share premium reserve | 235,907 |
| Earnings brought forward | 44,951 |
| Net profit/loss for the year | 16,029 |
| | **296,887** |

The Board of Directors proposes that the profit for the year will be carried forward. Following the appropriation, unrestricted shareholders' equity totals:

| | |
|---|---|
| Share premium reserve | 235,907 |
| Earnings carried forward | 60,980 |
| | **296,887** |

# RISK FACTORS

Moberg Pharma's business is exposed to risks. Risks are understood by Moberg Pharma to mean events that could lead to business interruption, damage or loss with a substantial adverse impact on the prospect of achieving the Group's objectives. How risks are managed is of fundamental significance for Moberg Pharma's success. In order to manage risk in a well-balanced way, the risks must be identified and assessed. Moberg Pharma engages in risk management that entails evaluating risks in a systematic manner. Risk factors considered to be of particular importance to Moberg Pharma's future development are described below. The list does not purport to be exhaustive, and risks are not listed in any order of significance. It cannot be guaranteed that Moberg Pharma can successfully address the following or other risks.

### OVERVIEW OF MOBERG PHARMA'S RISKS, RISK MANAGEMENT AND CONTROL STRATEGIES

| RISKS RELATED TO OPERATIONS | | | | RISKS RELATED TO THE COMPANY'S SHARES |
|---|---|---|---|---|
| **Development of new products** | **Marketing and sales** | **Organization** | **Financial risks** | |
| • Preclinical and clinical studies<br>• Official decisions | • Side effects<br>• Competition and pricing<br>• Proprietary sales<br>• Business partners<br>• Disputes<br>• Product liability<br>• Patents and trademarks<br>• Production<br>• Inventories | • Dependence on key individuals<br>• Recruitment needs | • Currency risk<br>• Tax loss carryforwards<br>• Economic trends<br>• Future capital requirements<br>• Tax<br>• Non-sustainable sources of income<br>• Goodwill<br>• Financial obligations<br>• Intangible assets | • Share price and liquidity<br>• Dividend |

| RISK MANAGEMENT AND CONTROL STRATEGIES | |
|---|---|
| • Policy documents, manuals and recommendations<br>• Internal control activities, either preventive or detective<br>• Analyses<br>• Quality control in accordance with ISO13485 | • Regulatory documentation prepared in parallel with clinical studies<br>• Reduced dependence on partners through a proprietary sales organization in the United States<br>• Product liability insurance<br>• Cooperation with reputable patent agents<br>• Structured investment decisions aided by Innovation Engine |

### RISK MANAGEMENT AND CONTROL STRATEGIES

The company's Board conducts ongoing and systematic risk assessments aimed at identifying risks and taking the necessary actions to cope with them. The company applies a risk-management policy in order to identify and assess risks, and to formulate a risk-management plan. Both the policy and the plan are revised at least annually and approved by the Board. The internal control environment mainly comprises the following five components: control environment, risk assessment, control activities, information and communication, as well as monitoring compliance.

For each identified risk of a significant nature, a risk-management strategy and an action plan are formulated. Planning work involves world-leading external expertise in terms of, for example, regulatory matters or the design of clinical studies.

### DEVELOPMENT OF NEW PRODUCTS

#### Preclinical and clinical studies

Moberg Pharma engages in the development of new pharmaceuticals and other medical products. To obtain permits from authorities to commence sales, Moberg Pharma – or potential partners – must demonstrate the efficacy and safety of potential medicines for each given indication. It cannot be guaranteed that current or future clinical studies can demonstrate sufficient efficacy and safety to obtain requisite authority approvals, or that these will lead to products that can be sold in the market.

#### Official decisions

Moberg Pharma develops and commercializes medical products and, like other companies in the industry, depends on assessments and decisions made by regulatory authorities. Such assessments include authorizations for clinical trials, licenses to market and sell pharmaceuticals or medical devices, conditions for the prescribing of pharmaceuticals, pricing of pharmaceuticals covered by reimbursement schemes and discounts on pharmaceuticals. It cannot be guaranteed that Moberg Pharma will obtain the authority decisions necessary to generate commercially and financially valuable products in the market.

Moberg Pharma's commercialized medical devices have been approved by an independent regulatory body, allowing the products to be marketed throughout the EU/EEA. The possibility cannot be excluded that national authorities may take a contrary view or act to stop the product being sold in the country, which could lead to delays or loss of marketing authorization.

As some of the products marketed by Moberg Pharma are currently classified as cosmetics, which do not require approval by the regulatory authorities in certain markets, the possibility cannot be excluded that the regulatory authorities in future may arrive at a different conclusion which could prohibit sales of the products.

## MARKETING AND SALES

### Competition and pricing

The pharmaceutical industry is highly competitive. It cannot be guaranteed that Moberg Pharma's products will be preferred to other existing or new products in the market. Pressure on prices of medical products in Moberg Pharma's indication areas is considerable and is expected to remain so in the future. Future products currently being developed by other companies could entail an increase in competition and result in diminished opportunities for Moberg Pharma to achieve or retain attractive market shares and prices for its products.

### Proprietary sales

Moberg Pharma conducts proprietary sales operations in the United States. Should one of the company's retailers decide no longer to offer any of Moberg Pharma's products, the Group is obligated to buy back and destroy unsold products, a factor that – in addition to reduced sales – could have an adverse impact on Moberg Pharma's operations, earnings and financial position.

Moberg Pharma maintains inventories for proprietary sales, which could entail exposure to the risk of obsolescence and an increase in tied-up capital.

Moberg Pharma produces and distributes marketing material. The possibility of competitors or regulatory authorities demanding damages or amendment of such marketing material in the event that, for example, it is deemed to contravene applicable marketing legislation cannot be ruled out.

### Partners and distributors

Moberg Pharma depends on cooperation and distribution agreements with partners or distributors for the marketing and sale of its products in certain markets. It cannot be guaranteed that such agreements can be entered into on favorable terms or that counterparties will meet their obligations in accordance with agreements entered into, which could include registration of the products in the country concerned.

Accordingly, Moberg Pharma's growth is highly dependent on the ability to uphold such partnerships and their implementation. If important partnerships cannot be entered into, are terminated or function unsatisfactorily, this could have an adverse impact on the company's continued development, growth and financial position. It cannot be guaranteed that future launches and sales will generate results at the level achieved to date.

### Disputes

The possibility of Moberg Pharma becoming involved in judicial procedures associated with the company's operating activities cannot be ruled out. Such judicial procedures could include disputes involving infringements of intellectual property and the validity of certain patents (see "Patents and trademarks" below), as well as commercial disputes.

### Side effects

There is a risk of patients who use the company's products, participate in clinical studies or in some other way come into contact with the company's products could be exposed to side effects. The consequences of such potential side effects could delay or halt the continued product development, and could restrict or prevent the commercial use of products. Another consequence that cannot be ruled out is that the company may be sued by patients suffering from side-effects, whereby the company could be liable for payment of damages.

### Product liability and insurance

Moberg Pharma engages in sales of medical products and conducts clinical trials, which entails risks associated with product liability. Moberg Pharma has the insurance cover customary for the industry for its clinical trial activities and maintains product liability insurance policies for products under development and in the market. The company's current product liability insurance provides cover of up to MSEK 75 per claim up to a maximum of MSEK 75 per year and is valid worldwide. Despite this coverage, it cannot be guaranteed that the insurance will provide sufficient cover against claims for damages in the event of injuries caused by the company's products or product candidates. In the future, Moberg Pharma may also fail to obtain or maintain insurance cover on acceptable terms.

Moberg Pharma conducts operations in the United States, where the risk of litigation and judicial procedures is significantly more common than, for example, in Europe and often entails significant sums of money.

### Patents and trademarks

In the type of operations conducted by Moberg Pharma there is always a risk that the company's patents, trademarks or other intellectual property rights will not sufficiently protect the company or that the company's rights cannot asserted. Furthermore, patent infringements could occur, which could lead to costly disputes. The outcome of such disputes cannot be guaranteed in advance. For the losing party, a negative outcome to a dispute over intellectual property rights could result in loss of protection, a ban on further use of the right concerned or an obligation to pay damages. Patent applications have been filed for the company's products under development, but patents have not yet been granted for all products under development. Nor can it be guaranteed that these patents will be granted. For the company's current products in the market, future patent outcomes and the advent of duplicates in the market could have an adverse impact on the company's sales.

Moberg Pharma's operations include the acquisition of new products and trademarks. It cannot be guaranteed that acquired trademarks will not be questioned by competing companies that appeal against Moberg Pharma's right to those trademarks. Moberg Pharma is also exposed to the risk that the value of its trademarks could diminish due to unforeseen events.

### Production

Because Moberg Pharma uses contract manufacturers for production, the company is dependent on external deliveries meeting agreed requirements for example for quantity, quality and time of delivery. It cannot be guaranteed that Moberg Pharma will not be impacted by delayed or failed deliveries, which could impact sales.

## ORGANIZATION

### Key individuals

Moberg Pharma is dependent on the company's senior executives and other key individuals, in part to be able to engage in high-quality product development and related operations. Should the company lose one of its key employees, this could delay or interrupt development programs, licensing-out or commercialization of the company's product candidates.

In addition to senior executives, Moberg Pharma also depends on certain executives employed by sales and distribution organizations, contract manufacturers and other important subcontractors. As there is no guarantee that these relationships will be maintained over time, this could lead to costs or reduced revenues for the company.

### Recruitment needs

There is a risk of Moberg Pharma not being able to recruit the number of new qualified employees required by the expansion of operations. Accordingly, there is a risk that difficulties in recruitment could have an adverse impact on the company's growth.

### Integration

Integration processes related to implemented or future company and product acquisitions could become more costly or time-consuming than expected, and anticipated synergies could fail to materialize either in full or in part.

## FINANCIAL RISKS

For information on financial risk factors, see Note 28.

## RISKS RELATED TO THE COMPANY'S SHARES

### Share price and liquidity

Investing in shares is by its very nature associated with the risk that the value of the investment can decline. There is no guarantee concerning how the company's shares will perform. Moberg Pharma's share price has been volatile ever since the company's shares were listed on NASDAQ OMX Nordic Exchange Stockholm, and liquidity in the shares has varied. It is impossible to anticipate the extent to which investor interest in Moberg Pharma will lead to active trading in the shares or how trading in the shares will develop in the future. If active and liquid trading does not develop, or at least does not develop in a sustainable manner, this could result in difficulties for the holders of shares in selling their shares without this having an adverse impact on the market price, or in selling the shares at all.

### Dividend

To date, the company has not paid a dividend. Since Moberg Pharma will find itself in an expansionary phase over the next few years, any capital surplus will be invested in the business. For this reason, the Board of Directors does not intend to propose a dividend for the current year or commit itself to any fixed proportion for paying a dividend. Should Moberg Pharma's cash flow from operating activities subsequently exceed the company's capital requirement, the Board intends to propose to the AGM to resolve on payment of a dividend. However, no guarantees can be made either that future cash flow will exceed the company's capital requirement or that the AGM will resolve to pay future dividends.

# THE MOBERG PHARMA SHARE

The Moberg Pharma share has been listed on the NASDAQ OMX Nordic Exchange Stockholm, main list, since May 26, 2011, under the ticker name MOB.

### NEW ISSUES DURING THE YEAR

In May, the Board of Directors resolved, based on authorization from the 2014 AGM, to carry out a private placement of 2,068,965 new shares to a limited group of Swedish and international institutional qualified investors at a price of SEK 29 per share. The private placement generated approximately MSEK 60 before issue expenses, and the proceeds from the private placement will strengthen Moberg Pharma's balance sheet and enable value-creating investments, including acquisitions of additional brands/products as well as preparations for licensing and developing product candidates in the clinical phase.

### SHARE PERFORMANCE

The closing price on December 31, 2014 was SEK 38.0, yielding a market capitalization for Moberg Pharma of MSEK 531.

Since introduction to the stock market on May 26, 2011, Moberg Pharma's share prices has risen by 31 percent. Over the same period, the OMX Stockholm PI (general index) rose by 12 percent. The highest and lowest prices noted for Moberg Pharma shares during 2014 were SEK 38.60 and SEK 26.20, respectively.

The total turnover of Moberg Shares in 2014 was 10.7 million shares, equivalent to a value of around MSEK 344. The average daily turnover was 42,876 shares. At year-end, Moberg Pharma had a total of 1,732 (1,229) shareholders[1] , with the 20 largest shareholders accounting for 69.1 (81.8) percent of the shares in Moberg Pharma.

### OWNERSHIP STRUCTURE

| | No. of shareholders[1] | No. of shares | % |
|---|---|---|---|
| 1-500 | 913 | 203,717 | 1.50% |
| 501-1,000 | 303 | 271,346 | 1.90% |
| 1,001-5,000 | 353 | 894,231 | 6.40% |
| 5,001-10,000 | 66 | 509,936 | 3.60% |
| 10,001-15,000 | 26 | 328,919 | 2.40% |
| 15,001-20,000 | 11 | 201,752 | 1.40% |
| 20001- | 60 | 11,552,636 | 82.70% |
| **Total** | **1,732** | **13,962,537** | **100%** |

### SHAREHOLDERS AT DECEMBER 30, 2014

| Shareholder | No. of shares | % of votes and capital |
|---|---|---|
| The Baltic Sea Foundation | 2,255,779 | 16.2 |
| Insurance company, Avanza Pension | 959,363 | 6.9 |
| Handelsbanken Fonder AB RE JPMEL | 846,526 | 6.1 |
| JPM Chase NA | 825,652 | 5.9 |
| Third AP Fund | 656,000 | 4.7 |
| Wolco Invest AB[2] | 600,000 | 4.3 |
| Deutsche Bank AG LDN-Prime Broker, AGE Full tax | 415,029 | 3.0 |
| Grandeur Peak International | 371,800 | 2.7 |
| Societe Generale | 359,557 | 2.6 |
| Banque Carnegie Luxembourg s.a (funds) | 341,494 | 2.5 |
| Nordnet Pensionsförsäkring AB | 269,989 | 1.9 |
| SIX SIS AG, W8IMY | 262,817 | 1.9 |
| Grandeur Peak Global, Opportunities | 245,880 | 1.8 |
| State Street Bank & Trust Com., Boston | 225,000 | 1.6 |
| Friends Provident International | 186,350 | 1.3 |
| Friends Provident International | 186,000 | 1.3 |
| M. Pierce, Fenner & Smith Inc. | 172,414 | 1.2 |
| Synskadades Stiftelse | 172,201 | 1.2 |
| AB Traction | 165,000 | 1.2 |
| Lundmark Anders | 137,000 | 1.0 |
| **Total, 20 largest shareholders** | **9,653,851** | **69.1** |
| Other shareholders | 4,308,686 | 30.9 |
| **TOTAL** | **13,962,537** | **100** |

### DISTRIBUTION OF OWNERSHIP

| | No. of shares | Share capital, % | No. of shareholders[1] |
|---|---|---|---|
| Physical persons | 2,778,345 | 19.90% | 1,535 |
| Legal entities | 11,184,192 | 80.10% | 197 |
| **TOTAL** | **13,962,537** | **100%** | **1,732** |
| -of whom resident/registered address in Sweden | 8,952,808 | 64.10% | 1,633 |

[1] Excluding individuals holding nominee registered shares, for example via Avanza Pension.

[2] Company owned by the company's CEO, Peter Wolpert.

## DIVIDEND AND DIVIDEND POLICY

Moberg Pharma is in a phase of expansion. The Board is therefore of the opinion that the company's earnings are best used to finance further development and expansion of the business. The Board does not intend to propose any dividend until such time as it is warranted by Moberg Pharma's earnings, financial position and capital requirements.

## ANALYSTS WHO FOLLOW MOBERG PHARMA

| | |
|---|---|
| **Klas Palin,** Redeye | **Christian Lee,** Remium |
| **Sten Gustafsson,** ABG Sundal Collier | **Jerry Isaacson,** LifeSci Capital |

## TREND IN SHARE CAPITAL

| Date[3] | Transaction | Change in number of shares | Change in share capital | Number of shares | Total share capital, SEK | Quotient value, SEK | Exercise price, SEK | Invested capital |
|---|---|---|---|---|---|---|---|---|
| Jan 2006 | Ready-made company acquired | 1,000,000 | 100,000.00 | 1,000,000 | 100,000.00 | 0.10 | 0.10 | 100,000 |
| May 2006 | Private placement | 47,984 | 4,798.40 | 1,047,984 | 104,798.40 | 0.10 | 15.00 | 719,760 |
| Dec 2006 | Private placement | 171,120 | 17,112.00 | 1,219,104 | 121,910.40 | 0.10 | 33.10[4] | 5,334,072 |
| Sept 2007 | New share issue | 613,866 | 61,386.60 | 1,832,970 | 183,297.00 | 0.10 | 45.12 | 27,697,634 |
| Jan 2008 | New share issue | 305,457 | 30,545.70 | 2,138,427 | 213,842.70 | 0.10 | 65.50 | 20,007,434 |
| Apr 2008 | New share issue | 305,457 | 30,545.70 | 2,443,884 | 244,388.40 | 0.10 | 65.50 | 20,007,434 |
| Aug 2009 | New share issue | 458,492 | 45,849.20 | 2,902,376 | 290,237.60 | 0.10 | 65.50 | 30,031,226 |
| Dec 2009 | New share issue | 144,723 | 14,472.30 | 3,047,099 | 304,709.90 | 0.10 | 65.50 | 9,479,357 |
| June 2010[5] | New share issue | 9,895 | 989.50 | 3,056,994 | 305,699.40 | 0.10 | 65.50 | 648,123 |
| Nov 2010 | Bonus issue | 3,056,994 | 305,699.40 | 6,113,988 | 611,398.80 | 0.10 | - | - |
| Mar 2011 | New share issue | 414,508 | 41,450.80 | 6,528,496 | 652,849.60 | 0.10 | 29.00 | 12,020,735 |
| May 2011 | New share issue | 2,550,524 | 255,052.40 | 9,079,020 | 907,902.00 | 0.10 | 29.00 | 73,965,196 |
| Oct 2012 | Private placement | 907,900 | 90,790.00 | 9,986,920 | 998,692.00 | 0.10 | 35.00 | 31,776,500 |
| Nov 2012 | Non-cash issue | 825,652 | 82,565.20 | 10,812,572 | 1,081,257.20 | 0.10 | 40.27 | 33,249,006 |
| July 2013 | Private placement | 1,081,000 | 108,100.00 | 11,893,572 | 1,189,357.20 | 0.10 | 33.54 | 36,256,740 |
| June 2014 | Private placement | 2,068,965 | 206,896.50 | 13,962,537 | 1,396,253.70 | 0.10 | 29.00 | 59,999,985 |

[3] Refers to the date of registration at the Swedish Companies Registration office

[4] Also includes a private placement of 10,000 B shares to Karolinska Institutet Holding at an issue price of SEK 0.10

[5] New issue in order to attract specific expertise to the company

## WARRANTS OUTSTANDING

On May 13, 2014, the AGM of Moberg Pharma AB resolved to implement a private placement of 236,351 warrants (equivalent to 236,351 shares) to the company's wholly owned subsidiary Moberg Derma Incentives AB and to introduce the 2014:1 employee stock option scheme.

