



Moberg Derma establishes own market presence in the US – acquires Alterna

Stockholm, October 25, 2012. The Board of Moberg Derma AB (“Moberg Derma”, the “Company” or the “Group”) has decided to acquire its US distributor, Alterna LLC. Through the acquisition, Moberg Derma will gain access to a well-developed distribution network in the US for non-prescription drugs (OTC) and a portfolio of established brands, including the rights to Kerasal Nail™ (Nalox™ in Sweden). In order to carry out the transaction, the Board has resolved to issue new shares with deviation from the shareholders’ preferential rights, as well as to propose an extraordinary general meeting to approve the transaction and a proposed issue in kind.

Moberg Derma is a Swedish pharmaceutical company experiencing strong growth in the global market. The Company’s products are supplied through business partners in 19 countries and additional launches are in progress. Moberg Derma is continuously expanding its distribution network which currently encompasses 10 partners in 50 markets with a total of one billion inhabitants. In the US, the Company’s leading product is being marketed under the well-established Kerasal Nail™ brand, which is controlled by Alterna. A successful launch of Nalox™/Kerasal Nail™ in Europe and the US, growing sales for eight consecutive quarters and a positive cash flow have resulted in a position of strength that enables the next step in Moberg Derma’s growth strategy – an investment in its own distribution net in the world’s largest pharmaceutical market.

Alterna has established contacts with all the major US retail chains. Its infrastructure and competence in marketing and distribution are tried and tested, as shown by the successful launch of Kerasal Nail™. Through this forward integration in the value chain and the in-house marketing of products, Moberg Derma will deepen its awareness of customer needs, strengthening the Company’s development and commercialization of new products. The acquisition provides Moberg Derma with access to Alterna’s product portfolio, which in addition to Kerasal Nail™, includes several established brands with substantial growth potential.

Moberg Derma's acquisition of Alterna will be conducted with an initial consideration of approximately SEK 133 million (USD 20 million), of which approximately SEK 33 million through no more than 825,652 shares in the Company issued through an issue in kind. The remaining consideration of approximately SEK 100 million, plus a possible additional consideration of at most approximately SEK 33 million¹, will be paid in cash. The consideration paid in cash is financed partly through a new share issue of 907,900 shares directed to certain Swedish institutional investors at a value of approximately SEK 32 million, which the Board decided on October 24, 2012 under the authorization from the AGM on April 23, 2012, and partly through a bank loan financing from Swedbank of SEK 40 million, and own resources of approximately SEK 28 million.

¹ Additional consideration will be payable if net sales for Alterna during the period January 1, 2012 to December 31, 2012, or for the period January 1, 2012 to June 30, 2014, respectively, reaches certain amounts. If the goals are achieved, an additional payment of up to USD 2.5 million per period, a total of no more than USD 5.0 million, will be paid to the sellers of Alterna.



The Board of Moberg Derma has decided to convene an Extraordinary General Meeting on November 19, 2012, and proposes that the Meeting *inter alia* resolves to approve the acquisition of Alterna and authorizes the Board to carry out the issue in kind to the sellers of Alterna. The sellers of Alterna are Altaris Capital Partners ("Altaris"), certain senior executives of Alterna and Alterna's founders. Moberg Derma's four largest shareholders, which as at September 30, 2012 held 61 percent of the shares in the Company, have declared that they will vote in favor of the transaction and the issue in kind at the Extraordinary General Meeting.

Following the transaction, Altaris will become Moberg Derma's fourth largest shareholder with 7.1 percent of the Company's votes and share capital after dilution. Alterna's President and CEO, Steve Cagle, will own 0.4 percent of Moberg Derma and will join the Company's management with responsibility for operations in North America.

Completion of the acquisition is conditional upon available bank loan financing at the closing of the transaction, and that the General Meeting of the Company resolves to approve the acquisition and authorize the Board to conduct the issue in kind. Completion is also conditional upon that a representative for Altaris will be elected to Moberg Derma's board. Therefore, the Board of Directors proposes that the Extraordinary General Meeting elects Altaris founder George Aitken-Davies as new director of Moberg Derma.

