Extended fiscal year July 2019 - December 2020

Interim report October – December 2019

Moberg Pharma AB (Publ)

Q1

Q2

Q3

Q4

Q5

Q6

PRIMARY ENDPOINT REACHED IN THE PHASE 3 STUDY

"MOB-015 has the potential to become the future market leader in onychomycosis. Seventy percent of the patients were fungus free, which is world leading for a topical treatment, but increased hydration causes temporary whitening, which makes the assessment of clinical cure more challenging. A shorter treatment period should solve this problem," says Anna Ljung, CEO of Moberg Pharma.

PERIOD (JUL-DEC 2019)

- Net revenue SEK 50.5 million (15.6) *
- EBITDA SEK 38.2 million (-3.0) *
- Operating profit (EBIT) SEK 37.0 million (-4.2) *
- Profit after tax SEK 28.7 million (-4.7) *
- Comprehensive income SEK 28.7 million (499.4)
- Diluted earnings per share SEK 1.53 (-0.27) *
- Cash and cash equivalents amounted to SEK 64.7 million (919.1)

** All comparative figures refer to continuing operations*

SECOND QUARTER (OCT-DEC 2019)

- Net revenue SEK 2.7 million (0.0) *
- EBITDA SEK -4.2 million (-10.3) *
- Operating profit (EBIT) SEK -4.8 million (-9.2) *
- Profit after tax SEK -4.0 million (-7.6) *
- Comprehensive income SEK -4.0 million (-5.1)
- Diluted earnings per share SEK -0.21 (-0.43) *
- Cash and cash equivalents amounted to SEK 64.7 million (919.1)

The Annual General Meeting on October 30 resolved to extend the company's financial year to the following period, July 1, 2019 – December 31, 2020. This interim report covers the first six months of the extended fiscal year from July 1, 2019. The comparative figures refer to the abbreviated financial year from January 1, 2019 to June 30, 2019.

SIGNIFICANT EVENTS IN THE SECOND QUARTER

- The Annual General Meeting resolved on October 30 to pay shareholders SEK 46.50 per share through an automatic redemption procedure, in accordance with the Board of Directors' proposal. Payment was issued in November.
- In October, a distribution agreement was signed with DongKoo for MOB-015 in the Republic of Korea.
- Mark Beveridge, VP Finance, reassumed responsibility for the finance function and replaced the previous CFO Sarah Hellerfelt.
- In December, the topline results were presented from the phase 3 study in North America. MOB-015 met both the primary endpoint and key secondary endpoints. No serious side effects were identified in the study.

SIGNIFICANT EVENTS AFTER THE END OF THE SECOND QUARTER

- Expert analysis confirms the validity of the results from the phase 3 study in North America, including:
  i) Treatment with MOB-015 results in a mycological cure that compares favorably to oral onychomycosis drugs and with the added advantage of earlier onset of action;
  ii) The proprietary vehicle technology increases the hydration and permeability of the nail plate enabling efficient terbinafine delivery, however it also confounds the assessment of clinical cure and complete cure; and
  iii) A likely solution to the problem – a shorter dosing regimen with the potential to deliver superior complete cure rates at 52 weeks.
- The Swedish Tax Agency declared that for the redemption of shares in Moberg Pharma for cash proceeds of SEK 46.50 per share, 60 percent the original acquisition cost will represent the redemption shares and 40 percent the remaining ordinary shares.

Conference call – February 11, 2020 at 3:00 p.m. CET

CEO Anna Ljung will present the report at a telephone conference on February 11, 2020 at 3:00 p.m. CET.

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STATEMENT FROM THE CEO

In December 2019, the results of the first of two clinical studies in the phase 3 program for MOB-015 were presented. The study met both the primary endpoint and key secondary endpoints and no safety issues were identified. The study and subsequent expert analysis showed that MOB-015 has the potential to become the future market leader in onychomycosis. Seventy percent of the patients were fungus free, which is world leading, but increased hydration causes temporary whitening of the nail, which makes the assessment of clinical cure more challenging. A shorter treatment period is a likely solution to the problem of whitening.