In the 2014:1 employee stock option scheme, 196,500 stock options were allotted and 39,851 warrants reserved to cover future social security expenses for the employee stock options.

The total number of outstanding warrants at the end of the year were 891,130. If all warrants were to be exercised to subscribe for shares, the total number of shares would increase by 1,136,985, from 13,962,537 shares to 15,099,522 shares, corresponding to dilution of 7.5 percent.

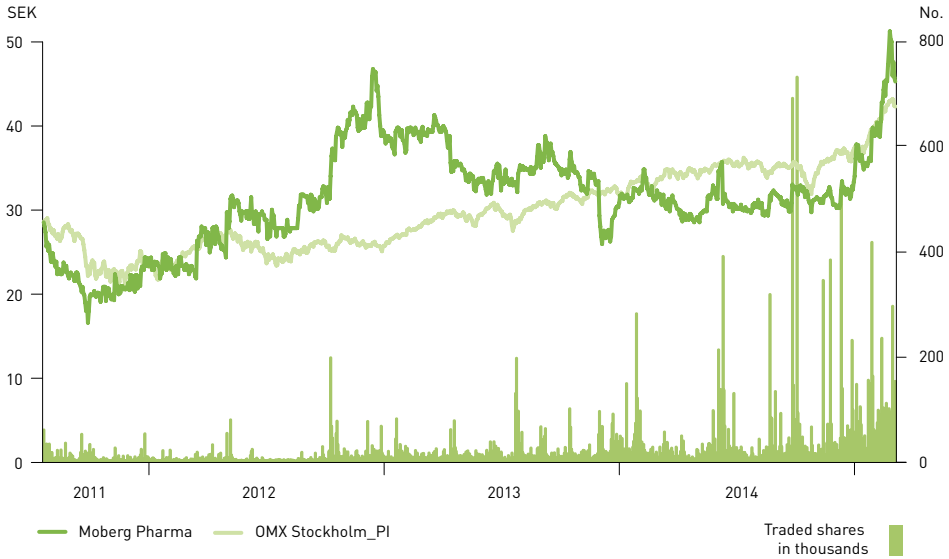
Group costs for the employee stock option program (excluding estimated social security contributions) for 2014 totaled MSEK 0.3. Corresponding costs for 2013 were MSEK 0.4.

The warrants granted to employees under the company's incentive program represent a maximum dilution of 5.1 percent. The remaining options are owned by the company's subsidiary Moberg Derma Incentives AB for the purpose of securing funds for future social security contributions payable upon redemption of employee stock option schemes.

For further information about the employee stock option program, see Note 7 and Note 19.

## SHARE PRICE DEVELOPMENT

The price of the Moberg Pharma share compared with the OMX Stockholm PI (general index) since the share listing on May 26, 2011.



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| (KSEK) | Note | Jan-Dec 2014 | Jan-Dec 2013 |
|---|---|---|---|
| Net sales | 2 | 200,180 | 157,389 |
| Cost of goods sold | | -49,064 | -39,967 |
| **Gross profit** | | **151,116** | **117,422** |
| | | | |
| Selling expenses | | -93,198 | -75,674 |
| Business development and administrative expenses | | -26,553 | -27,832 |
| Research and development expenses | | -19,930 | -29,039 |
| Other operating income | 4 | 5,791 | 1,068 |
| Other operating expenses | | 0 | 0 |
| **Operating profit/loss** | 5-9 | **17,227** | **-14,055** |
| | | | |
| Interest income and similar items | 10 | 905 | 545 |
| Interest expenses and similar items | 10 | -1,555 | -2,665 |
| **Profit/loss before tax** | | **16,577** | **-16,175** |
| | | | |
| Income taxes | 11 | -4,309 | 4,817 |
| **Net profit/loss for the year** | | **12,268** | **-11,358** |
| | | | |
| **Items that will be reclassified into the income statement** | | | |
| Translation differences on translation of foreign operations | | 33,044 | -725 |
| **Other comprehensive income** | | **33,044** | **-725** |
| | | | |
| **COMPREHENSIVE INCOME FOR THE PERIOD** | | **45,312** | **-12,083** |
| | | | |
| Profit/loss attributable to Parent Company shareholders | | 12,268 | -11,358 |
| Profit/loss attributable to non-controlling interests | | 0 | 0 |
| Comprehensive income attributable to Parent Company shareholders | | 45,312 | -12,083 |
| Total comprehensive income attributable to non-controlling interests | | 0 | 0 |
| **Earnings per share before dilution** | 12 | **0.96** | **-1.01** |
| **Earnings per share after dilution**[6] | 12 | **0.95** | **-1.01** |
| Average number of shares before dilution | | 12,719,642 | 11,265,704 |
| Average number of shares after dilution | | 12,859,499 | 11,735,821 |
| Number of shares at year-end | | 13,962,537 | 11,893,572 |

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| **ASSETS** (KSEK) | Note | **December 31, 2014** | **December 31, 2013** |
|---|---|---|---|
| **Non-current assets** | | | |
| *Intangible non-current assets* | | | |
| Capitalized expenditure for research and development work | 13 | 3,647 | 383 |
| Capitalized expenditure for IT systems | 13 | 1,832 | - |
| Goodwill | 13 | 84,542 | 70,021 |
| Product rights | 13 | 119,476 | 111,187 |
| Patents, licenses and similar rights | 13 | 6,865 | 229 |
| *Total intangible assets* | | *216,362* | *181,820* |
| *Tangible non-current assets* | | | |
| *Equipment and tools* | *14* | *934* | *1,180* |
| *Financial and other non-current assets* | | | |
| Other financial non-current assets | | 76 | 63 |
| Deferred tax assets | 11 | 24,903 | 29,327 |
| *Total other non-current assets* | | *24,979* | *29,390* |
| **Total non-current assets** | | **242,275** | **212,390** |
| **Current assets** | | | |
| Inventories | 15 | 13,135 | 6,968 |
| *Current receivables* | | | |
| Trade receivables | 16 | 30,109 | 18,181 |
| Other receivables | 16 | 4,740 | 683 |
| Prepaid expenses and accrued income | 17 | 6,998 | 6,249 |
| *Total current receivables* | | *41,847* | *25,113* |
| *Cash and bank balances* | *18* | *62,463* | *27,138* |
| **Total current assets** | | **117,445** | **59,219** |
| **TOTAL ASSETS** | | **359,720** | **271,609** |

| **EQUITY AND LIABILITIES** (KSEK) | Note | **December 31, 2014** | **December 31, 2013** |
|---|---|---|---|
| **Shareholders' equity** | 19 | | |
| *Shareholders' equity attributable to Parent Company shareholders* | | | |
| Share capital | | 1,396 | 1,189 |
| Other capital contributions | | 357,305 | 300,569 |
| Translation differences | | 29,490 | -3,554 |
| Accumulated deficit | | -96,707 | -85,352 |
| Net profit/loss for the year | | 12,265 | -11,358 |
| **Total shareholders' equity** | | **303,749** | **201,494** |
| **Liabilities** | | | |
| *Non-current liabilities* | | | |
| Interest-bearing liabilities | 20 | 3,333 | 16,667 |
| Other non-current liabilities | 11, 20 | - | 1,860 |
| *Total non-current liabilities* | | *3,333* | *18,527* |
| *Current liabilities* | | | |
| Trade payables | | 6,793 | 4,570 |
| Interest-bearing current liabilities | 21 | 13,333 | 13,333 |
| Other current liabilities | 21 | 9,977 | 19,216 |
| Accrued expenses and deferred income | 22 | 22,535 | 14,469 |
| *Total current liabilities* | | *52,638* | *51,588* |
| **Total liabilities** | | **55,971** | **70,115** |
| **TOTAL EQUITY AND LIABILITIES** | | **359,720** | **271,609** |
| Pledged assets | 23 | 212,559 | 178,679 |
| Contingent liabilities | 23 | 0 | 0 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Shareholders' equity attributable to Parent Company shareholders | | | | |
|---|---|---|---|---|---|
| (KSEK) | Share capital | Other capital contributions | Translation reserve | Earnings carried forward including profit/loss for the year | Total shareholders' equity |
| **Shareholders' equity on January 1, 2013** | **1,081** | **265,334** | **-2,829** | **-85,352** | **178,234** |
| Comprehensive income/loss for the period | | | | -11,358 | -11,358 |
| Other comprehensive income - translation differences on translation of foreign operations | | | -725 | | -725 |
| **Total** | **0** | **0** | **-725** | **-11,358** | **-12,083** |
| New share issues | 108 | 36,149 | | | 36,257 |
| Transaction expenses, new share issues | | -2,208 | | | -2,208 |
| Tax on transaction expenses, new share issues | | 486 | | | 486 |
| Employee stock option schemes | | 808 | | | 808 |
| **Shareholders' equity on December 31, 2013** | **1,189** | **300,569** | **-3,554** | **-96,710** | **201,494** |
| | | | | | |
| **Shareholders' equity on January 1, 2014** | **1,189** | **300,569** | **-3,554** | **-96,710** | **201,494** |
| Comprehensive income/loss for the period | | | | 12,268 | 12,268 |
| Other comprehensive income - translation differences on translation of foreign operations | | | 33,044 | | 33,044 |
| **Total** | **0** | **0** | **33,044** | **12,268** | **45,312** |
| New share issues | 207 | 59,793 | | | 60,000 |
| Transaction expenses, new share issues | | -4,063 | | | -4,063 |
| Tax on transaction expenses, new share issues | | 894 | | | 894 |
| Employee stock option schemes | | 112 | | | 112 |
| **Shareholders' equity on December 31, 2014** | **1,396** | **357,305** | **29,490** | **-84,442** | **303,749** |

Additional information on the shares and their performance can be found on page 26-27.

# CONSOLIDATED STATEMENT OF CASH FLOWS

| (KSEK) | Note | 2014 | 2013 |
|---|---|---|---|
| **Operating activities** | | | |
| Operating profit/loss before financial items | | 17,231 | -14,056 |
| Financial items, received and paid | | -1,350 | -1,123 |
| Taxes paid | | 3 | 16 |
| *Adjustment for non-cash items:* | | | |
| Depreciation/amortization | 9 | 8,068 | 6,105 |
| Employee stock option expenses | | 112 | 808 |
| Cash flow before changes in working capital | | 24,064 | -8,250 |
| *Change in working capital* | | | |
| Increase (-) / Decrease (+) in inventories | | -2,529 | 2,708 |
| Increase (-) / Decrease (+) in operating receivables | | -13,259 | 12,597 |
| Increase (+) / Decrease (-) in operating liabilities | | 7,886 | -10,205 |
| **Cash flow from operating activities** | | **16,162** | **-3,150** |
| **Investment activities** | | | |
| Net investments in intangible assets | 13 | -7,230 | -30,299 |
| Net investments in equipment and tools | 14 | -42 | -201 |
| Net investments in subsidiaries | 25 | -17,225 | -16,658 |
| **Cash flow from investment activities** | | **-24,497** | **-47,158** |
| **Financing activities** | | | |
| Loan repayment (-) | 20 | -13,333 | -10,000 |
| Share issues | | 60,000 | 36,257 |
| Issue expenses | | -4,063 | -2,208 |
| **Cash flow from financing activities** | | **42,604** | **24,049** |
| **CHANGE IN CASH AND CASH EQUIVALENTS** | | **34,269** | **-26,259** |
| Cash and cash equivalents on January 1 | | 27,138 | 53,423 |
| Exchange-rate difference in cash and cash equivalents | | 1,056 | -26 |
| Cash and cash equivalents on December 31 | 18 | 62,463 | 27,138 |
| **Supplementary disclosures to cash-flow statement** | | | |
| *Interest paid /received* | | | |
| Interest received | | 186 | 1,139 |
| Interest paid | | -1,706 | -2,158 |

# PARENT COMPANY INCOME STATEMENT

| (KSEK) | Note | Jan–Dec 2014 | Jan–Dec 2013 |
|---|---|---|---|
| Net sales | 2 | 93,775 | 82,296 |
| Cost of goods sold | | -29,322 | -19,063 |
| **Gross profit** | | **64,453** | **63,233** |
| | | | |
| Selling expenses | | -13,293 | -14,363 |
| Business development and administrative expenses | | -16,746 | -17,407 |
| Research and development expenses | | -19,930 | -29,039 |
| Other operating income | 4 | 5,791 | 1,068 |
| Other operating expenses | | - | - |
| **Operating profit/loss** | 5-9, 27 | **20,275** | **3,492** |
| | | | |
| Interest income and similar items | 10 | 2,122 | 832 |
| Interest expenses and similar items | 10 | -1,546 | -2,673 |
| **Profit/loss before tax** | | **20,851** | **1,651** |
| | | | |
| Tax on net profit for the year | 11 | -4,822 | -685 |
| **PROFIT/LOSS** | | **16,029** | **966** |

**PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME**

| (KSEK) | Jan–Dec 2014 | Jan–Dec 2013 |
|---|---|---|
| **Net profit/loss for the year** | **16 029** | **966** |
| | | |
| Other comprehensive income | - | - |
| **COMPREHENSIVE INCOME FOR THE PERIOD** | **16,029** | **966** |

# PARENT COMPANY BALANCE SHEET

| **ASSETS** (KSEK) | Note | **Dec 31, 2014** | **Dec 31, 2013** |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| *Intangible non-current assets* | | | |
| Capitalized expenditure for research and development work | 13 | 3,647 | 383 |
| Capitalized expenditure for IT systems | 13 | 1,832 | - |
| Product rights | 13 | 30,622 | 31,897 |
| Patents, licenses and similar rights | 13 | 6,865 | 229 |
| *Total intangible assets* | | *42,966* | *32,509* |
| *Tangible non-current assets* | | | |
| Equipment and tools | 14 | 470 | 653 |
| *Financial and other non-current assets* | | | |
| Participations in Group companies | 26 | 178,106 | 178,106 |
| Other financial non-current assets | | 1 | 1 |
| Deferred tax assets | 11 | 17,859 | 21,787 |
| *Total other non-current assets* | | *195,966* | *199,894* |
| **Total non-current assets** | | **239,402** | **233,056** |
| **CURRENT ASSETS** | | | |
| *Inventories* | 15 | *155* | - |
| *Current receivables* | | | |
| Trade receivables | 16 | 10,983 | 5,180 |
| Receivables from Group companies | 16 | 23,914 | 19,024 |
| Other receivables | 16 | 4,740 | 650 |
| Prepaid expenses and accrued income | 17 | 4,324 | 5,752 |
| *Total current receivables* | | *43,961* | *30,606* |
| *Cash and bank balances* | 18 | *56,062* | *22,244* |
| **Total current assets** | | **100,178** | **52,850** |
| **TOTAL ASSETS** | | **339,580** | **285,906** |

| **EQUITY AND LIABILITIES** (KSEK) | Note | **Dec 31, 2014** | **Dec 31, 2013** |
|---|---|---|---|
| **SHAREHOLDERS' EQUITY** | 19 | | |
| *Restricted equity* | | | |
| Share capital | | 1,396 | 1,189 |
| *Total restricted equity* | | *1,396* | *1,189* |
| *Unrestricted equity* | | | |
| Share premium reserve | | 235,907 | 179,016 |
| Profit carried forward/accumulated deficit | | 44,951 | 43,985 |
| Net profit/loss for the year | | 16,029 | 966 |
| *Total unrestricted equity* | | *296,887* | *223,967* |
| **Total shareholders' equity** | | **298,283** | **225,156** |
| **LIABILITIES** | | | |
| *Non-current liabilities* | | | |
| Interest-bearing non-current liabilities | 20 | 3,333 | 16,667 |
| *Total non-current liabilities* | | *3,333* | *16,667* |
| *Current liabilities* | | | |
| Trade payables | | 6,807 | 3,713 |
| Interest-bearing current liabilities | 21 | 13,333 | 13,333 |
| Other current liabilities | 21 | 9,976 | 19,802 |
| Accrued expenses and deferred income | 22 | 7,848 | 7,235 |
| *Total current liabilities* | | *37,964* | *44,083* |
| **Total liabilities** | | **41,297** | **60,750** |
| **TOTAL EQUITY AND LIABILITIES** | | **339,580** | **285,906** |
| Assets pledged | 23 | 198,708 | 198,708 |
| Contingent liabilities | 23 | 0 | 0 |

# CHANGES IN EQUITY FOR THE PARENT COMPANY

| (KSEK) | Share capital | Share premium reserve | Other unrestricted equity | Total shareholders' equity |
|---|---|---|---|---|
| **Shareholders' equity on January 1, 2013** | **1,081** | **265,305** | **-77,174** | **189,212** |
| Comprehensive income for the year, 2013 | | | 966 | 966 |
| Appropriation of profit according to resolution of AGM | | -121,159 | 121,159 | - |
| New share issues | 108 | 36,149 | | 36,257 |
| Transaction expenses, new share issues | | -2,208 | | -2,208 |
| Tax on transaction expenses, new share issues | | 486 | | 486 |
| Employee stock option schemes | | 443 | | 443 |
| **Shareholders' equity on December 31, 2013** | **1,189** | **179,016** | **44,951** | **225,156** |
| | | | | |
| **Shareholders' equity on January 1, 2014** | **1,189** | **179,016** | **44,951** | **225,156** |
| Comprehensive income for 2014 | | | 16,029 | 16,029 |
| Appropriation of profit according to resolution of AGM | | | - | - |
| New share issues | 207 | 59,793 | | 60,000 |
| Transaction expenses, new share issues | | -4,063 | | -4,063 |
| Tax on transaction expenses, new share issues | | 894 | | 894 |
| Employee stock option schemes | | 267 | | 267 |
| **Shareholders' equity on December 31, 2014** | **1,396** | **235,907** | **60,980** | **298,283** |

# PARENT COMPANY CASH FLOW STATEMENT

| (KSEK) | Note | Jan–Dec 2014 | Jan–Dec 2013 |
|---|---|---|---|
| **Operating activities** | | | |
| Operating profit/loss before financial items | | 20,275 | 3,492 |
| Financial items, received and paid | | -123 | -836 |
| Taxes paid | | - | 28 |
| *Adjustment for non-cash items:* | | | |
| Depreciation/amortization | 9 | 1,878 | 244 |
| Employee stock option expenses | | 267 | 443 |
| Cash flow before changes in working capital | | 22,297 | 3,371 |
| *Change in working capital* | | | |
| Increase (-) / Decrease (+) in inventories | | -155 | - |
| Increase (-) / Decrease (+) in operating receivables | | -12,394 | 626 |
| Increase (+) / Decrease (-) in operating liabilities | | 5,963 | -9,558 |
| **Cash flow from operating activities** | | **15,711** | **-5,561** |
| **Investing activities** | | | |
| Net investments in intangible assets | 13 | -7,230 | -30,299 |
| Net investments in equipment and tools | 14 | -42 | -125 |
| Net investments in subsidiaries | 25 | -17,225 | -16,658 |
| **Cash flow from investing activities** | | **-24,497** | **-47,082** |
| **Financing activities** | | | |
| Loan repayment (-) | 20 | -13,333 | -10,000 |
| Share issues | | 60,000 | 36,257 |
| Issue expenses | | -4,063 | -2,208 |
| **Cash flow from financing activities** | | **42,604** | **24,049** |
| **CHANGE IN CASH AND CASH EQUIVALENTS** | | **33,818** | **-28,594** |
| Cash and cash equivalents on January 1 | | 22,244 | 50,838 |
| Cash and cash equivalents on December 31 | 18 | 56,062 | 22,244 |
| **Supplementary disclosures to cash-flow statement** | | | |
| *Interest paid /received* | | | |
| Interest received | | 1,403 | 1,136 |
| Interest paid | | -1,526 | -1,972 |

# NOTES

Information in the notes pertains to both the Parent Company and the Group unless otherwise specifically stated. If only one set of values is stated in a note, with no reference to the Group of Parent Company, then the values for the Group and Parent Company are identical.