Together, the directed share issue and the proposed issue in kind mean that 1,733,552 new shares will be issued in the Company, and that the Company's share capital will increase by SEK 173,355. The share issues will result in a dilution of 16.0 percent of the capital and votes in the Company.

Acquisition overview

Consideration:

- Approximately SEK 133 million (USD 20 million), of which approximately SEK 33 million (USD 5 million) through the issue in kind of no more than 825,652 shares and approximately SEK 100 million (USD 15 million) in cash,
- The seller will at most receive an additional approximately SEK 33 million (USD 5 million) in the form of an additional purchase consideration based on revenue for the period January 1, 2012 through June 30, 2014 (2 x USD 2.5 million), and
- The consideration corresponds to a multiple of 1.8 times Alterna's revenue for the past 12 months (as at September 30, 2012), approximately SEK 72 million (USD 11 million).

Financing of the cash portion of the consideration:

- Approximately SEK 32 million through a directed share issue of 907,900 shares to a small group of Swedish institutions, including AP3 (the Third Swedish National Pension Fund) and Rhenman & Partners,
- SEK 40 million through bank financing from Swedbank, and
- Approximately SEK 28 million with own funds.



Information about the new share issue and issue in kind:

- The new issue of 907,900 shares has been decided upon October 24, 2012, pursuant to the authorization received by the Board at the Annual General Meeting on April 23, 2012. In connection with the subscription of the new shares, delivery will initially be made in accordance with a share loan agreement entered between Östersjöstiftelsen and the issuing agent.
- The issue in kind of no more than 825,652 shares requires the passing of a resolution at the Extraordinary General Meeting on November 19, 2012. All shares will be subject to a lock-in clause, whereby the sellers of Alterna undertake not to trade in the shares during 12 months after the acquisition is accomplished.

Peter Wolpert, CEO of Moberg Derma, comments:

“Our rapid growth in combination with the successful launch of Kerasal Nail™ in the US – where we are already stocked at 25,000 retail locations – enables this acquisition. The acquisition of Alterna provides us with a platform for continued growth through a tried-and-tested organization for the marketing of non-prescription drugs and self-care products in the world’s largest market.”

Steve Cagle, CEO of Alterna, comments:

“We are excited about the growth opportunities for the combination of Moberg Derma and Alterna, and see substantial potential for value creation for investors and customers through existing and future products. We look forward to becoming a part of Moberg Derma and the continued growth of a great company.”

PRESS CONFERENCE, OCTOBER 25, 2012, at 11.00 am (CET)

Moberg Derma’s CEO Peter Wolpert presents the acquisition and the Company’s future plans. The presentation will be held at the Opera Terrace in Stockholm, Sweden. Registration can be made at www.financialhearings.com. The presentation will be held in Swedish.

The presentation can also be followed on tel +46-8-506 857 38, and through www.financialhearings.nu/121025/pressconference/

Background and motives

In pace with Moberg Derma’s growth, investments in additional products and the Company’s own distribution in selected markets will be enabled. Moberg Derma’s financial objective is to reach an EBITDA margin of at least 25 percent within three to five years, combined with sustained strong growth through continued organic growth and strategic acquisitions. As part of the Company’s strategy, following the successful launch of Kerasal Nail™ (Nalox™) in the US, Moberg Derma deems the timing right to establish its own distribution in a key market through the acquisition of Alterna.

Alterna is a US company with both OTC as self-care products within dermatology and topical pain treatment. The company’s primary products Kerasal® and JointFlex® are brands with established positions, principally in the US. The company has a well-tested and successful marketing and distribution organization in the US and distributors in the Middle East, Australia and Canada.



Since 2011, Moberg Derma has engaged in a close partnership with Alterna, which is responsible for the sales and distribution of Moberg Derma's main product Emtrix®/Nalox™ in North America under the brand Kerasal Nail™.