The North American study was conducted at 32 clinics in the U.S. and Canada and included a total of 365 patients, where 246 patients were treated with MOB-015 and 119 patients in a control group received the vehicle. At 52 weeks, significantly more MOB-015 patients reached complete cure compared to the vehicle (p=0.019) and mycological cure (fungus-free samples) was reached in 70 percent of the patients, which is significantly higher than has been reported for other topical treatments and compares with, but with an earlier onset of action than, oral terbinafine treatment. In addition, 80 percent of the patients reported an improvement by the first follow-up visit. Provided that the European study also produces positive results, both studies can be used as a basis for product registration.

On the whole, the outcome of the study was surprising, given the clinical cure rate (restoration of normal looking nails) of 4.5 percent was lower than expected based on the high mycological cure. Since the results were made public, the company, in collaboration with leading experts (Key Opinion Leaders, KOL), has analyzed the outcome to validate and better understand the unexpected results. The conclusion of the analysis was that the company's technology enables high delivery of terbinafine through the nail plate, but its hydrating properties also cause whitening/discoloration in nails. This phenomenon is transient but makes the assessment of clinical cure challenging, which contributed to the low complete cure rate observed. The KOLs as well as the company's own experts concluded that a higher complete cure is likely to be achieved with a shorter treatment period followed by maintenance dosing. This should maintain high concentrations of terbinafine in the nail tissue, while there is sufficient time for the hydration level to normalize.

From a medical and commercial perspective, a dosing regimen with daily treatment for a maximum of three months, followed by maintenance dosing once weekly, is highly attractive and further improves the target product profile of MOB-015. This is further supported by prescription data from the U.S., which shows that the actual use of existing topical treatments usually lasts between 3 to 4 months, despite intended daily treatment for 48 weeks. The improved product profile with a shorter treatment period also creates key competitive advantages compared to oral terbinafine. If MOB-015 shows the same antifungal effect as oral treatment and can show a high complete cure rate, there would be no medical reason to choose oral treatment over topical treatment.

In the U.S., around 4.5 million onychomycosis prescriptions are written, of which 3 million are for oral terbinafine. Previous launches of novel topical products have not significantly affected oral terbinafine prescriptions. With the improved product profile, MOB-015 will be an attractive alternative to other topical products as well as oral terbinafine.

We are very grateful for the thorough analysis of the key opinion leaders, which not only validated and gave us a better understanding of the reasons for the phase 3 results, but also strengthened our conviction that MOB-015 has the potential to become the future market leader in onychomycosis. Four key licensing agreements are currently in place for MOB-015: in Europe, Japan and Canada, plus the addition of the Republic of Korea in the latest quarter.

The share redemption in November 2019 resulted in an extraordinary payment to our shareholders of SEK 46.50 per share. After the redemption, the company has SEK 65 million in cash reserves and has sufficient funds to finalize the phase 3 studies for MOB-015.

To fully capitalize on MOB-015's potential, the advantages of a shorter treatment period will have to be documented in another study. The timing of such a study depends on whether the outcome of the EU study provides a basis for product registration. We look forward to the topline data from the EU study by the end of the second quarter and are fully committed to creating the future market leader in onychomycosis. The earlier onset of action and exceptional ability to eliminate the fungus as well as the outlook for a shorter treatment period are very promising.

Anna Ljung, CEO of Moberg Pharma

ABOUT MOBERG PHARMA

Moberg Pharma develops and commercializes medical products that relieve pain and skin conditions, especially nail fungus. The company is focused as of April 1, 2019 on the development and commercialization of pipeline assets with a combined annual peak sales potential of USD 350–700 million. The OTC business was divested in the first quarter of 2019 in favor of a clinical pipeline consisting of late stage drug candidates with the potential to significantly exceed the value of the divested portfolio. The divestment enabled shareholders to recognize compelling value for both components of the business. The shareholders received a distribution of SEK 46.50 per share in November 2019 while also retaining the potential of the pipeline assets.