## NOTE 1. ACCOUNTING POLICIES

**Company information**
The Annual Report for Moberg Pharma AB for 2014 was approved for publication in accordance with a Board decision made on April 9, 2015. The Annual Report will be submitted to the AGM for adoption on May 11, 2015. Moberg Pharma AB, corporate registration number 556697-7426, is a limited liability company with registered office in Bromma, Sweden. The company's main business is described in the Directors' Report.

**Basis of preparation and IFRS**
The following recognition and measurement principles pertain to both the consolidated financial statements and the Parent Company's financial statements unless otherwise specified.

The consolidated financial statements have been prepared in accordance with international accounting standards, the Internal Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as well as interpretations from the International Financial Reporting Interpretations Committee (IFRIC), as adopted for application within the EU.

The consolidated financial statements have also been prepared in accordance with Swedish law (the Annual Accounts Act) by application of Recommendation RFR 1 of the Swedish Financial Reporting Board.

The Parent Company financial statements have been prepared in accordance with Swedish law (the Annual Accounts Act) by application of Recommendation RFR 2 of the Swedish Financial Reporting Board. This means that, as a main rule, IFRS valuation and disclosure rules, as applied in the consolidated financial statements, also apply to the Parent Company.

**New accounting policies in 2014**
*Standards, amendments and interpretations which entered into force in 2014 and which are approved by EU and applied in the Group*
The accounting policies applied are the same as have been applied in the consolidated accounts for 2013 with the exception of the following new and revised standards and interpretations with application from January 1, 2014:

- Amendments to IAS 32 Financial Instruments – asset and liability offsetting: the standard clarifies existing problems in application pertaining to the requirements for offsetting financial assets and liabilities. The amendments came into effect on January 1, 2014 and have not had a material impact on the Group's financial statements.
- IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Agreements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 Separate Financial Statements (revised in 2011) and IAS 28 Interests in Associates and Joint Ventures (revised in 2011): These standards started to apply within the EU for fiscal years commencing on January 1, 2014 or later. They have not had any significant effect on the Group.

Other new elements in IFRS are not commented upon as they had no material impact on the Group's financial statements.

*Standards, amendments and interpretations which have been approved by the EU but have not entered into force and have not been applied early by the Group*
Only those standards, amendments and interpretations expected to be capable of impacting the Group are described below.

- IFRIC 21 Levies: The interpretation clarifies when a liability for levies has to be recognized. The interpretation will be applied from January 1, 2015 and is therefore assessed as having only a limited impact on the Group's financial statements.

*Standards, amendments and interpretations not yet approved by the EU*
Only those standards, amendments and interpretations expected to be capable of impacting the Group are described below.

- IFRS 9, Financial Instruments: Recognition and Measurement: IFRS 9 Financial Instruments comes into force on January 1, 2018, when it will replace IAS 39 Financial Instruments: Recognition and measurement. The new standard has been revised in various parts, some of which pertain to the recognition and measurement of financial assets and financial liabilities. The EU has not yet approved the standard. The Group has not yet evaluated the effects of the new standard.
- IFRS 15, Revenue from Contracts with Customers: IFRS 15 is to be applied from 2017. This standard replaces previously published standards and interpretations concerning revenue. IFRS 15 contains a combined model for revenue recognition of contracts with customers. The Group has not yet evaluated the effects of the new standard.

**Translation of foreign currency**
*Functional currency and reporting currency*
Items included in the financial statements of the various Group companies are measured in the currency used in the economic environment in which the particular companies are active (functional currency). Moberg Pharma AB's functional currency is Swedish kronor (SEK), which also represents the reporting currency of the Parent Company and the Group. Consequently, the company's financial statements are presented in Swedish kronor and rounded to the nearest thousand unless otherwise stated. Due to the rounding component, totals may not tally.

*Transactions and balance-sheet items*
Transactions in foreign currency are translated to the functional currency based on the exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currency are translated to the functional currency at the exchange rate prevailing on the balance-sheet date. Exchange-rate differences arising from translation are recognized in net financial items in profit or loss. Non-monetary assets and liabilities are normally recognized at historical cost and are translated at the exchange rate prevailing on the translation date.

*Translation of foreign subsidiaries*
Assets and liabilities in foreign operations, including goodwill and other surplus and deficit value, are translated to SEK using the exchange rate prevailing on the balance-sheet date. Revenues and costs in foreign operations are translated to SEK at the average exchange rate that represents an approximation of the exchange rates prevailing on the translation date. Translation differences arising from translation of foreign operations are recognized directly in the statement of comprehensive income as a translation difference.

**Basis of valuation**
Moberg Pharma uses cost to recognize balance-sheet items unless otherwise stated.

**Consolidation principles**
Subsidiaries are consolidated in accordance with the purchase method. The cost of an acquisition comprises the fair value of assets provided as payment, issued equity instruments and the liabilities incurred or taken over at the date of transfer. Identifiable acquired assets, assumed liabilities and contingent liabilities arising from a company acquisition are initially measured at fair value on the acquisition date. The surplus represented by the difference between cost and the fair value of the Group's share of identifiable acquired net assets is recognized as goodwill.
Intra-Group transactions and balance-sheet items, as well as unrealized gains on transactions between Group companies, are eliminated in their entirety.

**Income**
Two types of income are included in revenue: product sales and milestone payments. Revenue is recognized at the fair value of the consideration that has been or will be received, after the deduction of discounts, value-added tax and after elimination of intra-Group transactions and recorded as follows:
- *Product sales* are invoiced upon delivery and recognized in profit or loss when material risks and benefits associated with ownership of the goods have been transferred to the buyer.
- *Milestone payments* are recognized when all terms and conditions for entitlement to milestone payment under the agreement have been met.

**Other income**
Government grants and research grants are recognized in profit or loss as other income in the same period as the expenses that the grants are intended to offset.

**Goodwill**
Goodwill comprises the amount by which cost exceeds the fair value of the Group's share of the acquired subsidiary's identifiable net assets on the acquisition date. Goodwill arising from acquisitions of subsidiaries is recognized as an intangible asset. Goodwill is tested annually to identify any impairment need and is recognized at cost less accumulated impairment losses.

**Product rights**
Product rights are recognized at cost. Product rights have a limited useful life and are recognized at cost less accumulated amortization and, where appropriate, impairment losses. The value of product rights is tested for impairment regularly.

**Non-current assets**
Non-current assets are recognized at cost less accumulated depreciation or amortization and any impairment loss. Depreciation and amortization are applied according to plan over the estimated useful life of the asset from the time of acquisition.

**Depreciation/amortization periods**
The following useful lives are applied for the various types of assets:

| | |
|---|---|
| Product rights | 15 years – 25 years |
| Patents | useful life of the patent |
| Capitalized expenditure for research and development work | anticipated useful life |
| Capitalized expenditure for IT systems | 5 years |
| Machinery | 7 years |
| Equipment | 5 years |
| IT equipment[7] | 3 years |

Amortization of patents commences from the time of commercialization. Once commercialization has commenced, patents are amortized over the term of the patent or on a straight-line basis over the anticipated useful lie of the patent if this is less than the term of the patent. Amortization of product rights is applied on a straight-line basis over the anticipated useful life.

**Research and development expenditure**
Research costs are expenses immediately as incurred.

Expenditure relating to internally generated development projects is capitalized as an intangible asset in accordance with IAS 38 Intangible Assets insofar as there is a high probability that the expenditure will generate future economic benefits. The cost of such intangible assets is amortized over the estimated useful life of the asset. Other development costs are expensed as incurred. Moberg Pharma's assessment of this policy for ongoing development projects is presented on page 39 (Significant estimates and assessments). Expenditure arising before the time when all capitalization criteria have been fulfilled will continue to be expensed. Direct expenses of completing the product, such as those for patents, registration applications and product testing, including employee benefits, are recognized in cost. Depreciation/amortization will be applied using the straight-line method to distribute development expenses on the basis of estimated useful life. The useful life is based on the service life of the underlying patent; depreciation/amortization is applied on a straight-line basis from the date of commercialization until the end of the patent, or on a straight-line basis across the anticipated useful life if this is less than the underlying patent term. Accordingly, the amortization period for capitalized development expenditure will exceed the five years that, according to the Annual Accounts Act, should normally be the amortization period in the Parent Company. The reason for the longer amortization period is that the next generation of Kerasal Nail®/Nalox™ is expected to generate revenue throughout the entire term of the patents. Expenditure relating to acquired development projects is capitalized as intangible assets.

**Impairment losses excluding goodwill**
At each reporting date, the carrying amounts of intangible assets and property, plant and equipment are tested to assess whether there is an indication for impairment. If there is an indication of impairment, the recoverable amount of the asset is estimated. The recoverable amount is the higher of the fair value of the asset less selling expenses and value of the asset in use.

Value in use is determined by estimating and discounting future incoming and outgoing payments generated by the asset. If the recoverable amount is lower than the carrying amount, the asset is written down to the recoverable amount. This impairment loss is recognized directly in profit or loss.

**Receivables**
An assessment of doubtful receivables is made when it is no longer likely that the full amount will be received. Doubtful receivables are written off in their entirety upon a confirmed loss.

[7] PCs are not recognized as assets but are instead recognized in profit or loss as the cost arise.

**Leasing**
Leases in which a significant share of the risks and benefits and ownership are retained by the lessor are classified as operating leases. All lease agreements have been classified as operating leases. The leasing fee for operating leases is expensed on a straight-line basis over the leasing period unless another systematic approach better reflects the user's economic utility over time.

**Inventories**
Inventories are recognized at the lower of cost (weighted average price) and net realizable value. Acquisition costs are defined as costs of finished goods and raw materials. Cost includes purchasing costs, customs and transport costs and other direct cost associated with the purchase of goods. Net realizable value is the estimate selling price in the company's operating activities less selling expenses. The risk of obsolescence and confirmed obsolescence has been taken into account in the valuation. As the goods in inventory are sold, the carrying amount is expensed during the period in which the corresponding revenue is recognized. Losses on goods in inventory are recognized in profit and loss during the period to which they relate.

**Financial instruments**
Financial instruments that are recognized in the balance sheet include trade receivables, cash and bank balances, trade payables, certain accrued costs, interest-bearing liabilities and other liabilities. The Group does currently not have any derivative instruments.

*Trade receivables*
Trade receivables are recognized in the balance sheet upon dispatch of invoice. Trade receivables are stated at cost less any provision for impairment. A provision for impairment of trade receivables is made when there is objective evidence that the Group will not be able to recover all overdue amounts in accordance with the original terms and conditions for the receivables. The amount of the provision is recognized in profit or loss.

*Cash and cash equivalents*
Cash and cash equivalents cost of bank balances.

*Trade payables*
As the expected maturity of trade payables is short, the liability is recognized at the nominal amount with no discount by applying the amortized cost method.

*Interest-bearing liabilities*
All loans are initially recognized at cost, which is defined as the fair value of what has been received. Subsequently, the loans are recognized at amortized cost. Interest expenses are recognized as a financial expense in the period to which they belong. Non-current liabilities have an expected maturity greater than one year, while current liabilities have a maturity of less than one year.

**Provisions**
Provisions are recognized in the balance sheet when the Group has a legal or informal obligation arising from previous events and it is more likely that an outflow of resources will be required to settle the obligation and the amount can be reliably calculated.

**Pensions and other committed post-employment benefits**
Moberg Pharma has only defined-contribution pension plans for all its employees. Defined-contribution plans and other short-term benefits for employees are recognized as personnel expenses during the period that the employee performed the service associated with the compensation. Prepaid fees are recognized as an asset to the extent that cash repayment or a reduction in future payments may benefit Moberg Pharma.

**Shareholders' equity**
Transaction costs directly attributable to the issuance of new shares are recognized, net after tax, as a deduction from the issue proceeds.

**Employee stock option schemes**
Share-based incentive schemes are recognized in accordance with IFRS 2. Existing share-based incentive schemes consist of Employee Stock Option Schemes 2008:1, 2008:2, 2009:1, 2010:1, 2010:2, 2011:1, 2012:1, 2012:2, 2013:1 and 2014:1.

Under IFRS 2, the cost of share-based payments to employees is recognized at fair value at the date of granting. The cost is recognized, along with a corresponding increase in equity, in the period in which the performance or vesting conditions were met, until the date when the employees are fully entitled to the compensation (the vesting date).

The accumulated cost recognized at each reporting date until the vesting date reflects the extent to which the vesting period has been completed and Moberg Parma's estimate of the number of share-based instruments that will ultimately vest.

The company's employee stock option schemes constitute a transaction that is settled through equity instruments in accordance with IFRS 2, where the fair value of the granted employee stock options is recognized in profit or loss as a personnel expense over the vesting period. The fair value of the employee stock options is determined at the date of granting using the Black-Scholes option pricing model. Vesting conditions are included in assumptions about the number of options that are expected to become exercisable. These estimates are reviewed on a regular basis. Moberg Pharma recognizes in profit or loss any effect of the review of the original estimate along with a corresponding effect in equity during the remainder of the vesting period. Funds received upon exercise of employee stock options, net of any directly attributable transaction costs, are recognized in equity.

**Related-party transactions**
Remuneration and benefits paid to senior executives are recognized in accordance with IAS 19 Employee Benefits and IFRS 2 Share-based Payment. Other disclosures on related-party transactions are recognized in accordance with IAS 24 Related Party Disclosures and the Swedish Annual Accounts Act, see Note 30.

**Tax**
Current tax and changes in deferred tax are recognized as Moberg Pharma's tax expense or tax income. Current tax is calculated on the taxable results for the year in accordance with tax regulations. Current tax also includes adjustments from previous tax years.

Deferred tax is the tax calculated based on the taxable or deductible temporary differences between the carrying amount and tax value of assets and liabilities.

In accordance with the balance sheet method, deferred tax is recognized in its entirety on all temporary differences arising between the tax assessment value of assets and liabilities and their carrying amount in the consolidated financial statements. Deferred tax is calculated by applying the tax rates and laws that have been enacted or that in practice has been enacted on the balance sheet date and that are expected to apply when the deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets pertaining to tax-deductible temporary differences and tax loss carryforwards are recognized only insofar as it is considered likely that they will be utilized and result in lower tax payments in the future.

In connection with the acquisition of the U.S. operation in 2012, push-down accounting was applied, which entails that surplus value is recognized in a legal entity. Fair-value adjustments totaling MUSD 17.87 are deductible in connection with income taxation in the United States, primarily through tax depreciation over a 15-year period following the acquisition. The temporary difference results in a deferred tax liability in the Group.

**Parent Company accounting policies**

The Parent Company's accounting policies essentially comply with the accounting policies of the Group. For the Parent Company, an income statement and a statement of comprehensive income are presented, while for the Group this is presented in a single report in the statement of comprehensive income. Furthermore, for the Parent Company, the terms balance sheet and cash flow statement are used for those statements that in the Group are called statement of financial position and statement of cash flows. The income statement and balance sheet for the Parent Company are prepared according to the presentation stipulated in the Annual Accounts Act, while the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the Group are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows. The differences concerning the consolidated financial statements that are relevant to the Parent Company's income statements and balance sheets consist mostly of the recognition of equity and intangible assets.

*Shares in subsidiaries*

Shares in subsidiaries are recognized at cost, less any impairment losses, in accordance with the Annual Accounts Act.

**Important estimates and assessments**

Important estimates and assessments are evaluated on an ongoing basis, based on historical experience and other factors as well as expectations of future events that are considered reasonable based on prevailing circumstances. Prospective estimates and assumptions are made. Accounting estimates will, by definition, rarely match actual outcomes. Estimates and assumptions that involve a significant risk of material adjustments to carrying amounts during the coming fiscal year are discussed below.

*Impairment testing of goodwill and other intangible assets*

The Group regularly tests goodwill and development projects in progress for impairment. Other intangible assets are tested for impairment when events or changes indicate that the carrying amount is not recoverable. In calculating value in use, future cash flows are discounted at an interest rate that takes into account the market's assessment of risk-free interest and risk (WACC). The Group bases these calculations on achieved earnings, forecasts and business plans. The estimates and assumptions made by management during impairment testing can have a major impact on consolidated profit. Impairment losses, which are recognized if the estimated value in use is less than the carrying amount, are charged against profit for the year. See also Note 13 for the material assumptions made. The possibility that goodwill will have to be impaired cannot be excluded, which would have a material impact on Moberg Pharma's financial position and earnings. As of December 31, 2014, the value of goodwill was MSEK 84.5.

*Product rights*

The assessment of the value of product rights depends on certain assumptions. These assumptions pertain to forecasts of future sales revenues, contribution to profit and the costs incurred by the particular product. Assumptions are also made concerning discount interest rates, product life and royalty rates. The maximum period of amortization for product rights applied by Moberg Pharma is 25 years. The possibility cannot be excluded that the valuation of product rights would have to impaired, which would have a material impact on Moberg Pharma's financial position and earnings. As of December 31, 2014, the value of product rights was MSEK 119.5.

*Internal development expenditure*

Development expenses are to be capitalized as intangible assets when it is probable that the project will succeed. Each development project is unique and must be assessed based on its particular merits. The earliest assessed timing for capitalization is during phase III studies or equivalent final development steps for types of products other than pharmaceuticals. Even after completion of such development steps, a number of uncertainty factors would remain so that the criteria for capitalization cannot be considered satisfied.