Moberg Derma's and Alterna's operations complement each other well since Moberg Derma has experience and competencies in the development and commercialization of pharmaceuticals and medical devices as well as a network of international distributors, while Alterna has successfully launched and marketed niche pharmaceuticals and self-care products in the US. The companies share a strategic vision, an understanding of growth opportunities and have similar corporate cultures.

Sales of Kerasal Nail™ is growing rapidly and, as a result of the acquisition, Moberg Derma's revenue from the US market is expected to increase substantially. The product portfolio will be expanded with established brands that enable increased sales and reduce dependence on single products. A closer relationship with the end customer will furnish the Company with knowledge and contribute to Moberg Derma's development work and future launches. The acquisition is also expected to enable the in-house launch of future products in the world's largest market for skin-care and non-prescription products.

With its own marketing organization and wide distribution in the US market, Moberg Derma is expected to become an attractive partner for companies wanting to sell or license their distribution rights in North America. Through the acquisition, Moberg Derma strengthens its position as a fast-growing and profitable pharmaceutical company focused on the development, commercialization and distribution of niche pharmaceuticals and self-care products.

Alterna had sales of about USD 10.3 million in the first nine months of 2012. In the 2011 fiscal year, the corresponding figure was USD 8.1 million. In connection with the consolidation of Moberg Derma and Alterna, certain sales revenue will be eliminated. In the first nine months of 2012, the operating margin (EBITDA) was approximately 6.8 percent (3.9 percent for the fiscal year 2011). The company has eight 8 employees. The acquisition of Alterna is expected to make a positive contribution to Moberg Derma's revenue and earnings from and including 2012.

Moberg Derma in brief

Moberg Derma's business concept is to develop and commercialize patented medical devices for the treatment of common diseases including through using innovative drug delivery solutions. The Company's products are based on proven compounds, thus reducing time to market, as well as development costs and risks.

Products launched by Moberg Derma

Emtrix®/Nalox™ is provided on a non-prescription basis for the treatment of discolored and damaged nails mainly caused mainly by nail infection. Emtrix®/Nalox™ was launched in the Nordic region in autumn 2010. The international launch is ongoing via partners in more than 50 markets. Efficacy and safety have been demonstrated in several clinical trials involving more than 600 patients in total.

Kaprolac® – a medical skin care range for the treatment of common skin complaints, such as, eczema and dandruff as well as dry and cracked skin, is currently retailed by the Company's distributor in Switzerland.



Moberg Derma's products under development

MOB-015 – is a topical preparation that has the potential to produce efficacy that is equal to or better than tablets for the treatment of nail fungus, but without the risk of serious side effects. MOB-015 is built on patent-pending formulation technology that delivers high concentrations of the antifungal agent terbinafine through the nail. A clinical phase II study is currently ongoing. Additional studies will probably be required prior to initiation of phase III trials.

Limtop – a topical treatment for actinic keratosis, genital warts and basal-cell carcinoma. The aim is to develop a product with a shorter treatment time and a significantly better side-effect profile demonstrating equivalent efficacy, compared with current treatments on the market. A clinical phase II study is currently ongoing.

Alterna in brief

Alterna LLC was founded in 2004 with the aim of acquiring, developing and commercializing non-prescription and self-care products in the North American market. The company invested early in three different product families: Kerasal® focused on podiatry; Jointflex®, for the topical treatment of arthritis and muscular pain, and ElixSure®, a liquid formulation for the supply of pharmaceutical products without waste. The first two products have been successfully developed and commercialized in the US and internationally, while Alterna has not commercialized ElixSure® to date. In addition to these proprietary products, the company licenses the product rights to Emtrix®/Nalox™ in North America from Moberg Derma, which co-finances the marketing of the product under the name Kerasal Nail™.

Alterna has created an efficient logistic chain and distribution model. Sales to retailers are managed by the company's own employees, contracted sales representatives working with the major retailers and by international distributors.