MOB-015 is a next-generation treatment of onychomycosis (nail fungus) and BUPI is a novel treatment for oral pain relief in association with inflammation and ulceration of the oral mucous membranes (oral mucositis or OM), a serious complication of cancer treatment. Both drugs have demonstrated strong Phase 2 results which indicate that they have the potential to become market leaders in their respective niches. Two parallel Phase 3 studies for MOB-015 with more than 800 patients are currently underway. Topline results from the North American study were presented in December 2019 and data from the European study are expected in the second quarter of 2020. Moberg Pharma has signed license agreements for Europe, Japan, Canada and The Republic of Korea for MOB-015 and estimate the annual sales potential for MOB-015 at USD 250–500 million. This is in addition to BUPI, with an estimated annual sales potential of USD 100-200 million.

	MOB-015	BUPI
	**Nail fungus** • Topical terbinafine • Target profile: Rapid, visible improvement, superior cure rate and shorter treatment time(vs other topical medications)	**Pain relief oral mucositis** • Lozenge with bupivacaine • Target profile: Better and longer pain relief vs existing products
	**Estimated annual sales potential:** **USD 250-500 million**	**Estimated annual sales potential:** **USD 100-200 million**
	**Phase 3 ongoing** • North American study completed, n=365, primary and secondary endpoints met, no no serious side effects were identified • European study ongoing, n=452, topline results expected during second quarter 2020	**Partering and preparations for phase 3 ongoing** • Partnering discussions ongoing, in addition to current partner Cadila Pharmaceuticals • Advisory meetings held with agencies in Sweden and Germany
	**Patent protection until 2032** • Patent granted in large markets, incl. U.S., Canada, EU, China and Japan • Patents include new topical formulations of allylamines (including terbinafine), and treatment methods for nail fungus using the new formulations	**Patent protection until 2032-2033** • Patent granted in EU, Canada and U.S. • Patents include lozenges and other formulations with a local anesthetic, including bupivacaine, for the mouth or throat and for treatment of oral mucositis in cancer patients
	**Phase 2 data: Leading data for severely affected nails** • 70% mycological cure, phase 3-data • 1000x more terbinafine in the nail vs oral administration • 40x more terbinafine in the nail bed vs oral administration • Negligible systemic exposure of terbinafine	**Phase 2 data: Significantly better pain relief vs standard of care** • Primary endpoint: 31% less pain in the BUPI group vs Standard care (maximum VAS value in the mouth/throat, p = 0,0032) • In mouth: 50% less pain in the BUPI group (p = 0,0002)

BUSINESS DEVELOPMENT

RESULTS FROM THE FIRST OF TWO PHASE 3 STUDIES PROVIDED STRONG SUPPORT FOR MOB-015

In December 2019, the results were presented from the first of two clinical studies in the phase 3 program for MOB-015. The North American study met the primary endpoint, complete cure at week 52. Mycological cure (eradicating the fungal infection) was achieved in 70 percent of the patients, which is substantially higher than reported for other topical treatments (30-54 percent). Furthermore, the onset of the antifungal effect is more rapid than for oral terbinafine, with MOB-015 delivering 55 percent mycological cure at 6 months (vs 40 percent for oral terbinafine) and 37 percent already at 3 months (vs 15 percent for oral terbinafine).

The treatment with MOB-015 is the first topical treatment with a mycological cure rate at the same level as oral terbinafine, the current gold standard for treatment of onychomycosis, that is administered orally for three months. Before the recently completed clinical phase 3 study with MOB-015, it appeared unrealistic that a topical treatment would achieve 70 percent mycological cure rate. Furthermore, the concentration of terbinafine has been shown to be 1000X higher in the nail and 40x higher in the nail bed when treated with MOB-015 compared to oral terbinafine.

Despite the strong mycological cure in most of the patients, and that 83 percent of the patients reported visible nail improvement by the first follow-up visit, complete cure was seen in only 4.5 percent of the patients. This part of the outcome is surprising, since a high mycological cure (fungus-free samples) is normally followed by clinical cure (normalization of the nail's appearance) and the composite measure, complete cure. In collaboration with leading experts, the company has reviewed in detail the data and individual photos from the study to verify the results and better understand the reasons for the contradictory outcome.