Given premature capitalization, there is a risk that a project will fail and that the capitalized costs will not be justified, and will have to be expensed directly. This in turn would imply that previous and current year results would be misleading because of an excessively optimistic assessment of the likelihood of success. The Board is of the opinion that only one ongoing development project, the next generation of Kerasal Nail®/Nalox™, as of December 31, 2014 fulfills all capitalization criteria. As of December 31, 2014, the value of capitalized expenditure for research and development was MSEK 3.6.

*Tax*

Deferred tax assets pertaining to tax-deductible temporary differences and tax loss carryforwards are recognized only insofar as it is considered likely that they will be utilized and result in lower tax payments in the future. The deferred tax asset has been calculated on the basis of the assessment made by management and the Board of Directors concerning the future utilization, in the foreseeable future, of tax deficits accumulated in the Group. A changed assessment of how the loss carryforwards can be recovered through future taxable surpluses could impact recognized taxes on earnings and on items in the balance sheet in forthcoming periods. As of December 31, 2014, the value of deferred tax assets was MSEK 24.9.

## NOTE 2. SALES

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Distribution of net sales** | **2014** | **2013** | **2014** | **2013** |
| Sales of products | 91,606 | 77,483 | 198,011 | 152,576 |
| Milestone payments | 2,169 | 4,813 | 2,169 | 4,813 |
| | **93,775** | **82,296** | **200,180** | **157,389** |

During 2014, the Group has one customer who accounted for MSEK 62.4, 31 percent (MSEK 42.3, 27 percent) of Group revenue (customer headquartered in the United States), one customer who accounted for MSEK 36.1, 18 percent (MSEK 18.3, 12 percent) of Group revenue (customer headquartered in the United States), and one customer who accounted for MSEK 27.4, 14 percent (MSEK 37.1, 24 percent) of Group revenue (customer headquartered in Sweden)

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Net sales by geographical market** | **2014** | **2013** | **2014** | **2013** |
| Europe | 30,115 | 42,290 | 30,115 | 43,494 |
| North and South America | 52,989 | 35,307 | 148,112 | 94,250 |
| Rest of the World | 10,671 | 4,699 | 21,953 | 19,645 |
| | **93,775** | **82,296** | **200,180** | **157,389** |

Net sales are based on the geographical market in which the product is sold.

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Net sales by product category** | **2014** | **2013** | **2014** | **2013** |
| Nalox™/Kerasal Nail® | 79,202 | 79,843 | 114,878 | 97,964 |
| Kerasal® | - | - | 29,035 | 26,263 |
| JointFlex® | - | - | 30,908 | 32,725 |
| Other products | 14,573 | 2,453 | 25,359 | 436 |
| | **93,775** | **82,296** | **200,180** | **157,389** |

The products Domeboro®, Vanquish® and Fergon® were acquired from Bayer Healthcare on December 19, 2013, and sales from these products are recognized in the income statement from that date. Of product sales in 2013, sales of the newly acquired products totaled MSEK 0.4.

## NOTE 3. SEGMENT INFORMATION

Moberg Pharma's operations comprise only one area of operation, the commercialization and development of medical products. As the operations are conducted on one area of operation, no separate segment information is presented.

## NOTE 4. OTHER OPERATING INCOME

| | Parent Company | | Group | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Research grants received | - | 500 | - | 500 |
| Exchange-rate gains | 5,262 | 234 | 5,262 | 234 |
| Other | 529 | 334 | 529 | 334 |
| | **5,791** | **1,068** | **5,791** | **1,068** |

Research grants received pertain to research grants from Vinnova. Moberg Pharma counter-finances the research grants with its own funds. Research grants are disbursed when interim and final targets of the projects are reported in accordance with a pre-determined time frame.

## NOTE 5. COSTS BROKEN DOWN BY TYPE

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Operating expenses** | **2014** | **2013** | **2014** | **2013** |
| Raw materials and supplies | - | - | 13,119 | 26,428 |
| Goods for resale | 29,322 | 19,063 | 35,945 | 13,539 |
| Personnel costs | 29,495 | 29,001 | 38,551 | 37,014 |
| Depreciation/amortization | 1,878 | 244 | 8,068 | 6,104 |
| External R&D expenses | 10,471 | 14,974 | 10,471 | 14,974 |
| External selling expenses | 4,030 | 7,327 | 69,167 | 58,624 |
| Distribution | - | - | 4,683 | 3,272 |
| Other expenses | 4,094 | 9,263 | 8,741 | 12,557 |
| | **79,291** | **79,872** | **188,745** | **172,512** |

Total operating expenses are obtained if the rows for cost of goods sold, selling expenses, business development and administration expenses, research and development expenses and other expenses in the consolidated statement of comprehensive income are added together.

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Depreciation/amortization by function** | **2014** | **2013** | **2014** | **2013** |
| Research and development expenses | 397 | 171 | 397 | 171 |
| Selling expenses | 1,359 | 37 | 7,549 | 5,898 |
| Business development and administration expenses | 122 | 36 | 122 | 36 |
| | **1,878** | **244** | **8,068** | **6,105** |

Depreciation of selling expenses pertains principally to acquired product rights.

## NOTE 6. LEASING

Moberg Pharma has no financial leasing obligations. Moberg Pharma's operational leasing obligations are presented below. Leasing fees for operational leasing are to be expensed on a straight-line basis over the leasing period. On the balance-sheet date, the total amount of future minimum leasing fees pertaining to non-cancelable operational leases is broken down as follows:

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Operational leasing** | **2014** | **2013** | **2014** | **2013** |
| Due for payment within one year | 2,324 | 2,270 | 2,820 | 2,670 |
| Due for payment between one year and five years | 1,776 | 3,938 | 4,392 | 5,649 |
| Due for payment later than five years | - | - | 1,729 | 1,969 |
| | **4,100** | **6,208** | **8,941** | **10,288** |

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Operational leasing costs during the year** | **2014** | **2013** | **2014** | **2013** |
| Leasing of premises | 2,567 | 2,599 | 3,050 | 2,944 |
| Leasing of parking spaces | 120 | 120 | 125 | 120 |
| Cleaning contracts | 98 | 109 | 98 | 109 |
| Leasing of machinery | 125 | 133 | 125 | 133 |
| | **2,910** | **2,961** | **3,398** | **3,306** |

## NOTE 7. PERSONNEL

| | 2014 | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | Average number of employees | | | No. of employees on December 31 | Average number of employees | | | No. of employees on December 31 |
| **Number of employees** | **Women** | **Men** | **Total** | **Total** | **Women** | **Men** | **Total** | **Total** |
| Sweden | 13 | 8 | 21 | 20 | 15 | 7 | 21 | 22 |
| United States | 5 | 4 | 9 | 9 | 5 | 2 | 7 | 7 |
| **Total** | **18** | **12** | **30** | **29** | **20** | **9** | **28** | **29** |

| | 2014 | | 2013 | |
|---|---|---|---|---|
| **Reporting of gender distribution in the Parent Company senior management** | **Women** | **Men** | **Women** | **Men** |
| Board of Directors | 1 | 4 | 1 | 7 |
| Other senior executives | 1 | 4 | 1 | 4 |

| | 2014 | | 2013 | |
|---|---|---|---|---|
| **Reporting of gender distribution in the Group senior management** | **Women** | **Men** | **Women** | **Men** |
| Boards of Directors[8] | 1 | 5 | 1 | 7 |
| Other senior executives[9] | 1 | 5 | 1 | 5 |

[8] Boards of Directors of one Group is business operating companies
[9] Management teams in one Group is business operating companies

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Total salaries, social security contributions and pensions** | **2014** | **2013** | **2014** | **2013** |
| Salaries and other remuneration, including pension expenses | 21,924 | 21,182 | 30,033 | 28,112 |
| Employee stock option expenses | 266 | 443 | 260 | 798 |
| Social security contributions | 6,892 | 6,006 | 7,302 | 6,367 |
| Training | 56 | 280 | 56 | 280 |
| Recruitment | 62 | 378 | 62 | 378 |
| Other expenses | 295 | 712 | 838 | 1,078 |
| **Total** | **29,495** | **29,001** | **38,551** | **37,014** |
| Of which pension expenses | 2,842 | 2,637 | 2,842 | 2,637 |

In 2014, variable remuneration for the entire workforce was MSEK 4.4 (2.8), of which MSEK 2.8 (2.0) was in the Parent Company. Variable remuneration account for approximately 11 percent of the Group's total personnel expenses. All permanent employees who have been employed for more than six months have a variable salary component, which is linked to the fulfillment of individual targets and company goals for the year.

**Senior executive benefits**

*Board and committees*

The Chairman of the Board and other Board members receive directors' fees as resolved by the AGM.

*President and CEO*

For 2014, the company paid the CEO Peter Wolpert, MSEK 1.8 m in basic salary and MSEK 0.8 in variable remuneration. As the CEO has a defined-contribution pension, the company has no further pension obligations in addition to those stated here. Premium payments were made at 27 percent of basic salary for 2014. The notice period is six months if the CEO resigns at his own initiative and 12 months if the company terminates his employment.

*Other senior executives*
The remuneration paid to other senior executives comprises basic salary, variable remuneration, other benefits and pension benefits. Other senior executives in the Parent Company means the four executives who, together with the CEO, make up the Executive Management Group. In addition to the CEO, the Executive Management consisted of the following individuals in 2014:

- Vice President, Research and Development
- Chief Financial Officer
- Vice President, Sales and Marketing
- President of Moberg Pharma North America LLC

In addition to the Executive Management Group above, the CFO of Moberg Pharma North America is included in the management teams of the Group's operating companies and among the senior executives below.

*Remuneration of senior executives*
At the AGM held on May 13, 2014, the following guidelines were resolved for senior executives of Moberg Pharma: Moberg Pharma is to offer a market-aligned total remuneration package that facilitates the recruitment and retention of qualified senior executives. The remuneration paid to the Chief Executive Officer and other senior executives is to comprise basic salary, variable remuneration, other benefits and pension benefits. The total remuneration is to be based on the basic salary, which must be proportionate to the executive's responsibilities and authority. Variable compensation is capped at 25-50 percent of each executive's basic annual salary. Variable compensation is to be based on results achieved in relation to individually defined qualitative and quantitative targets, as well as the company's results in relation to targets set by the Board of Directors. Pensionable salary comprises only basic salary. To the extent that Directors perform work for the company or any other group company, in addition to work on the Board of Directors, a market-aligned consultancy fee may be payable.

In case of termination, the notice period is to be at least three months if this is on the initiative of the senior executive and between three and 12 months if the company takes the initiative. Severance amounts are not payable. Any share- and share price-related programs must be adopted by an AGM. Allotment from such programs must be in accordance with a resolution from the AGM. With the exception of the employee stock options that have been allotted and vested, and what is provided for under employment contracts as referred to above, senior executives are not entitled to any post-employment/assignment benefits.

The Board of Directors is to be entitled to disapply the aforementioned principles for remuneration of senior executives if there are special reasons for doing so.

**Remuneration and other benefits during the year for senior executives in the Group**

| | Basic salary/ Board fee | Variable remune-ration | Other benefits | Pension expenses | Share-based remunera-tion[10] | Other remu-neration | Total |
|---|---|---|---|---|---|---|---|
| Chairman of the Board, Mats Pettersson | 300 | | | | | | 300 |
| Vice Chairman, Wenche Rolfsen | 329[11] | | | | | | 329 |
| Director, Torbjörn Koivisto | 150 | | | | | | 150 |
| Director, Geert Cauwenbergh | 180[12] | | | | | | 180 |
| Director, George Aitken-Davies | - | | | | | | - |
| Director, Thomas Thomsen (elected May 2014) | 120[13] | | | | | | 120 |
| President and CEO, Peter Wolpert | 1,817 | 761 | | 444 | 68 | - | 3,090 |
| Other senior executives (five persons) | 6,497 | 2,190 | | 831 | 21 | 586[14] | 10,125 |
| **Total** | **9,393** | **2,951** | **0** | **1,275** | **89** | **586** | **14,294** |

[10] These costs do not entail a right to payments and do not affect the company's cash flow. Estimated costs for social security contributions are not included in the carrying amounts.

[11] The Directors' fee is paid to a consultancy firm and also includes remuneration corresponding to social security contributions.

[12] The Directors' fee is paid to a consultancy firm and also includes remuneration corresponding to social security contributions.

[13] The Directors' fee is paid to a consultancy firm and also includes remuneration corresponding to social security contributions.

[14] The line includes remuneration of MSEK 0.5 to Steve Cagle (President of Moberg Pharma North America) and MSEK 0.1 to Jim Barton (CFO of Moberg Pharma North America) in the form of the expensed portion of the purchase consideration for the acquisition of the US operation (purchase consideration that is conditional upon continued employment in the company being entered as salary during the vested period)

**Incentive scheme**
Moberg Pharma has introduced a share-based incentive scheme in the form of employee stock options intended to promote the company's long-term interests by motivating and rewarding senior executives and other employees. All permanent employees who had been employed for at least 12 months on December 31, 2014 are now either shareholders or are included in the company's incentive scheme. Information on the number of shares and warrants held by Directors, the CEO and other senior executives is presented under the Board of Directors on page 62 and Executive Management on page 61. For further information on share-related remunerations, refer to Note 19.

## NOTE 8. INFORMATION ON REMUNERATION OF THE AUDITOR

| | Parent Company | | Group | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| **Ernst & Young** | | | | |
| Audit assignment | 420 | 205 | 420 | 367 |
| Auditing in addition to the assignment | 124 | 168 | 124 | 168 |
| Tax advice | 62 | 31 | 62 | 31 |
| Other services | 272 | 483 | 272 | 483 |
| | **878** | **887** | **878** | **1049** |

Audit assignments are defined as the examination of the Annual Report and accounting records and of the Board of Directors' and CEO's administration of the company, other tasks incumbent on the auditor, as well as advice and other assistance occasioned by observations made in the course of such examinations or the performance of such other tasks. Audit work in addition to the assignment comprises examinations of interim reports, prospectuses, pro-forma and issue-in-kind certificates and preparing other opinions in accordance with the Companies Act. Other services in 2014 were primarily connected to transfer pricing, model for impairment tests and capital procurement.

## NOTE 9. DEPRECIATION/AMORTIZATION OF TANGIBLE AND INTANGIBLE NON-CURRENT ASSETS

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Depreciation/amortization** | **2014** | **2013** | **2014** | **2013** |
| Equipment and inventory | 226 | 229 | 376 | 355 |
| Intangible assets | 1,653 | 14 | 7,693 | 5,750 |
| | **1,878** | **244** | **8,068** | **6,105** |

## NOTE 10. FINANCIAL ITEMS

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Interest income and similar items** | **2014** | **2013** | **2014** | **2013** |
| Interest income | 1,403 | 832 | 186 | 546 |
| Other financial income | 719 | - | 719 | - |
| | **2,122** | **832** | **905** | **546** |

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Interest expense and similar items** | **2014** | **2013** | **2014** | **2013** |
| Interest expense | 1,307 | 2,292 | 1,316 | 2,284 |
| Exchange rate gains/losses on liabilities | 0 | 182 | 0 | 182 |
| Costs for loans raised | 239 | 199 | 239 | 199 |
| | **1,546** | **2,673** | **1,555** | **2,665** |

## NOTE 11. TAXES

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Tax recognized in profit or loss** | **2014** | **2013** | **2014** | **2013** |
| Current tax | 0 | 28 | -11 | 3 |
| Deferred tax | -4,822 | -713 | -4,298 | 4,814 |
| | **-4,822** | **-685** | **-4,309** | **4,817** |
| Applicable tax rate in Sweden | 22.0% | 22.0% | 22.0% | 22.0% |

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Income taxes** | **2014** | **2013** | **2014** | **2013** |
| Profit/loss before tax | 20,851 | 1,651 | 16,577 | -16,175 |
| Tax according to the applicable tax rate for the Parent Company | -4,587 | -363 | -3,647 | 3,559 |
| Effects of other tax rates for foreign subsidiaries | N/A | N/A | -299 | 1,695 |
| Non-taxable income | 0 | 0 | 0 | 0 |
| Non-deductible expenses | -235 | -350 | -363 | -465 |
| Costs that are deducted but not included in profit/loss | - | 28 | - | 28 |
| **Tax recognized** | **-4,822** | **-685** | **-4,309** | **4,817** |

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Deferred tax** | **2014** | **2013** | **2014** | **2013** |
| Loss carryforwards, January 1 | -99,031 | -100,063 | -104,471 | -100,404 |
| Change in loss carryforwards for the year | 17,855 | 1,032 | 16,394 | -4,067 |
| **Loss carryforwards, December 31** | **-81,176** | **-99,031** | **-88,077** | **-104,471** |

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Deferred tax assets/tax liabilities** | **2014** | **2013** | **2014** | **2013** |
| Deferred tax assets on deficit | 17,859 | 21,787 | 25,976 | 26,896 |
| Deferred tax assets - other temporary differences | - | - | 3,099 | 2,431 |
| Deferred tax liabilities | - | - | -4,171 | -1,860 |
| | **17,859** | **21,787** | **24,903** | **27,467** |

Deferred tax assets pertaining to tax-deductible temporary differences and tax loss carryforwards are recognized only insofar as it is considered likely that they will be utilized and will result in lower tax payments in the future. Since the Board is of the opinion that the company's development makes it likely that a future taxable surplus will be generated that can be offset with the unutilized tax losses, the losses were assigned a value. Current tax loss carryforwards can be utilized for an unlimited time in Sweden and over a period of 20 years in the U.S.

Deferred tax assets – other temporary differences in the Group pertain in part to provisions for doubtful trade receivables and in part to provisions for UNICAP, variable salary and inventory obsolescence.

In connection with the acquisition of the U.S. operation in 2012, push-down accounting was applied, which entails that surplus value is recognized in a legal entity. Fair-value adjustments totaling MUSD 17.87 (MSEK 116.2) are deductible in connection with income taxation in the U.S., primarily through tax depreciation over a 15 year period following the acquisition. The temporary difference results in a deferred tax liability in the Group.

## NOTE 12. EARNINGS PER SHARE

Calculations have been made in accordance with IAS 33 Earnings Per Share. Earnings per share before dilution are calculated by dividing the results for the year by a weighted average number of shares outstanding during the year.

| **Earnings per share** | **2014** | **2013** |
|---|---|---|
| Consolidated net profit/loss | 12,268 | -11,358 |
| Weighted average number of shares before dilution | 12,719,642 | 11,265,704 |
| Dilution effect of employee stock option schemes | 139,857 | - |
| Weighted average number of shares after dilution | 12,859,499 | 11,265,704 |
| Earnings/loss per share before dilution | 0.96 | -1.01 |
| Earnings per share after dilution | 0.95 | -1.01 |

Since the Group recognized a loss for 2013, the outstanding warrants did not generate any dilution effect for the year. This is because dilution is recognized only when a potential for conversion to common shares would entail lower earnings per share.

The total number of outstanding warrants is 891,130. If all warrants were to be exercised to subscribe for shares, the total number of shares would increase by 1,136,985, from 13,962,537 shares to 15,099,522 shares, corresponding to dilution of 7.5 percent.