The network of US retailers includes: drugstores/chemists, for example, CVS, Walgreens and Rite Aid; major retail chains, including Walmart and Kmart; wholesalers, such as, McKesson and Cardinal Health as well as grocery chains, including Publix, Target, Giant Eagle, Stop&Shop and Save Mart.

In July 2012, Alterna forged deeper relations with Walmart regarding Kerasal® and Kerasal Nail™. Since August 2012, the products are available in virtually all US Walmart stores.

Alterna's products

Kerasal®

Kerasal® is a product range offering effective treatment for commonly occurring and difficult to treat foot problems. Podiatrists recommend Kerasal® for treatment of cracked heels, calluses and toenails damaged by fungus or psoriasis, foot pains and for softening and moisturizing dry feet. Kerasal® contains salicylic acid, which is an effective substance for softening the stratum corneum, and urea (carbamide) that re-moisturizes the skin and helps it retain moisture in new cell layers. The manufacturing process is patented by Alterna.



Kerasal Nail™

In the US, Moberg Derma's product for nail treatment, Emtrix®/Nalox™, is marketed under the brand name Kerasal Nail™ through a co-financed partnership with Alterna. The agreement between Alterna and Moberg Derma was signed in 2011. Kerasal Nail™ is retailed by the major retail chains in the US: Walmart, CVS, Rite Aid and Walgreens. The product is certified by the APMA (American Podiatric Medical Association).

JointFlex®

JointFlex® is a topical treatment for arthritis or muscle pain relief. The products are manufactured with FUSOME® technology, which enhances the skin's absorption of the pain-relieving ingredients. JointFlex® has been evaluated in placebo-controlled clinical study of osteoarthritis of the knee, which showed that patients experienced significant and rapid pain-relief. In addition, the study showed that the majority obtained long-term long-term pain relief that continued to improve week after week.

ElixSure® / NonSpil®

Alterna purchased the rights (comprising patent and brand) to NonSpil® and the rights to the ElixSure® brand in March 2005. Alterna evaluates strategic alternatives for ElixSure®.

Exchange rate

When converting SEK to US dollar, the exchange rate USD/SEK 6.65 has been applied, corresponding to the spot rate as of 5.30 pm on October 23, 2012.

Prospectus

The company will produce a prospectus in connection with the admission to trading of the shares issued in the issue in kind. The complete prospectus will be available on Moberg Derma's website from Monday, November 12, 2012 (www.mobergderma.se).

Indicative timetable

Directed share issue settlement	October 26, 2012
Estimated registration of the directed share issue	November 2, 2012
Extraordinary General Meeting	November 19, 2012
Closing of the transaction	November 27, 2012
Estimated registration of the issue in kind	Beginning of December 2012

Financial and legal advisors

HDR Partners have acted as financial advisors and Mannheimer Swartling Advokatbyrå as legal advisors to Moberg Derma in this transaction.

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The information provided herein is such as Moberg Derma is required to disclose pursuant to the Swedish Securities Markets Act. The information was submitted for publication on at 7.00 am (CET) on October 25, 2012.

Forward-looking statements

This press release contains certain forward-looking statements that reflect the Company's current views or expectations of future events and financial and operational performance, including statements relating to the Transaction and issue in kind and statements regarding guidance, planning, prospects and strategies. Words such as "intends", "anticipates", "expects", "plans", "estimates", "may", and similar expressions regarding indications or predictions of future developments or trends that are not based on historical facts, constitute forward-looking information. Although the Company believes that these statements are based upon reasonable assumptions and expectations, the Company can not give any assurances that any such forward-looking statements will materialize. Because these forward-looking statements involve both known and unknown risks and uncertainties, actual results may differ materially from the information set forth in the forward-looking information. Forward-looking statements in this press release apply only at the time of the press release and are subject to change without notice. The Company undertakes no obligation to publicly update or revise any forward-looking statements as a result of new information, future events or otherwise, other than as required by applicable law or stock market regulations.