The conclusion from the analysis is that while the company's technology enables high delivery of terbinafine through the nail plate, its hydrating properties also cause whitening/discoloration in nails. This phenomenon is transient but makes the assessment of clinical cure challenging and contributed to the low complete cure rate observed. Both the KOLs and the company's own experts are in agreement, however, that a higher complete cure rate is likely to be reached through a shorter treatment period followed by a maintenance period. Once-daily treatment for not more than three months, followed by maintenance dosing once weekly until week 48 should maintain high concentrations of terbinafine in the tissue, while reducing the hydrating effects after the initial treatment phase and thus the impact on the clinical cure assessment at week 52. The conclusions are based on available clinical data from the phase 3 study as well as previous studies conducted by Moberg Pharma.

The primary endpoint was met in the North American study and provided that the European study also produces positive results, both studies can be used as a basis for product registration. The timing to optimize the dosing regimen will depend on the outcome of the European study, which is expected by the end of the second quarter of 2020.

NEW AGREEMENT IN THE REPUBLIC OF KOREA ADDS TO THREE EXISTING REGIONS

In October, a distribution agreement for MOB-015 was signed in the Republic of Korea, this time with DongKoo, the market leader in dermatology, with excellent coverage of dermatology clinics. The Korean market for topical drugs for onychomycosis amounts to USD 40 million, and over 90% of prescriptions are written by the clinics. The agreement gives DongKoo exclusive rights to market and sell MOB-015 in the Republic of Korea. Moberg Pharma assumes production and supply responsibility.

This is the fourth commercial agreement for MOB-015, adding to the three previous agreements with Cipher Pharmaceuticals for Canada, Taisho in Japan and the Consumer Health division of Bayer AG, a world leader in OTC fungus treatments with the brand Canesten, for Europe. The aim is to repeat the journey with Kerasal Nail®, where we combined direct sales in the U.S. with strategic collaborations in a number of major territories. The most important markets for MOB-015 are expected to be the U.S., the EU, Japan, Canada and China, all with patent protection until 2032.

EXTRAORDINARY PAYMENT TO THE SHAREHOLDERS

On October 30, the Annual General Meeting resolved in accordance with the Board of Directors' proposal an extraordinary distribution to the shareholders of SEK 46.50 per share through a share redemption to be executed in November 2019. After the redemption, the company had SEK 65 million in cash reserves and has sufficient funds to finalize the ongoing phase 3 studies for MOB-015.

FINANCIAL OVERVIEW

REVENUES AND PROFIT

Second quarter (October-December 2019)

Net revenue amounted to SEK 2.7 million (0) in the quarter.

Moberg Pharma's operations consist of research and development, business development and administrative functions. The majority of development expenditure incurred is directly attributable to the clinical phase 3 studies in the project for MOB-015, which is capitalized. The largest expense items in the quarter consist of business development and administration expenses of SEK 6,4 million (8.5), followed by research and development expenses of SEK 2.2 million (3.6). Other operating income includes the invoicing for costs related to transition services included in the sale of the OTC business of SEK 1.4 million (3.2).

The comparative figures in the consolidated income statement show the impact on earnings from the divested OTC operations as a separate item in the consolidated financials. For the parent company, amounts reported in the income statement have not been separated for discontinued operations. A profit and loss account for discontinued operations is presented in Note 2.

Half-year (July-December 2019)

Net revenue amounted to SEK 50.5 million (15.6) in July – December 2019. Revenue relates in its entirety to milestones, the majority of which comes from the initial milestone of USD 5 million received in connection with the agreement with Taisho for MOB-015 in Japan. For the comparison period, revenue relates to a milestone of EUR 1.5 million from the agreement with Bayer AG for MOB-015 in Europe.

CASH FLOW

Second quarter (October-December 2019)

Cash flow from operating activities was SEK 43.6 million (-63.9) in the quarter, thanks to milestone payments in the half-year of SEK 50 million. Cash flow from financing activities was SEK -861.7 million (-600.5), the majority of which related to the payment to shareholders of SEK 46.50 per share, totaling SEK 837 million, and SEK 24 million related to the repayment of outstanding interest-bearing liabilities. The negative cash flow for financing activities for the comparison period related to the repayment of bond loans. Total change in cash and cash equivalents in the second the quarter was SEK -828.5 million (-677.8). Cash and cash equivalents amounted to SEK 64.7 million (919.1) at the end of the period.