## NOTE 13. INTANGIBLE NON-CURRENT ASSETS

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Opening accumulated cost** | **2014** | **2013** | **2014** | **2013** |
| Opening accumulated cost | 383 | - | 383 | - |
| Capitalized expenditure for the year, own development | 3,347 | 383 | 3,347 | 383 |
| **Carrying amount at the end of the period** | **3,730** | **383** | **3,730** | **383** |
| | | | | |
| Opening amortization | - | - | - | - |
| Amortization for the year | -83 | - | -83 | - |
| Closing amortization | -83 | - | -83 | - |
| **Carrying amount at the end of the period** | **3,647** | **383** | **3,647** | **383** |

Costs for research and development that were not capitalized amounted to MSEK 19.9 compared with MSEK 29.0 in 2013.

Capitalized expenditure for research and development pertain to capitalized development costs for the next generation of Kerasal Nail®/Nalox™. The useful life is based on the term of the underlying patent; amortization is applied on a straight-line basis from the date of commercialization until the end of the patent, or on a straight-line basis across the anticipated useful life if this is less than the underlying patent's term.

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Capitalized expenditure for IT systems** | **2014** | **2013** | **2014** | **2013** |
| Opening accumulated cost | - | - | - | - |
| Capitalized expenditure for the year | 1,912 | - | 1,912 | - |
| **Carrying amount at the end of the period** | **1,912** | **0** | **1,912** | **0** |
| | | | | |
| Opening amortization | - | - | - | - |
| Amortization for the year | -80 | - | -80 | - |
| Closing amortization | -80 | - | -80 | - |
| **Carrying amount at the end of the period** | **1,832** | **0** | **1,832** | **0** |

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Goodwill** | **2014** | **2013** | **2014** | **2013** |
| Opening accumulated cost | - | - | 70,021 | 70,346 |
| Acquisitions for the year attributable to business acquisitions | - | - | - | - |
| Translation differences | - | - | 14,521 | -325 |
| **Carrying amount at the end of the period** | **0** | **0** | **84,542** | **70,021** |

Goodwill refers to the acquisition of Moberg Pharma North America (Alterna LLC) in 2012. Goodwill has an indefinite useful life and is tested annually to assess whether impairment is required.

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Product rights** | **2014** | **2013** | **2014** | **2013** |
| Opening accumulated cost | 31,897 | - | 117,359 | 85,858 |
| Acquisitions during the year | 1 | 31,897 | 1 | 31,897 |
| Translation differences | - | - | 17,723 | -396 |
| *Closing accumulated cost* | *31,898* | *31,897* | *135,083* | *117,359* |
| Opening amortization | - | - | -6,172 | -477 |
| Amortization for the year | -1,276 | - | -7,316 | -5,697 |
| Translation differences | | | -2,119 | 2 |
| *Closing amortization* | *-1,276* | *0* | *-15,607* | *-6,172* |
| **Carrying amount at the end of the period** | **30,622** | **31,897** | **119,476** | **111,187** |

| **Specification of product rights** | **2014** | **Rate of amortization, year** | **Remaining amortization period, year** |
|---|---|---|---|
| Product rights for Kerasal® | 60,151 | 15 | 12.9 |
| Product rights for JointFlex® | 28,703 | 15 | 12.9 |
| Product rights for Fergon®, Domeboro® and Vanquish® | 30,622 | 25 | 24.0 |
| **Carrying amount at the end of the period** | **119,476** | | |

Amortization of product rights is applied on a straight-line basis across the estimated useful life.

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Patents, licenses and similar rights** | **2014** | **2013** | **2014** | **2013** |
| Opening accumulated cost | 300 | 300 | 300 | 300 |
| Acquisitions for the year | 6,850 | - | 6,850 | - |
| *Closing accumulated cost* | *7,150* | *300* | *7,150* | *300* |
| Opening amortization | -71 | -57 | -71 | -57 |
| Amortization for the year | -214 | -14 | -214 | -14 |
| *Closing amortization* | *-285* | *-71* | *-285* | *-71* |
| **Carrying amount at the end of the period** | **6,865** | **229** | **6,865** | **229** |

Investments in patents during 2014 concern the acquisition of rights from Oracain II Aps for a patent-pending formula of the known substance bupivacaine for the treatment of oral pain.

**Testing of impairment requirement**

Goodwill and intangible assets with indeterminable useful life are tested at least annually to assess impairment requirements. Assets amortized according to plan are assessed for impairment whenever events or changes in relationships indicate that the carrying amount could be impaired.

In the impairment test, the present value of the anticipated future cash flow from the Group's product portfolio is calculated. The future cash flows are based on the next year's budget adopted by the Board of Directors, and a forecast for the following years. The adopted budget is based on a large number of detailed assumptions pertaining to volume growth, exchange rates, cost trends, etc. In addition, the budget is based on knowledge from management and other key individuals within the organization, on history and forward-looking information. The forecast for the time frame following the year's budget and moving forward is based on the long-term forecast planning of company management. This is based on several comprehensive assumptions pertaining to industrial trends, economic trends, volume growth, competition, exchange rates, cost trends, etc. The calculations and forecasts are based on external sales statistics and internal trend analyses. This, combined with management's experience, estimated forecasts, business plans and existing agreements with suppliers and customers forms the basis of the assessments. The most significant assumptions applied during the year's test include volume growth, EBITDA, investment requirements and discount rates (WACC).

*WACC*

The discount rate used has been calculated as WACC (weighted average cost of capital) and amounted to 12 percent before tax. The discount rate is based on a market-based assessment of the average capital cost taking into account the estimated existing risk level.

*Other significant assumptions*

Calculations are based on a five-year forecast and and the growth rate beyond the forecast period is expected to be 2 percent per year. All of the company's operations are treated as a single cash-generating unit.

*Sensitivity analysis*

Sensitivity analyses are conducted to analyze how changes in WACC and growth rates influence the calculated useful life of product rights and operations in the U.S. Sensitivity analyses indicate that no reasonable changes in significant assumptions lead to a need for impairment.

## NOTE 14. TANGIBLE NON-CURRENT ASSETS

| | Parent Company | | Group | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Opening accumulated cost | 1,909 | 1,784 | 2,563 | 23,65 |
| Investments | 42 | 125 | 42 | 200 |
| Translation differences | - | - | 135 | -2 |
| Divestments/disposals | - | - | - | - |
| *Closing cost* | *1,951* | *1,909* | *2,741* | *2,563* |
| | | | | |
| Opening amortization | -1,256 | -1,026 | -1,383 | -1,029 |
| Translation differences | | | -27 | - |
| Amortization for the year | -226 | -230 | -397 | -354 |
| *Closing amortization* | *-1,481* | *-1,256* | *-1,807* | *-1,383* |
| **Carrying amount at the end of the period** | **470** | **653** | **934** | **1,180** |

Of the tangible non-current assets of MSEK 0.9, MSEK 0.5 concerns non-current assets in Sweden and MSEK 0.4 concerns non-current assets in the U.S.

## NOTE 15. INVENTORIES

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Inventories** | **2014** | **2013** | **2014** | **2013** |
| Raw materials | - | - | 3,494 | 2,110 |
| Finished products and goods for resale | 155 | - | 9,641 | 4,858 |
| | **155** | **0** | **13,135** | **6,968** |

## NOTE 16. TRADE RECEIVABLES AND OTHER RECEIVABLES

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Trade receivables and other receivables** | **2014** | **2013** | **2014** | **2013** |
| Trade receivables | 10,983 | 6,852 | 30,222 | 19,946 |
| Provisions for doubtful trade receivables[15] | - | -1,672 | -113 | -1,765 |
| **Carrying amount at the end of the period, trade receivables** | **10,983** | **5,180** | **30,109** | **18,181** |
| | | | | |
| Receivables from Group companies | 23,914 | 19,024 | N/A | N/A |
| Other receivables | 4,740 | 650 | 4,797 | 683 |
| | **39,637** | **24,854** | **34,849** | **18,864** |

The fair value for trade receivables corresponds to the carrying amount. The maximum exposure to credit risk on the balance-sheet date corresponds to the carrying amount of trade receivables and other receivables. Trade receivables are deemed to be of good credit quality.

[15] All provisions are for trade receivables overdue.

| **Large outstanding trade receivables for the Group:** | **Outstanding trade receivables as at December 31, 2014** | **% of total trade receivables** |
|---|---|---|
| Company A | 6,430 | 21% |
| Company B | 4,322 | 14% |
| Company C | 3,321 | 11% |
| Company D | 3,191 | 11% |

| **Large outstanding trade receivables for the Parent Company:** | **Outstanding trade receivables as at December 31, 2014** | **% of total trade receivables** |
|---|---|---|
| Company X | 4,322 | 39% |
| Company Y | 3,321 | 30% |
| Company Z | 13,66 | 12% |

On December 31, 2014, trade receivables amounting to MSEK 16.8 (18.0) matured without any need for impairment. The age analysis is shown below.

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Age analysis of trade receivables** | **2014** | **2013** | **2014** | **2013** |
| Not overdue | 10,888 | 1,935 | 24,274 | 1,935 |
| Overdue, Less than 3 months | 95 | 4,917 | 4,641 | 18,234 |
| Overdue, 3 to 6 months | - | - | 1,250 | -222 |
| Overdue, more than 6 months | - | - | - | - |
| | **10,983** | **6,852** | **30,165** | **19,947** |

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Changes in provisions for doubtful trade receivables** | **2014** | **2013** | **2014** | **2013** |
| As of January 1 | -1,672 | - | -1,786 | -117 |
| Additional provisions for doubtful trade receivables | - | -1,672 | - | -1,672 |
| Receivables depreciated during the year as non-recoverable | - | - | - | 23 |
| Reversed unutilized amount | 1,672 | - | 1,672 | - |
| **Carrying amount at the end of the period** | **0** | **-1,672** | **-114** | **-1,766** |

| | Parent Company | | Group | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Trade receivables excluding overdue trade receivables and financial statement receivables with impairment requirement | 10,888 | 263 | 24,218 | 169 |

## NOTE 17. PREPAID EXPENSES AND ACCRUED INCOME

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Prepaid expenses and accrued income** | **2014** | **2013** | **2014** | **2013** |
| Accrued income | 2,489 | 3,747 | 2,489 | 3,747 |
| Rent | 651 | 648 | 691 | 648 |
| Other property expenses | 8 | 9 | 8 | 9 |
| Insurance expenses | 731 | 744 | 802 | 905 |
| Pension costs | 232 | 200 | 232 | 200 |
| Other prepaid expenses | 214 | 404 | 2,777 | 740 |
| | **4,324** | **5,752** | **6,998** | **6,249** |

## NOTE 18. CASH AND CASH EQUIVALENTS

Moberg Pharma receives interest on cash and cash equivalents at rates based on the banks' daily deposit rates. The cash-flow statement includes the following cash and cash equivalents.

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Cash and bank balances** | **2014** | **2013** | **2014** | **2013** |
| Cash and bank balances | 56,062 | 22,244 | 62,463 | 27,138 |

Cash and cash equivalents include bank guarantees totaling MSEK 0.7 in both the Parent Company and the Group.

## NOTE 19. EQUITY

**Equity**

Moberg Pharma's managed assets comprise shareholders' equity. Changes in managed shareholders' equity are stated in the "Consolidated statement of changes in shareholders' equity", page 30. Moberg Pharma aims to create value and generate a solid return for shareholders through profitable growth deriving from organic sales growth as well as acquisitions and in-licensing of new products.

**Share capital**

| **Date**[16] | **Transaction** | **Change in number of shares** | **Change in share capital** | **Number of shares** | **Total share capital, SEK** | **Quotient value, SEK** | **Exercise price, SEK** | **Invested capital, SEK** |
|---|---|---|---|---|---|---|---|---|
| **Opening balance, 2013** | | | | **10,812,572** | **1,081,257.20** | **0.10** | | |
| July 2013 | Private placement | 1,081,000 | 108,100.00 | 11,893,572 | 1,189,357.20 | 0.10 | 33.54 | 36,256,740 |
| **Closing balance, 2013** | | | | **11,893,572** | **1,189,357.20** | **0.10** | | |
| | | | | | | | | |
| **Opening balance, 2014** | | | | **11,893,572** | **1,189,357.20** | **0.10** | | |
| June 2014 | Private placement | 2,068,965 | 206,896.50 | 13,962,537 | 1,396,253.70 | 0.10 | 29.00 | 59,999,985 |
| **Closing balance, 2014** | | | | **13,962,537** | **1,396,253.70** | **0.10** | | |

[16] Refers to the date of registration at the Swedish Companies Registration office

**Share-related remuneration**

| Employee stock options | 2008:1 | 2008:2 | 2009:1 | 2010:1 | 2010:2 | 2011:1 | 2012:1 | 2012:2 | 2013:1 | 2014:1 |
|---|---|---|---|---|---|---|---|---|---|---|
| Start day | Jun 30, 2008 | Jun 30, 2008 | Apr 20, 2009 | May 19, 2010 | May 19, 2010 | Apr 18, 2011 | Apr 23, 2012 | Nov 27, 2012 | May 2, 2013 | May 22, 2014 |
| End day | Jun 30, 2016 | Jun 30, 2016 | Jun 30, 2017 | Jun 30, 2018 | Jun 30, 2018 | Dec 31, 2015 | Dec 31, 2016 | Dec 31, 2018 | Dec 31, 2017 | Dec 31, 2018 |
| Vesting date | Direct and Dec 31, 2009 | Dec 31, 2009 | Dec 31, 2010 | Dec 31, 2011/ Dec 31, 2012 | Dec 31, 2011/ Dec 31, 2012 | Dec 31, 2013 | Jun 30, 2015 | ¼ each on December 31, 2014, 2015, 2016 and 2017 | Jun 30, 2016 | Jun 30, 2017 |
| Exercise price, SEK per share | 16.55 | 32.75 | 32.75 | 32.75 | 32.75 | 29.00 | 32.22 | 42.81 | 36.77 | 37.64 |
| Number originally allocated | 30,000 | 16,498 | 13,833 | 89,501 | 40,576 | 121,747 | 50,750 | 125,000 | 60,750 | 196,500 |
| Outstanding, January 2014 | 30,000 | 13,499 | 13,833 | 89,501 | 40,576 | 121,747 | 50,750 | 125,000 | 60,750 | - |
| Allocated in 2014 | - | - | - | - | - | - | - | - | - | 196,500 |
| Forfeited prior years | - | 2,999 | 333 | - | - | 747 | 15,750 | - | - | - |
| Forfeited in 2014 | - | - | - | - | - | - | - | 75,000 | 13,500 | 50,000 |
| Exercised in 2014 | - | - | - | - | - | - | - | - | - | - |
| Due in 2014 | - | - | - | - | - | - | - | - | - | - |
| Outstanding, December 31, 2014 | 30,000 | 13,499 | 13,500 | 89,501 | 40,576 | 121,000 | 35,000 | 50,000 | 47,250 | 146,500 |
| **Number of shares that may be subscribed through employee options** | **60,000** | **26,998** | **27,000** | **179,002** | **81,152** | **121,000** | **35,000** | **50,000** | **47,250** | **146,500** |
| Vested, December 31, 2014 | 30,000 | 13,499 | 13,500 | 89,501 | 40,576 | 121,000 | 0 | 31,250 | 0 | 0 |

In total, there are 586,826 employee stock options outstanding (of which, 339,226 are vested employee stock options) as at December 31, 2014 and 773,902 shares may be subscribed for based on the employee stock options. Employee stock options are issued by the subsidiary Moberg Derma Incentives AB. The employee stock options may be exercised by the holder at any time after the vesting date through the closing day, with each employee stock option entitling the holder to subscribe for one warrant. Each warrant in turn entitles the holder to subscribe for two common shares in Moberg Pharma, with the exception of the 2011:1, 2012:1, 2012:2, 2013:1 and 2014:1 stock option programs, which entitle the holder to one common share per warrant. If the employment is terminated, any granted, unvested employee stock options are forfeited.

For employee stock options entitling the holder to acquire warrants, which are automatically and simultaneously exercised to subscribe for new shares, Moberg Pharma is required to pay social security contributions on the difference between the market price of the share when the option is exercised and the exercise price paid by the employee. The expected social security contributions have been calculated and a provision has been made in the accounts.

The fair value of the employee stock options granted during the period was determined using the Black-Scholes valuation model at SEK 6.53 per option in 2014:1 program. Key input data used in the model for the 2014:1 option program were the market price per share of SEK 34.22, exercise price of SEK 37.64, risk-free interest of 1.01 percent, volatility 25 percent, expected term 4.6, staff turnover 0 percent, dilution 1.76 percent and no dividend.

Group costs for the employee stock option program (excluding estimated social security costs) for 2014 amounted to MSEK 0.3. Corresponding costs for 2013 were MSEK 0.4.

A total of 891,130 warrants have been issued by the subsidiary Moberg Derma Incentives AB. These warrants are intended to be transferred and used for subscription of new shares upon exercise of the same number of employee stock options and to cover any social security contributions arising from the utilization of employee stock options.

**Share-related remuneration**

| Outstanding warrants | Moberg Derma Incentives AB | Total |
|---|---|---|
| 2008 - Closing date for subscription: Dec 31, 2018 Exercise price, SEK 0.10 | 61,573 | 61,573 |
| 2009 - Closing date for subscription: Dec 31, 2019 Exercise price, SEK 0.10 | 21,849 | 21,849 |
| 2010 - Closing date for subscription: Dec 31, 2019 Exercise price, SEK 0.10 | 162,433 | 162,433 |
| 2011 - Closing date for subscription: Dec 31, 2015 Exercise price, SEK 0.10 | 159,018 | 159,018 |
| 2012:1 - Closing date for subscription: Dec 31, 2016 Exercise price, SEK 32.22 | 45,997 | 45,997 |
| 2012:2 - Closing date for subscription: Dec 31, 2018 Exercise price, SEK 42.81 | 126,813 | 126,813 |
| 2013:1 - Closing date for subscription: Dec 31, 2017 Exercise price, SEK 36.77 | 77,096 | 77,096 |
| 2014:1 - Closing date for subscription: Dec 31, 2018 Exercise price, SEK 37.64 | 236,351 | 236,351 |
| | **891,130** | **891,130** |

If all 891,130 outstanding warrants were exercised to subscribe for shares, the total number of shares would increase by 1,136,985, from 13,962,537 shares to 15,099,522 shares, corresponding to a dilution of 7.5 percent.