Half-year (July-December 2019)

Cash flow from operating activities was SEK 14 million (-39). Cash flow from investing activities was SEK -32 million (1,400), of which SEK -28 million relates to investments in intangible assets and SEK -4 million relates to the final adjustment of net working capital from the sale of the OTC business. Cash flow from financing activities was SEK -836 million (-555) mainly due to the payment to shareholders. Total change in cash and cash equivalents in the half-year was SEK -808 million (854).

INVESTMENTS

Investments in intangible assets in the second quarter relate to capitalized expenses for development work of SEK 10.5 million (13.4). The company has two late-stage development projects that are capitalized, MOB-015 and BUPI. The bulk of expenditure relates to MOB-015.

R&D expenses (costs and investments) (SEK thousand)	Oct-Dec 2019	Apr-Jun 2019	Jul-Dec 2019	Jan-Jun 2019
R&D expenses (in statement of comprehensive income)	**-2,191**	**-3,602**	**-4,827**	**-7,165**
Capitalized R&D investments	-10,455	-13,401	-28,636	-31,998
Depreciation/amortization booked to R&D expenses	448	485	896	852
Change in R&D investments (in statement of financial position)	**-10,007**	**-12,916**	**-27,740**	**-31,146**
Total R&D expenditure	**-12,198**	**-16,518**	**-32,567**	**-38,311**

LIABILITIES

As of balance sheet date, Moberg Pharma had no interest-bearing liabilities. In connection with the divestment of the OTC portfolio in March 2019, the buyer provided financing via a loan of USD 2.5 million. In September, it was announced that the Board of Directors had decided to repay the loan in full prior to maturity, as the Board considers that the loan is no longer necessary to support financing for the remaining MOB-015 operations. This loan was repaid on October 31, 2019.

CHANGES IN EQUITY

SHARES

Share capital at the end of the period was SEK 1,866,876 (1,817,986), where the total number of shares outstanding was 18,668,764 ordinary shares (17,519,016) and zero series B shares (660,843) with a quotient value of SEK 0.10. Moberg Pharma holds 184,746 (184,746) repurchased shares at the end of the period.

A reclassification in November increased the number of ordinary shares and decreased the number of series B shares, while the total number of shares and votes in the company is unchanged.

In July 2019, the number of shares and votes increased as a result of the issuance of 488,905 ordinary shares following the exercise of warrants within the framework of Moberg Pharma's share-based incentive program. The OTC divestment resulted in the vesting of a proportion of outstanding incentive programs pro rata based on the divestment date (March 29, 2019). Exercise of the warrants increased the number of shares and votes by 488,905 during the half-year, from 18,364,605 to 18,853,510 at the time of publication of this report.

SHAREHOLDER INFORMATION

The company's largest shareholders per December 30, 2019:

Shareholders	Number of shares	% of votes and capital
FÖRSÄKRINGSBOLAGET, AVANZA PENSION[1]	2,304,445	12.22
ÖSTERSJÖSTIFTELSEN	2,274,179	12.06
NORDNET PENSIONSFÖRSÄKRING AB	674,660	3.58
JAZZ HOLDCO, INC	660,843	3.51
LINDBÄRG, ERIK	360,460	1.91
LUNDMARK, SVEN ANDERS	324,500	1.72
DANICA PENSION70078007, DANICA PENSION	285,200	1.51
BNY MELLON NA (FORMER MELLON), W9	200,356	1.06
MOBERG PHARMA AB	184,746	0.98
SYNSKADADES STIFTELSE	172,201	0.91
GAR-BO FÖRSÄKRING AB	169,300	0.9
GUNNARSSON, MIKAEL	157,000	0.83
ML, PIERCE, FENNER & SMITH INC	147,414	0.78
SKANDIA, FÖRSÄKRINGS	135,536	0.72
PLAIN CAPITAL BRONX	132,564	0.7
HOLMSTRÖM, MIKAEL	123,460	0.65
NORMAN, CARL ERIK	110,000	0.58
BNY MELLON SA/NV (FORMER BNY), W8IMY	109,293	0.58
SWEDBANK FÖRSÄKRING	107,272	0.57
SOCIETE GENERALE	102,319	0.54
TOTAL, 20 LARGEST SHAREHOLDERS	**8,735,748**	**46.3**
Other shareholders	10,117,762	53.7
TOTAL	**18,853,510**	**100**