## NOTE 20. LONG-TERM LIABILITIES

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Long-term debt** | **2014** | **2013** | **2014** | **2013** |
| Long-term bank loans | 3,333 | 16,667 | 3,333 | 16,667 |
| Other long-term liabilities | - | - | - | 1,860 |
| **Carrying amount at the end of the period** | **3,333** | **16,667** | **3,333** | **18,527** |

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Maturity period for long-term debt:** | **2014** | **2013** | **2014** | **2013** |
| Date of maturity 1-2 years from the balance sheet date | 3,333 | 13,333 | 3,333 | 13,333 |
| Date of maturity 2–5 years from the balance sheet date | - | 3,334 | - | 3,334 |
| Date of maturity more than 5 years from the balance sheet date | - | - | - | 1,860 |
| **Carrying amount at the end of the period** | **3,333** | **16,667** | **3,333** | **18,527** |

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Expected future interest payments:** | **2014** | **2013** | **2014** | **2013** |
| Date of maturity 1-2 years from the balance sheet date | 582 | 1,986 | 582 | 1,986 |
| Date of maturity 2–5 years from the balance sheet date | - | 17 | - | 17 |
| Date of maturity more than 5 years from the balance sheet date | - | - | - | - |
| **Total expected future interest payments** | **582** | **2,004** | **582** | **2,004** |

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Carrying amount in KSEK, per currency, for long-term debt:** | **2014** | **2013** | **2014** | **2013** |
| SEK | 3,333 | 16,667 | 3,333 | 16,667 |
| USD | - | - | - | 1,860 |
| | **3,333** | **16,667** | **3,333** | **18,527** |

The Group has loan financing totaling MSEK 16.7 from Swedbank as at December 31, 2014. The credit facility is available providing the company fulfills certain financial covenants pertaining to EBITDA and cash flow. The loan carries variable interest and matures on January 30, 2016, with quarterly amortization from April 30, 2013.

## NOTE 21. CURRENT LIABILITIES

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Interest-bearing current liabilities** | **2014** | **2013** | **2014** | **2013** |
| Current bank loans | 13,333 | 13,333 | 13,333 | 13,333 |
| **Carrying amount at the end of the period** | **13,333** | **13,333** | **13,333** | **13,333** |

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Other current liabilities** | **2014** | **2013** | **2014** | **2013** |
| Employee withholding taxes | 492 | 528 | 492 | 528 |
| Settled social security contributions | 345 | 447 | 345 | 447 |
| Provisions for social security contributions for the employee stock option schemes | 1,652 | 922 | 1,652 | 922 |
| Contingent purchase consideration | 7,092 | 18,116 | 7,092 | 17,530 |
| Other current liabilities | 396 | -211 | 396 | -211 |
| | **9,976** | **19,802** | **9,976** | **19,216** |

Contingent purchase consideration pertains to the contingent purchase consideration of MSEK 4.9 in connection with the acquisition of BUPI and the unpaid portion of product acquisitions from Bayer HealthCare totaling MSEK 2.2.

## NOTE 22. ACCRUED EXPENSES AND DEFERRED INCOME

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Accrued expenses and deferred income** | **2014** | **2013** | **2014** | **2013** |
| Accrued personnel expenses | 4,995 | 4,764 | 7,828 | 6,893 |
| Accrued Board expenses | 524 | 1,252 | 524 | 1,252 |
| Audit | 295 | 235 | 295 | 397 |
| Marketing Development Funds | - | - | 5,978 | 1,714 |
| Accrued marketing expenses | - | - | 2,192 | 1,879 |
| Returns and discounts | - | - | 1,967 | 1,067 |
| Other accrued expenses | 2,033 | 984 | 3,751 | 1,266 |
| | **7,848** | **7,235** | **22,535** | **14,469** |

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Accrued personnel expenses** | **2014** | **2013** | **2014** | **2013** |
| Of which, accrued salaries | 2,836 | 2,277 | 5,669 | 4,406 |
| Of which, accrued vacation pay liability | 1,243 | 1,291 | 1,243 | 1,291 |
| Of which, accrued social security contributions | 891 | 633 | 891 | 633 |
| Of which, accrued pension costs | 25 | 22 | 25 | 22 |
| Of which, accrued payroll tax on pension costs | - | 541 | - | 541 |
| | **4,995** | **4,764** | **7,828** | **6,893** |

## NOTE 23. PLEDGED ASSETS AND CONTINGENT LIABILITIES

Moberg Pharma has no contingent liabilities. As collateral for the loan financing during 2012, Moberg Pharma pledged chattel mortgages of MSEK 20 and shares in Moberg Pharma North America LLC. In addition, there are previously blocked bank deposits of MSEK 0.7.

| | Group | |
|---|---|---|
| **Pledged assets in the Group** | **2014** | **2013** |
| Shareholders' equity in the subsidiary Moberg Pharma North America | 191,857 | 157,977 |
| Chattel mortgage | 20,000 | 20,000 |
| Bank guarantee, cash and cash equivalents | 702 | 702 |
| | **212,559** | **178,679** |

| | Parent Company | |
|---|---|---|
| **Pledged assets in the Parent Company** | **2014** | **2013** |
| Shares in the subsidiary Moberg Pharma North America | 178,006 | 178,006 |
| Chattel mortgage | 20,000 | 20,000 |
| Bank guarantee, cash and cash equivalents | 702 | 702 |
| | **198,708** | **198,708** |

## NOTE 24. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY FOR THE GROUP

| **Financial assets and liabilities by category**<br>**December 31, 2014** | **Assets/debt valued at fair value via profit or loss** | **Loan receivables and trade receivables** | **Other financial liabilities** | **Total** |
|---|---|---|---|---|
| **Assets in the balance sheet** | | | | |
| Accounts receivables and other receivables (excluding interim receivables) | | 34,849 | | 34,849 |
| Cash and cash equivalents | | 62,463 | | 62,463 |
| **Total** | | **97,312** | | **97,312** |
| | | | | |
| **Liabilities in the balance sheet** | | | | |
| Bank loan | | | 16,666[17] | 16,666 |
| Contingent purchase consideration (level 3) | 7,092[18] | | | 7,092 |
| Accounts payable and other liabilities, excluding non-financial liabilities | | | 8,840[19] | 8,840 |
| **Total** | **7,092** | **0** | **25,507** | **32,599** |

| **Financial assets and liabilities by category**<br>**December 31, 2013** | **Assets/debt valued at fair value via profit or loss** | **Loan receivables and trade receivables** | **Other financial liabilities** | **Total** |
|---|---|---|---|---|
| **Assets in the balance sheet** | | | | |
| Trade receivables and other receivables (excluding interim receivables) | | 18,864 | | 18,864 |
| Cash and cash equivalents | | 27,138 | | 27,138 |
| **Total** | | **46,002** | | **46,002** |
| | | | | |
| **Liabilities in the balance sheet** | | | | |
| Bank loan | | | 31,860[20] | 31,860 |
| Contingent purchase consideration (level 3) | 17,530 | | | 17,530 |
| Accounts payable and other liabilities, excluding non-financial liabilities | | | 5,281[21] | 5,281 |
| **Total** | **17,530** | | **37,141** | **54,671** |

[17] Consists of long-term debt of 3,333 plus short-term borrowings of 13,333; see Note 20

[18] See Note 21

[19] Consists of accounts payable of 6,793 plus other current liabilities (excluding contingent purchase consideration, employee payroll taxes and social security contributions) of 2,047; see Note 21

[20] Consists of long-term debt of 18,579 plus short-term borrowings of 13,333; see Note 20

[21] Consists of accounts payable of 4,570 plus other current liabilities (excluding contingent purchase consideration, employee payroll taxes and social security contributions) of 711; see Note 21

*IFRS 13* Fair Value Measurement contains a measurement hierarchy pertaining to input data for the measurements. This measurement hierarchy is divided into three levels, which correspond to the levels that were introduced in IFRS 7 Financial Instruments: Disclosures. The three levels comprise:

*Level 1:* Listed prices (unadjusted) in active markets for identical assets or liabilities to which the company has access at the time of measurement.

*Level 2:* Input data other than the listed prices included in Level 1, which is directly or indirectly observable for the asset or liability. It may also pertain to input data other than the listed prices that are observable for the asset or liability, such as interest rates, yield curves, volatility and multiples.

*Level 3:* Non-observable input data for the asset or liability. At this level, the assumption that market players would use for pricing of the asset or liability, including risk taking, must be taken into account.

For all items above, with the exception of borrowing, the carrying amount is an approximation of the fair value, and these items are therefore not divided into levels according to the measurement hierarchy.
The fair value of borrowing for disclosure purposes amounted to MSEK 18.9 (31.9) and is based on future cash flows of capital and interest, discounted to current market rates on the balance-sheet date, meaning level 2 in the measurement hierarchy.

## NOTE 25. IMPACT OF CASH FLOW FROM INVESTMENTS IN SUBSIDIARIES - FOR THE GROUP

| | 2014 | 2013 |
|---|---|---|
| Contingent purchase consideration concerning participations in subsidiaries paid for in cash during the year | -17,225 | -16,658 |
| Current balance in acquired company | - | - |
| **Group's cash flow impact** | **-17,225** | **-16,658** |

The acquisition of Alterna LLC (currently Moberg Pharma North America LLC) includes supplementary purchase considerations that are triggered if revenue for the acquired company reaches a certain amount. The set targets for all supplementary purchase considerations were achieved, and MUSD 2.5 was paid in the first quarter of 2013 and MUSD 2.5 was paid during the third quarter of 2014.

## NOTE 26. PARTICIPATIONS IN GROUP COMPANIES

| Holdings in subsidiaries | Corp. Reg. No. | Reg. Office | Proportion | Carrying amount |
|---|---|---|---|---|
| Moberg Derma Incentives AB | 556750-1589 | Stockholm, Sweden | 100% | 100 |
| Moberg Pharma North America LLC | N/A | New Jersey, USA | 100% | 178,006 |

| Change in carrying amounts, shares in subsidiaries | 2014 | 2013 |
|---|---|---|
| Opening cost | 178,106 | 178,106 |
| **Closing accumulated cost** | **178,106** | **178,106** |
| **Closing carrying amount** | **178,106** | **178,106** |

## NOTE 27. INTRA-GROUP TRANSACTIONS

**Intra-Group transactions from the Parent Company's perspective**

| | 2014 | 2013 |
|---|---|---|
| Sale of goods | 43,128 | 34,169 |
| Purchase of goods | -83 | - |
| Marketing contributions | - | -4,883 |
| Interest on intra-Group loans | 1,218 | 290 |
| | **44,263** | **29,576** |

## NOTE 28. FINANCIAL RISKS AND FINANCE POLICY

**Financial risk management**

Financing and management of financial risks are handled in the Group under the governance and supervision of the Board of Directors. Moberg Pharma applies a cautious investment policy.

Through its activities, Moberg Pharma is exposed to various types of financial risks, such as fluctuations in the company's earnings and cash flow caused by changes in exchange rates and interest rates, as well as refinancing risk. Moberg Pharma's policy is to not hedge financial risks relating to loans, transactions and translation exposures. This decision has been taken with regard to the current portion that is exposed in the Group and the cost of hedging any risks.

**Refinancing risk**

Moberg Pharma is in an expansion phase and invests in marketing and product development activities aimed at generating future income. This uses cash and cash equivalents. The company's operations have been financed by revenue from product sales, shareholder contributions through new share issues and loans. Future investments are expected to be financed by income from revenue from current cash flow and existing funds. Should the opportunity arise for faster growth, for example through acquisitions, Moberg Pharma may need to raise additional capital through new share issues or loans.

Refinancing risk refers in part to the risk that Moberg Pharma will be unable to meet its obligations and continue to develop its business due to difficulties in finding financial backers or lenders who are prepared to invest in the company or because existing loans are cancelled, in part to the risk that the refinancing of a loan that falls due cannot be implemented, and in part to the risk that refinancing must occur under adverse market conditions at unfavorable terms.

The Group had loan financing of MSEK 16.7 as at December 31, 2014. The credit facility is available providing the company fulfills certain financial covenants pertaining to EBITDA and cash flow.

**Currency risk**

Currency risk is the risk that changes in exchange rates will have a negative impact on Moberg Pharma's income statement, financial position and/or cash flows. Exchange rate risks exist in the form of transaction and translation risks.

Translation exposure arises since the company has operations outside Sweden in currencies other than SEK. For Moberg Pharma, this risk is attributable to USD (through the subsidiary Moberg Pharma North America).

The distribution and licensing agreements signed with counterparties outside Sweden are often concluded in currencies other than SEK. As revenue from such agreements increases, the company's currency exposure will gradually increase. Moberg Pharma's revenue in foreign currency is expected to increase significantly in the future, with exposure primarily in USD and EUR.

Moberg Pharma uses contract manufacturers for production and the majority of production purchases were made in EUR and USD. About one third of the company's staff are employed in the U.S., which means that the company has personnel expenses and other fixed expenditure in USD. In addition, most of the invoicing of the company's marketing activities occurs in USD. Certain consulting services are purchased in EUR, USD or GBP. Earnings are also exposed to currency fluctuations in connection with the purchasing of clinical trials, research services and material. Most of these purchases are currently denominated in SEK.

The Group did not use currency hedging in 2014 but will regularly review the need for currency hedging as the business expands. Operating expenses for the fiscal year totaled MSEK 188.7, of which costs in foreign currencies accounted for approximately 77 percent. Of total revenue in 2014 of MSEK 200.2, about 87 percent pertained to revenue in foreign currencies. Most of the exposure was in USD, both in terms of revenue and expenses, with revenue in USD accounting for about 75 percent of the Group's total revenue and expenses in USD for approximately 59 percent of the total operating expense. The corresponding figures for 2013 were operating expenses of MSEK 170.8, of which

costs in foreign currencies accounted for approximately 72 percent. Of total revenue for 2013 of MSEK 155.7, about 76 percent pertained to revenue in foreign currencies. Most of the exposure was in USD, both in terms of revenue and expenses, with revenue in USD accounting for approximately 69 percent of the Group's total revenue and expenses in USD accounting for approximately 58 percent of the total operating expense.

Operating profit was impacted during the fiscal year by net exchange gains of MSEK 5.2 (0.2). Future revenue and expenses will be affected by fluctuations in foreign currencies.

**Sensitivity analysis of foreign currency risk, 2014 (KSEK)**

Effect on the Group's revenue and operating profit/loss should the SEK appreciate by 1 percent.

| Currency | Revenue | Operating expenses | Operating profit/loss |
|---|---|---|---|
| EUR | -248 | 296 | 48 |
| GBP | - | 34 | 34 |
| USD | -1,496 | 1,108 | -389 |
| Other | - | 13 | 13 |
| **Total** | **-1,745** | **1,451** | **-294** |

Of the Group's outstanding receivables as at December 31, 2014, MSEK 35.1 pertained to foreign currency, of which 75 percent in USD and 25 percent in EUR. Of the Group's outstanding liabilities as at December 31, 2014, MSEK 42.5 pertained to foreign currency, of which 81 percent in USD, 6 percent in EUR and 13 percent in other currencies. Corresponding figures for 2013 were outstanding receivables as at December 31, 2013 of MSEK 21.2 in foreign currency, of which 85 percent in USD and 15 percent in EUR. Of the Group's outstanding liabilities as at December 31, 2013, MSEK 35.8 were in foreign currency, of which 89 percent in USD, 10 percent in EUR and 1 percent in other currencies.

**Interest risk and liquidity risk**

Liquidity risk is defined as the Group being unable to pay foreseen or unforeseen costs. Excess liquidity is placed in bank accounts or invested in fixed income instruments subject to a low interest risk, issued by established banks or credit institutions. Moberg Pharma secures its short-term ability to meet payment obligations by maintaining adequate liquidity preparedness in the form of cash balances.

Interest rate risk pertains to the risk that changes in the general interest-rate situation will have a negative impact on the Group's net profit. The speed by which changes in interest rates will impact the net profit depends on the fixed-interest period for the loan. Moberg Pharma's current loans have a fixed-interest period of three months. Outstanding interest-bearing liabilities are reported in Note 20.

**Counterparty risk**

Counterparty risk is the risk that a party to a transaction involving financial instruments will be unable to meet its obligations and thus incur a loss for the other party. Moberg Pharma is exposed to counterparty risk primarily in connection with distribution and license agreements and financial investments. When a distribution or license agreement is to be entered into, the counterparty is always evaluated prior to signing the agreement. Payment of accounts receivable is monitored continuously, thus making Moberg Pharma's exposure to doubtful receivables low. The Group limits its current counterparty risk in connection with financial investments by investing excess liquidity with counterparties with very high credit ratings.

## NOTE 29. EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred since the end of the period, other than those described in the Directors' Report; see page 21.

## NOTE 30. TRANSACTIONS WITH RELATED PARTIES

During the year, Moberg Pharma completed the following transactions with related parties, as defined in IAS 24 Related Party Disclosures:

**Acquisition of Alterna LLC (now Moberg Pharma North America LLC)**

Related-party transactions occurred with senior executives in Pharma North America, since Steve Cagle (President of the U.S. operation during 2014) and Jim Barton (CFO of the U.S. operation) were also minority owners of the acquired company. The acquisition included supplementary purchase considerations of a maximum of MUSD 5 that are triggered if the revenue of the acquired company reaches a certain amount. The targets for both the additional purchase considerations have been met and MUSD 2.5 was paid in the first quarter of 2013, and MUSD 2.5 was paid during the third quarter of 2014.

Remuneration of the Board of Directors and management is stated in Note 7. All transactions with related parties have been made on market terms for the company. No other Directors or senior executives, or related parties to these, have or have had any direct or indirect involvement in any business transactions with Moberg Pharma that are or were unusual in terms of their character or contract terms and that took place in the current year. Nor has Moberg Pharma made loans, issued guarantees or provided surety bonds to or on behalf of any of the Directors or senior executives of the company.

# ASSURANCE BY THE BOARD OF DIRECTORS

The undersigned certify that the consolidated financial statements and annual report have been prepared in accordance with International Financial Reporting Standards, IFRS, as adopted by the EU, and with generally accepted accounting practices, and give a true and fair view of the financial position of the Group and the Parent Company and that the Administration Reports for the Group and the Parent Company provide a fair overview of the development of the Group's and the Parent Company's operations, financial position and results, as well as a fair description of significant risks and uncertainties faced by the companies included in the Group.

Bromma April 9, 2015

**Mats Pettersson**
*Chairman*

**Wenche Rolfsen**
*Vice Chair*

**Geert Cauwenbergh**
*Boardmember*

**Torbjörn Koivisto**
*Boardmember*

**Thomas Thomsen**
*Boardmember*

**Peter Wolpert**
*CEO*

Our audit report was issued on April 9, 2015

Ernst & Young AB

**Björn Ohlsson**
*Authorized Public Accountant*

# AUDITOR'S REPORT

## To the annual meeting of Moberg Pharma AB (publ), Corp. Reg. No. 556697-7426

### REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Moberg Pharma AB (Publ) for the year 2014. The company's annual accounts and consolidated accounts are included in this document on pages 18 - 53.

#### Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the preparation and fair presentation of the annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Reports Act, and for such internal control as the Board of Directors and the CEO determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to error or fraud.

#### Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and the consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit also involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to error or fraud. In making these risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the CEO, as well as evaluating the overall presentation of the annual accounts and the consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of December 31, 2014 and of its financial statements and cash flows for the year in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of December 31, 2014 and of its financial statements and cash flows for the year in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We also recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the statement of comprehensive income and the statement of financial position for the Group.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and the consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the CEO of Moberg Pharma AB (Publ) for the year 2014.

#### Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the CEO are responsible for administration under the Companies Act.

#### Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposal for appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and the consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the CEO is liable to the company. We also examined whether any member of the Board of Directors or the CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Opinions

We recommend to the annual general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the CEO be discharged from liability for the fiscal year.

Stockholm, April 9, 2015
Ernst & Young AB

**Björn Ohlsson**
*Authorized Public Accountant*

# CORPORATE GOVERNANCE REPORT

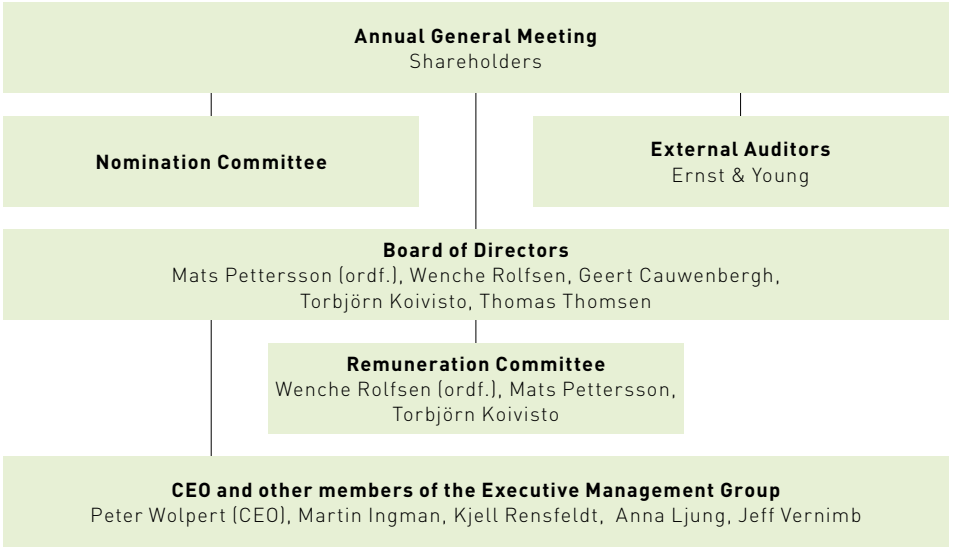
## Moberg Pharma AB (publ), corporation registration number 556697-7426, is a Swedish limited liability company headquartered in Stockholm, Sweden.

Prior to its listing on NASDAQ OMX Nordic Exchange Stockholm, the company's corporate governance activities were based on Swedish law and internal rules and regulations. The Company was listed on the NASDAQ OMX Nordic Exchange Stockholm on May 26, 2011 and has adhered to NASDAQ OMX Nordic Exchange Stockholm's rules for issuers and applied the Swedish Code of Corporate Governance ("Code") as of this date. This Corporate Governance Report has been prepared in accordance with the Annual Accounts Act and the Swedish Code of Corporate Governance.

The Code applies to all Swedish companies whose shares are listed on a regulated market in Sweden and must be applied in full by the date of the first Annual General Meeting held after the listing. Companies are not required to comply with all rules contained in the Code but may choose alternative solutions that are deemed more appropriate for each company's specific circumstances, provided that deviations are explained, the alternative solution is described and the reasons explained (the "comply or explain principle") in the company's Corporate Governance Report. Moberg Pharma has deviated from the Code only in the case of incentive programs introduced before the Code became applicable (May 26, 2011) as described below under "Share based incentive schemes". Information about the Code is available at www.bolagsstyrning.se.

Good corporate governance is an essential component of the work of generating value for Moberg Pharma's shareholders. The objective is to create sound prospects for an active and responsible ownership role, a well-balanced division of responsibility between the owners, Board of Directors and management and transparency towards owners, the capital markets, employees and society at large.

The figure below to the left illustrates Moberg Pharma's corporate governance model and how the central bodies operate.




Internal regulatory structures and policies that affect corporate governance

- Articles of Association
- Board of Directors' Rules of Procedure and CEO's Instructions
- Remuneration Principles for Senior Executives
- Risk Management Policy
- Finance Policy
- IT Policy
- Accounting Handbook
- HR Handbook
- Authorization Instructions
- Information Policy
- Code of Conduct

External regulatory structures that affect corporate governance

- The Swedish Companies Act
- Accounting standards
- Nasdaq OMX Nordic Exchange Stockholm's issuer regulations
- Corporate Governance

### GENERAL SHAREHOLDERS' MEETING

In accordance with the Swedish Companies Act, Moberg Pharma's highest decision-making body is a general meeting of shareholders. At General Shareholders' Meetings, shareholders exercise their right to vote on key issues, such as the adoption of the statement of comprehensive income and financial position, appropriation of the company's earnings, discharge of the Board of Directors and the Chief Executive Officer from personal liability, election of Directors and auditors, and remuneration of the Directors and auditors. Extraordinary General Meetings (EGMs) may be held in addition to the

Annual General Meeting (AGM). The articles of association states that official notice of an AGM or EGM must be provided in the form of an advertisement in Post- och Inrikes Tidningar and published on Moberg Pharma's website. Information that the official notice of an AGM or EGM has taken place is published in Dagens Industri.

### Right to attend a General Shareholders' Meeting

All shareholders who are registered in their own name in the register of shareholders maintained by Euroclear Sweden AB five working days before a General Shareholders' Meeting, and have notified Moberg Pharma of their intention to attend the meeting (along with any accompanying advisors) no later than the date and time stated in the official notice of the meeting, are entitled to attend the meeting and vote for all their shares. Shareholders may participate in the meeting personally or by proxy and may also be assisted by up to two advisors. Shareholders may normally register for a General Shareholders' Meeting in several ways, as indicated in the official notice of the meeting.

### Shareholder initiatives

Shareholders who would like a particular issue to be addressed at a General Shareholders' Meeting are required to submit a written request to the Board of Directors. Such requests must normally be received by the Board of Directors no later than seven weeks before the meeting.

Given the composition of the company's owners, it is not considered justified in view of the company's financial status to provide simultaneous interpretation to another language nor to translate in full or in part shareholder meeting material, including the minutes.

Information about past shareholders' meetings is available on Moberg Pharma's website. The website also provides information on shareholders' right to have matters considered at the meeting and the deadline before which such requests must reach the company.

The 2014 AGM took place on May 13, 2014. The meeting was attended by 12 shareholders, in person or by proxy. These represented 40.8 percent of the shares and votes of Moberg Pharma. The Chairman of the Board, Mats Pettersson, was elected Chairman of the meeting. The CEO and all Directors attended the meeting. The minutes from the AGM are available at www.mobergpharma.se under corporate governance. At the AGM, shareholders resolved to authorize the Board until the next AGM to decide on the issuance of new shares, on one or more occasions, either with preferential rights or disapplying the shareholders' preferential rights. The total number of shares encompassed by such new shares may not exceed twenty percent of the shares in the company at the time of the 2014 AGM.

## BOARD OF DIRECTORS

After a General Shareholders' Meeting, the Board of Directors is the company's highest decision-making body. Under the Companies Act, the Board is responsible for the company's administration and organization, which means that the Board is responsible for adopting goals and strategies, ensuring that procedures and systems for evaluating adopted goals are in place, monitoring Moberg Pharma's financial position and results and evaluating the company's operational management. The Board is also responsible for ensuring that the Annual Report and consolidated financial statements and interim reports are prepared in time. The Board also appoints the Chief Executive Officer. Directors are elected each year at the AGM for the period until the end of the next AGM. Moberg Pharma's articles of association states that the Board should consist of at least three and no more than ten directors and up to two alternates. According to the Code, no alternates to AGM-elected directors are to be appointed.

The Chairman of the Board is elected by the AGM and holds a special responsibility for leading the work of the Board and ensuring that the Board operates in an organized and efficient manner. The Chairman is not involved in the operational management of the company.

The Board operates in accordance with written rules of procedure that are reviewed and adopted annually at the statutory Board meeting. The rules of procedure regulate Board procedures, functions and the division of responsibilities between the Directors and CEO. In connection with the first Board meeting, the Board also establishes instructions for financial reporting and instructions for the CEO.

The Board normally convenes four to six times annually. In addition to these meetings, further meetings may be arranged to address issues that cannot be deferred to a scheduled meeting. Chairman and CEO also engage in continuous dialogue concerning the company's significant issues. Moberg Pharma's Board currently consists of five Directors. The Board is presented in the Annual Report on page 62.

| | Attendance (no. of meetings 2014) | | | | Independent in relation to | |
|---|---|---|---|---|---|---|
| | Board meetings (14) | Remuneration Committee (3) | Remuneration Directors' fees 2014, KSEK | Elected | The company | Owners |
| Chairman of the Board, Mats Pettersson | 14 | 3 | 300 | 2010 | Yes | Yes |
| Vice Chairman, Wenche Rolfsen | 14 | 3 | 329[22] | 2010 | Yes | Yes |
| Director, Geert Cauwenbergh | 13 | | 180[23] | 2012 | Yes | Yes |
| Director, Torbjörn Koivisto | 14 | | 150 | 2009 | Yes | Yes |
| Director, George Aitken-Davies (vacated his position on the Board of Directors in November 2014) | 11 | | - | 2012 | Yes | No |
| Director, Thomas Thomsen (elected May 2014) | 9 | | 120[24] | 2014 | Yes | Yes |

22 The Directors' fee is paid to a consultancy firm and also includes remuneration corresponding to social security contributions.

23 The Directors' fee is paid to a consultancy firm and also includes remuneration corresponding to social security contributions.

24 The Directors' fee is paid to a consultancy firm and also includes remuneration corresponding to social security contributions.

### Remuneration Committee

The Board has a remuneration committee, which prepares proposals on remuneration issues. The remuneration committee consists of three Directors: Wenche Rolfsen (Chairman), Mats Pettersson and Torbjörn Koivisto. All members are independent in relation to the company and the company's senior executives. The committee's principal tasks are to (i) prepare the Board's decisions on issues

relating to principles of remuneration, remuneration and other terms of employment for management, (ii) monitor and evaluate ongoing and recently completed variable remuneration schemes for management, and (iii) monitor and evaluate the application of principles for remuneration of senior executives that are legally subject to approval by the AGM and of applicable structures and levels of remuneration in the company. Decisions on remuneration issues, after preparation by the committee, must be adopted by the Board as a whole.

### Audit Committee

The Board currently has no audit committee. In the opinion of the Board, those duties that would be executed by an audit committee are better conducted by the Board as a whole. The Board reviews the need for an audit committee on an annual basis. The Board's rules of procedure contain principles for the Board, as it performs its obligations in the capacity of audit committee. The Board's duties include preparing and monitoring issues relating to (i) monitoring and quality assurance of the company's financial statements, (ii) regular meetings with the company's auditor for information and opinions concerning the focus, scope and content of the audit assignments and the Annual Report and consolidated financial statements, as well as to engage in discussions on the auditor's views of the risks faced by the company, (iii) assessment and monitoring of the auditor's impartiality and independence and adoption of principles for authorized procurement of other services from the company's auditor, and (iv) evaluation of the auditor's performance and information to the nominating committee of the results of the evaluation.

## CEO AND OTHER SENIOR EXECUTIVES

The CEO reports to the Board and has primary responsibility for the company's day-to-day operations. The division of responsibilities between the Board and CEO is set out in the rules of procedure of the Board and the instructions for the CEO. The CEO is also responsible for drafting reports and compiling information from management in preparation for Board meetings and for presenting the material at the meetings.

Under the instructions for financial reporting, the CEO is responsible for financial reporting in the company and is thus required to ensure that the Board obtains sufficient information to enable it to continuously evaluate Moberg Pharma's financial position.

The CEO is required to keep the Board informed of Moberg Pharma's development, the company's results and financial position, liquidity and credit situation, important business events and other circumstances that cannot be assumed to be irrelevant for the company's shareholders (including material disputes, the termination of agreements that are important to Moberg Pharma and significant circumstances affecting the company's products and projects). The CEO and senior management are presented in more detail in the Annual Report on page 61.

## REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES

### Remuneration of Directors

Fees and other remuneration of Directors, including the Chairman, are set by a General Shareholders' Meeting. At the AGM on May 13, 2014, it was resolved that Directors' fees for 2014 totaling a maximum of SEK 1,000,000 excluding social security contributions, would be paid and distributed as follows: SEK 300,000 to the Chairman and SEK 250,000 to the Deputy Chairman. Other Directors will receive SEK 150,000 each, with the exception of George Aitken-Davies, who does not receive Board fees.

With the exception of the employee stock options allocated to certain Directors, none of the company's Directors are entitled to any benefits after stepping down from the Board.

### Remuneration of senior executives

At the AGM on May 13, 2014, the following guidelines were resolved for senior executives of Moberg Pharma: the company is to offer a market-aligned total remuneration package that facilitates the recruitment and retention of qualified senior executives. The remuneration paid to the Chief Executive Officer and other senior executives is to comprise basic salary, variable remuneration, other benefits and pension benefits. The total remuneration is to be based on the basic salary, which must be proportionate to the executive's responsibilities and authority. Variable compensation is capped at 25-50 percent of each executive's basic annual salary. Variable compensation is to be based on results achieved in relation to individually defined qualitative and quantitative targets, as well as the company's result in relation to goals set by the Board of Directors. Pensionable salary comprises only basic salary. To the extent that Directors perform work for the company or any other group company, in addition to work on the Board of Directors, a market-aligned consultancy fee may be payable.

In case of termination, the notice period is to be at least three months if this is on the initiative of the senior executive and between three and 12 months if the company takes the initiative. Severance amounts are not payable. Any share- and share price-related programs must be adopted by an Annual General Meeting. Allotment from such programs must be in accordance with a resolution from the Annual General Meeting. With the exception of the employee stock options that have been allotted and vested, and what is provided for under employment contracts as referred to above, senior executives are not entitled to any post-employment/assignment benefits.

The Board of Directors is to be entitled to disapply the aforementioned principles for remuneration of senior executives if there are special reasons for doing so.

| | Basic salary | Variable salary | Other benefits | Pension costs | Share-based remuneration[25] | Other remuneration[26] | Total |
|---|---|---|---|---|---|---|---|
| President and CEO, Peter Wolpert | 1,817 | 761 | - | 444 | 68 | - | 3,090 |
| Other senior executives (five persons) | 6,497 | 2,190 | - | 831 | 21 | 586 | 10,125 |
| **Total** | **8,314** | **2,951** | **0** | **1275** | **89** | **586** | **13,215** |

25 These costs do not give rise to any payment and do not affect the company's cash flow. Estimated costs for social security contributions are not included in the recognized amounts.

26 The line includes payment of MSEK 0.4 to Steve Cagle (CEO of Moberg Pharma North America) and MSEK 0.1 to Jim Barton (CFO of Moberg Pharma North America) in the form of the expensed part of the supplementary purchase consideration for the acquisition of the U.S. operation (the supplementary purchase consideration is conditional on continued employment in the co pany and is recognized as salary continuously during the earnings period).

### Share-based incentive schemes

Moberg Pharma has introduced share-based incentive schemes comprising employee stock options designed to promote the company's long-term interests by motivating and rewarding senior execu-

tives and other employees. The employee stock options have been granted free of charge. All permanent employees who have been employed by the company for at least 12 months at December 31, 2014 are either shareholders or covered by the company's incentive schemes. The number of shares and options held by Directors, the CEO and other senior executives is presented in the Annual Report on pages 61-62.

Moberg Pharma's incentive schemes are based on employee stock options with vesting periods extending over several years. An employee may, for example, vest his or her first options after three years' employment with further entitlements after years 4 and 5. The rationale behind the incentive structure is partly to spread the vesting period over several years and partly to allow for flexibility in allotting options; instead of establishing the granting for new recruits in year 1, the current structure allows for adjustments in schemes for future years when it has become clear how well the employee has performed and whether he or she will assume a greater or lesser role in the company than was originally intended.

Employee stock option 2010:2 included Directors Wenche Rolfsen and Mats Pettersson. The Code states that stock options should not be included in remuneration for Directors. Moberg Pharma does not intended to introduce new stock option schemes aimed at Directors in future. The company's employee option stock scheme up to 2012 had a vesting period of less than three years. As an adaptation of the Code, the employee stock option scheme from 2013 and ahead has a vesting period of more than three years.

## AUDIT

The auditor is tasked with auditing the company's Annual Report and financial statements, as well as the administration of the company by the Board and the CEO. After the end of each fiscal year, the auditor is required to submit an audit report and consolidated audit report to the AGM.

Moberg Pharma's company auditor is the auditing firm Ernst & Young AB with Authorized Public Accountant Björn Ohlsson as Auditor-in-Charge. The company's auditors are presented in more detail in the Annual Report on page 62.

### Remuneration of auditors

The remuneration paid to the auditor is subject to approval by a General Shareholders' Meeting. The annual general meeting which was held on May 13, 2014 decided that the auditor should be remunerated on an on account basis.

In 2014, remuneration of MSEK 0.9 was paid to the auditor, of which audit assignments accounted for MSEK 0.4, audit work in addition to the assignment for MSEK 0.1 and other assignments for MSEK 0.4. Audit assignments are defined as the examination of the Annual Report and accounting records and of the Board of Directors and CEO's administration of the company, other tasks incumbent on the auditor, as well as advice and other assistance occasioned by observations made in the course of such examinations or the performance of such other tasks. Audit work in addition to the assignment comprises examinations of interim reports, prospectuses, pro-forma and issue-in-kind certificates and preparing other opinions in accordance with the Companies Act. Other services in 2014 were primarily linked to transfer pricing, model for impairment tests and capital procurement.

## NOMINATION COMMITTEE

The Nomination Committee submits proposals for the appointment of a Chairman and other Board members, as well as proposals on fees and other compensation to be paid to Directors. The Nomination Committee also presents proposals for the appointment and remuneration of the company's auditor. The Nomination Committee's proposals will be presented in the notice of the 2015 AGM.

The AGM on May 13, 2014 resolved to commission the Chairman of the Board to contact the three largest shareholders or groups of owners in terms of the number of votes (hereby referring to both directly registered shareholders and nominee registered shareholders), according to Euroclear's share register on September 30, 2014, which are offered the opportunity to each appoint a representative, who together with the Chairman of the Board will make up the Nomination Committee for the time until a new Nomination Committee is appointed by mandate from the next AGM. If any of these largest shareholders or groups of owners decline the entitlement to appoint a representative, this entitlement transfers to that shareholder or group of owners with the largest shareholdings after these shareholders or group of owners until the Nomination Committee consists of four members.

If a member leaves the committee before his or her work is completed and if the committee considers it necessary to replace the member, the Nomination Committee will appoint a new member in accordance with the procedure above but based on Euroclear's share register applicable as soon as possible after the member steps down. Changes in the composition of the Nomination Committee must immediately be published. No fee is payable to the members for their work on the committee.

The Nomination Committee for the 2015 AGM was announced on Moberg Pharma's website and in a press release on November 11, 2014. The Nomination Committee consists of four members: Per-Olof Edin, George E. Aitken-Davies, Ulrica Slåne and Mats Pettersson.

## INTERNAL CONTROL AND RISK MANAGEMENT OF FINANCIAL REPORTING

The overall purpose of internal controls is to obtain reasonable assurance that the company's operational strategies and goals are monitored and that shareholders' investments are protected. Additionally, internal controls should provide reasonable assurance that external financial reporting is reliable and prepared in accordance with generally accepted accounting practice, that applicable laws and ordinances are complied with and that the requirements of listed companies are observed. At Moberg Pharma, internal control over financial reporting is designed, for example, to ensure efficient and reliable management and accounting of purchases and sales, other revenue recognition and accounting of the company's financing arrangements.

The internal control environmental mainly comprises the following five components: Control environment, Risk assessment, Control activities, Information and communication, as well as Monitoring compliance.

### Control environment

The control environment at Moberg Pharma forms the framework of the direction and culture with which the company's Directors and management communicate their messages to the organization. Internal management and control in accordance with customary frameworks is assigned high priority. Moberg Pharma's Directors and management define and design decision paths, authorities and responsibilities that are clearly defined and communicated throughout the organization. The compa-

ny's Directors also strive to ensure that steering documents, such as internal policies and principles, cover identified areas of significance, and that these provide the right guidance to the work of the various executives in the company.

**Risk assessment**

The company's Board conducts continuous and systematic risk assessment work aimed at identifying risks and taking the necessary actions to cope with them. Risk assessment is also designed to identify risks that have a significant impact on internal control of financial reporting.

The commercialization and development of new drugs is a risky and capital-intensive process. Risk factors considered of particular significance for Moberg Pharma's future development include results of competition and price scenario, production, business partners and distributors, clinical studies, actions of public authorities, liability risks and insurance, integration risks, patents and trademarks, key personnel, sensitivity to economic fluctuations, future capital requirements and financial risk factors. A more detailed description of Moberg Pharma's risk exposure and how the company manages it can be found in the Annual Report on page 23.

**Control activities**

The primary purpose of control activities is to prevent, discover and rectify misstatements in financial reporting. Processes and activities have been structured to manage and address significant risks relating to financial reporting. These activities include analytical updates and comparisons of progress in terms of profits or items, reconciliation of accounts and balances, and approval of all business transactions and collaboration agreements, powers or attorney and certification instructions, as well as accounting and valuation policies. Access to ERP systems is limited by authority, responsibility and role.

**Information and communication**

Moberg Pharma is a listed company in one of the most regulated industries in the world – the pharmaceutical industry. In addition to the high demands that Nasdaq OMX Nordic Exchange Stockholm and the supervisory authorities impose on the scope and accuracy of information, Moberg Pharma's internal information and communication functions are designed to ensure that correct financial and other corporate information is communicated to employees and other stakeholders.

The company's internal instructions and policies, which are available to all employees, provide information on applicable routines in all parts of the company and describe control functions and how they are implemented.

The security of all information that could affect the market value of the company and the mechanisms to ensure that such information is communicated in a correct and timely fashion are cornerstones in the company's undertaking as a listed company. These two factors, and the procedures for managing them, ensure that financial reports are received by the players in the financial market at the same time, and that they provide an accurate presentation of the company's financial position and performance.

**Monitoring compliance**

Monitoring compliance with internal policies, principles, manuals and codes as well as the appropriateness and functionality of the established control activities is conducted regularly. Measures and procedures for financial reporting are subject to regular follow-up. Moberg Pharma's management conducts monthly performance follow-up, including an analysis of deviations from budget and the preceding period, also on a project level. The Directors review the Annual Report and interim reports prior to publication. The Board meets the company's external auditor each year to discuss the company's internal control and financial reporting procedures.

**Assessment of the need for internal audit**

Moberg Pharma has no separate auditing function (internal audit). The Board annually evaluates the need for such a function and, considering the size of the company, with relatively few employees and a scope of operations in which most transactions of significance are of similar character and relatively uncomplicated, has found no basis for establishing a formal internal auditing function.

**Compliance with the Swedish stock exchange rules, etc. during the fiscal year**

During 2014, Moberg Pharma was not subject to decisions by Nasdaq OMX Nordic Exchange Stockholm's disciplinary committee or statements by the Swedish Securities Council regarding infringement of Nasdaq OMX Nordic Exchange Stockholm's regulations or accepted market practices.

Stockholm April 9, 2015

**Mats Pettersson**
*Chairman*

**Wenche Rolfsen**
*Vice Chair*

**Geert Cauwenbergh**
*Boardmember*

**Torbjörn Koivisto**
*Boardmember*

**Thomas Thomsen**
*Boardmember*

**Peter Wolpert**
*CEO*

# AUDIT REPORT ON THE CORPORATE GOVERNANCE REPORT

## To the annual meeting of Moberg Pharma AB
## Corp. Reg. No. 556697-7426

It is the Board of Directors which is responsible for the corporate governance report for 2014 on pages 55-59 and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance report and based on this information and our knowledge of the company and the Group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance report is different and substantially more limited in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, a corporate governance report has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, April 9, 2015

Ernst & Young AB

**Björn Ohlsson**
*Authorized Public Accountant*

# MANAGEMENT

Peter Wolpert | Martin Ingman | Kjell Rensfeldt | Anna Ljung | Jeff Vernimb

**PETER WOLPERT,** CEO and founder, M.Sc. in Engineering, M.Sc. in Economics and Business. Born 1969. Has worked for the company since 2006. Peter Wolpert has over 15 years of experience as CEO, strategy consultant and entrepreneur and is Chairman of Viscogel AB. He was co-founder of Accuro Immunology, Ibility and Viscogel, and previously held positions as CEO of Athera Biotechnologies and strategy consultant for McKinsey & Co. Shareholding: 600,000 shares through Wolco Invest AB and 50,000 employee stock options (50,000 shares may be subscribed for based on the employee stock options).

**MARTIN INGMAN,** VP Sales and Marketing, M.Sc. in Economics and Business. Born 1962. Has worked for the Company since 2008. Martin Ingman has 20 years of experience from senior sales and marketing positions at Astra AB (publ) (currently AstraZeneca), Q-Med AB and Carema Omsorg AB. Shareholding: 1,100 shares and 64,000 employee stock options (108,000 shares may be subscribed for based on the employee stock options).

**KJELL RENSFELDT,** VP Research and Development and Chief Medical Officer, Certified physician, M.Sc. in Economics and Business. Born 1957. Has worked for the company since 2007. Kjell Rensfeldt has over 15 years of industrial experience from senior positions at Biogen Idec and Q-Med. Dr Rensfeldt also has ten years' clinical experience and specialist training in urology. Shareholding: 5,000 shares and 87,000 employee stock options (159,000 shares may be subscribed for based on the employee stock options).

**ANNA LJUNG,** Chief Financial Officer, M.Sc. in Economics and Business. Born 1980. Has worked for the company since 2006. Anna Ljung has previously worked as CFO at Athera Biotechnologies AB and Lipopeptide AB, and as an independent consultant within technology licensing. Shareholding: 10,000 shares and 35,000 employee stock options (55,000 shares may be subscribed for based on the employee stock options).

**JEFF VERNIMB,** General Manager Moberg Pharma North America, B. Sc. Born 1963. Responsible for the company's North American operations. Has worked for the company since December 2014. Has previous experience of senior roles within sales and marketing, as well as experience of altering prescribed pharmaceuticals to OTC, both within major companies and smaller entrepreneur-driven companies, including Pfizer, Novartis, Dynova Labs and Insight Pharmaceuticals.
Shareholding: 5,500 shares.

# BOARD

Mats Pettersson | Wenche Rolfsen | Geert Cauwenbergh | Thomas Thomsen | Torbjörn Koivisto

**MATS PETTERSSON** Chairman, M.Sc. in Economics and Business Born 1945. Mats Pettersson was CEO of Biovitrum AB until 2007. He is Chairman of the Board of Genmab A/S and Board member at Photocure AS. Mats Pettersson has over 35 years' experience in the pharmaceutical industry and was Senior Vice President and a member of the management team at Pharmacia Corporation prior to the establishment of Biovitrum. Shareholding: 6,514 shares and 10,800 shares through Espen Invest A/S and 26,950 allocated employee stock options (53,900 shares may be subscribed for based on the employee options).

**WENCHE ROLFSEN** Born 1952. Deputy Chairman, Ph.D. Visiting Professor at Uppsala University. Wenche Rolfsen has more than 30 years' experience in the pharmaceutical industry and has held senior positions in research and development at Pharmacia and was CEO of Quintiles Scandinavia AB. She is Chairman of InDex Pharmaceuticals AB and a Board member at APL AB, Industrifonden Foundation, Swedish Match AB, TFS Trial Form Support International AB and Sarsia Seed, Norway. Shareholding: 2,934 shares through Rolfsen Consulting AB, as well as 13,626 allocated employee stock options (27,252 shares may be subscribed for based on the employee stock options).

**GEERT CAUWENBERGH** Director, Ph.D. Born 1954. Director since 2012. Dr. Cauwenbergh has many years of experience within the pharmaceutical industry, particularly relating to product development and marketing of dermatology products in Europe and the U.S. Dr. Cauwenbergh is a Board member and CEO at RXi Pharmaceuticals Corp (USA), Managing Partner of Phases123 LLC (U.S.), Board member at Cutanea Life Sciences (U.S.) and Alto Pharmaceuticals (Canada). He has previously worked as Chairman and CEO of Barrier Therapeutics (USA) and held senior positions in the Johnson & Johnson Group in the U.S. Shareholding: 0 shares.

**THOMAS THOMSEN** Director. Born 1969. Thomas Thomsen has many years of experience in consumer marketing and non-prescription pharmaceuticals. He has held senior positions at Johnson & Johnson Consumer, Reckitt Benckiser and Novartis and was previously a Board member at Ferrosan (Denmark). Thomas Thomsen founded Value Impact United, and is a Board member at Cederroth (Sweden), Symprove (United Kingdom) and Alkalon (Denmark). Shareholding: 0 shares.

**TORBJÖRN KOIVISTO** Director, LL.M. Born 1969. Torbjörn Koivisto is a corporate lawyer focusing on corporate and commercial law, particularly within the field of Life Sciences. He has previous experience from Mannheimer Swartling, Lindahl and Bird & Bird. He is a Director at Forslid & Co AB. Since 2006, he has been running his own business, IARU. Shareholding: 5,856 shares through IARU, Institutet för Affärsjuridisk Rådgivning i Uppsala AB.

**AUDITORS** At the Annual General Meeting on April 18, 2011, the auditing firm Ernst & Young AB (Jakobsbergsgatan 24, Box 7850, SE-103 99 Stockholm) was appointed as the company's auditor with Authorized Public Accountant Björn Ohlsson (born 1960 and member of FAR) as Auditor-in-Charge, with a period in office according to the Articles of Association, for the period ending with the 2015 Annual General Meeting.

# SHAREHOLDER INFORMATION

**ANNUAL GENERAL MEETING**

The Annual General Meeting will be held on May 11, 2015 at Moberg Pharma's premises at Gustavslundsvägen 42, 5th floor, Bromma, Stockholm, Sweden. Shareholders who wish to have an issue addressed by the Annual General Meeting must submit their request by March 30, 2015 by post to the company's address or e-mail to arsstamma@mobergpharma.se.

All shareholders who are registered in their own name in the register of shareholders maintained by Euroclear Sweden AB on May 5, 2015, are entitled to attend the meeting. Shareholders whose shares are registered in the name of a nominee must, in ample time prior to this date, with the help of the nominee re-register their shares in their own names in order to be entitled to participate in the Annual General Meeting.

**REPORT DATES 2015**

| | |
|---|---|
| Interim report January - March 2015 | May 11, 2015 |
| Interim report January – June 2015 | August 11, 2015 |
| Interim report January – September 2015 | November 10, 2015 |

**FINANCIAL INFORMATION**

The reports are available in Swedish and English and will be published at www.mobergpharma.se. Contact Investor Relations, Anna Ljung, telephone +46 (0)8 522 807 01, e-mail anna.ljung@mobergpharma.se

# HISTORY

**2006**
Moberg Pharma was founded by Peter Wolpert and Marie Moberg. Upon founding, a patent and project portfolio was acquired based on many years of research starting in the late 1980s by the late Swedish dermatologist Dr. Sven Moberg, who worked at Sahlgrenska University Hospital. The company's portfolio has since expanded through new innovations, licenses for projects, the acquisition of a patent portfolio and further development.

**2007–2009**
The company conducted a clinical phase III trial involving 493 patients concerning Nalox™. The development portfolio was strengthened through the acquisition of all assets from the bankruptcy estate of Zelmic Technologies AB, including patent applications and laboratory equipment. A number of minor clinical trials were conducted for product candidates based on the Kaprolac® technology. In 2009, the company signed its first distribution agreement concerning sales of Nalox™ in the Nordic region, with Antula Healthcare AB (Meda AB).

**2010**
In March 2010, the company received European marketing authorization for Nalox™. Additional distribution agreements for a number of geographic markets were signed, including Canada and the Middle East, for Nalox™/Emtrix®. During the autumn, Nalox™ was launched in Sweden, Denmark, Norway and Finland. The product already became the market leader in the Nordic region during the first quarter. A clinical phase II trial for MOB-015 was initiated involving 237 patients.

**2011**
In May, the company was listed on the main list of NASDAQ OMX Nordic Exchange Stockholm.

The company published positive findings from a clinical trial for Nalox™. The trial included 75 patients with nail fungus and showed that 92 percent of patients experienced an improvement after eight weeks of treatment. An improvement was observed in 77 percent of the patients after just two weeks.

During the year, new distribution agreements were signed with Menarini (Italy), Alterna (USA) and OzHealth (Australia and New Zealand). The license agreement with Meda OTC was also expanded to include a total of 22 countries, including Germany, France, Spain, the UK, Russia, Poland, Turkey and the Nordic countries. Nalox™ retained its position as market leader in the Nordic region, while the international launch commenced and the product was launched in the U.S. and Australia.

**2012**
The company acquired Alterna LLC and thus established its own market presence in the U.S., while broadening its product portfolio with Kerasal® and Jointflex®. A private placement was implemented for Handelsbanken Fonder, the Third Swedish National Pension Fund and Rhenman & Partners Asset Management AB.

The successes for Kerasal® Nail®/Nalox™/Emtrix® continued. During the year, all remaining milestones in the agreement with Meda were achieved, as a result of successful launches in several European markets. In the U.S., distribution of Kerasal Nail® increased from 1,300 to 3,500 Walmart department stores and in Canada, Emtrix® was approved by the national regulatory authority, Health Canada.

Distribution agreements for Emtrix® were signed with Pharmaplan (Pty) Ltd. (South Africa), Ana Darou P.J.S (Iran) and Paladin Labs Inc. (Canada). Recruitment for a phase II trial with Limtop for the treatment of actinic keratosis was implemented and a new phase II trial with MOB-015 for the treatment of nail fungus commenced.

**2013**
In December, Moberg Pharma acquired three well-established, non-prescription products in the U.S. from Bayer HealthCare. The acquired portfolio includes the products Domeboro®, Vanquish® and Fergon®. A private placement was implemented aimed at Bure Equity AB.

During the year, a new distribution agreement was signed with Leosons International for the marketing of Kerasal Nail® in the Middle East and North Africa. In addition, the distribution agreement with Menarini was expanded to also include China, while the distribution agreement with Paladin was expanded to include Mexico.

In December, positive interim results were published from the ongoing phase II trial of MOB-015. After six months of treatment with MOB 015, 40 percent of the patients were mycologically cured (free from fungus). No safety concerned were identified.

**2014**
The distribution agreement with Menarini was expanded to include eight markets in South East Asia and at the end of the year the launch was initiated, starting in Malaysia. In September, positive findings were published from the phase II study for MOB-015 - 54 percent of the patients were mycologically cured, which was the primary efficacy variable.

# GLOSSARY

**ANTIMICROBIAL**
A substance with properties capable of destroying or inhibiting the growth of microorganisms (e.g. bacteria).

**BUPIVACAINE**
A long-acting local anesthetic of the amide type which has so far been used in injection form.

**CLINICAL TRIAL**
A study of the effects of a pharmaceutical on humans.

**DERMATOLOGY**
The science of the skin and its diseases.

**DRUG DELIVERY**
The method or process of administering active compounds to achieve a therapeutic effect in humans or animals. Drug delivery technologies refer to patent-protected formulation technologies that modify drug profile with respect to release or absorption of pharmaceuticals in the body, with the aim of achieving more efficient and simpler treatment and/or reduced side effects.

**FORMULATION**
To develop the most appropriate formulation of a pharmaceutical, for example, cream, tablet or liquid form.

**IAS (INTERNATIONAL ACCOUNTING STANDARDS) AND IFRS (INTERNATIONAL FINANCIAL REPORTING STANDARDS)**
New accounting rules adopted by the EU. The rules are designed to facilitate compatibility of annual reports in Europe.

**KERATOLYTIC**
To remove/shed dead cells from the epidermis/nail.

**MICROSCOPY**
Studies at the microscopic level of objects not visible to the naked eye.

**MYCOLOGY**
The study of fungi.

**NAIL FUNGUS**
Fungus infection of the nail that often results in the thickening and crumbling of the nail and the separation of the nail from the nail bed. Nail fungus is normally caused by pharmatophytes.

**ORAL MUCOSITIS**
Oral mucositis is a condition characterized by pain and inflammation of the mucous membrane and immediately underlying tissue in the mouth and throat. The condition affects many cancer patients who are undergoing treatment using cytostatic drugs and/or radiation. The condition causes reddening and sores, which can be very painful. In severe cases, the cancer treatment must be stopped or delayed because the patient is unable to eat or drink and needs nutrient supply via a different path and possibly admission to hospital.

**PATENT FAMILY**
A patent family consists of all patents and patent applications submitted in different countries for the same invention.

**PREVALENCE**
The number of individuals in a certain group having a certain disease at a certain time.

**TERBINAFINE**
An antifungal agent, developed by Novartis, now without patent protection. It belongs to a class of pharmaceuticals called allylamines, which block the activity of an enzyme, squalene epoxidase, which has a central role in the synthesis of the fungal cell membrane.

MOBERG PHARMA AB

Phone +46 8 522 30 700
Fax +46 8 735 20 29
info@mobergpharma.se
www.mobergpharma.se