[1] Includes 435,399 shares owned by the company's Chairman, Peter Wolpert, through an endowment insurance policy.

SHARE-BASED COMPENSATION PLANS

As of December 31, 2019, the number of outstanding instruments was 108,246 employee stock warrants and 80,022 performance share units[2]. If all employee stock warrants were exercised, the total number of shares would increase by 108,246. Performance share units are issued and held in trust, where the actual number of shares that can be transferred varies depending on the share's performance. The exercise price for the option programs varies between SEK 0.10 and SEK 13.00, and the performance share units are linked to the value of the increase in the share price from the date when the performance share units were allocated.[3] For detailed information on the incentive programs, see the 2019 Annual Report.

The following table gives an indication of the maximum levels of dilution at different levels of share price:

Instruments granted based on strike price				
Share price	**10**	**20**	**30**	**40**
Number of new shares due to diluting warrants	17,000	108,246	108,246	108,246
Number of shares allocated by performance share units	172,047	126,035	110,697	103,028
Theoretical dilution	**1.0%**	**1.2%**	**1.2%**	**1.1%**
Company's market capitalization, SEK million	187	377	566	754
Gain for instrument holders[4], SEK million	1.9	3.5	5.4	7.3
Actual dilution [5]	**1.0%**	**0.9%**	**1.0%**	**1.0%**

PARENT COMPANY

Moberg Pharma AB (publ), corp. reg. no. 556697-7426, is the parent company of the Group. The operations of the Group are primarily conducted in the parent company and consist, since the end of March 2019, of research and development, business development and administrative functions.

For the period July to December 2019, the Parent Company's net revenue totaled SEK 50.0 million (42.8). Operating profit was SEK 37.0 million (-31.6), while profit after financial items was SEK 36.2 million (572.5). Cash and cash equivalents amounted to SEK 64.7 million at the end of the period.

OTHER INFORMATION

ORGANIZATION

Per December 31, 2019, Moberg Pharma had 16 employees, of whom 94% were women. All were employees of the parent company.

RISK FACTORS

Commercialization and development of pharmaceuticals are capital-intensive activities exposed to significant risks. Risk factors considered of particular significance for Moberg Pharma's future development are linked to the results of clinical trials, regulatory actions, patents and trademarks, key personnel, sensitivity to economic fluctuations, future capital requirements, and financial risk factors. A description of these risks can be found in the company's 2019 Annual Report on page 19.

OUTLOOK

Moberg Pharma's goal is to create value and provide attractive shareholder returns through the successful commercialization of its pipeline assets.

[2] The number of performance share units is recalculated upon execution to adjust for the payment of SEK 46.50 per share in November 2019. Consequently, the number of shares allocated after performance share units is higher than 80,022 in the table, which shows the actual dilution

[3] Note that the redemption prices have been recalculated in accordance with the terms of the respective incentive program after payment of SEK 46.50 per share in November 2019

[4] Total pretax gain for warrant holders

[5] Calculated from the gain made by instrument holders through market capitalization at the given share price

In 2020, the focus is on advancing the company's phase 3 development programs and preparations for commercialization production to maximize value and create future growth. It is the view of the Board of Directors and executive management that the company has sufficient funds to complete the ongoing clinical activities.

DISTRIBUTION OF SEK 46.50 PER ORDINARY SHARE IN NOVEMBER 2019

In March 2019, the OTC business was divested for a cash consideration of USD 155 million, adjusted for working capital. Moberg Pharma has used the cash consideration to, among other things, distribute SEK 46.50 per ordinary share in November 2019 through an automatic redemption.

The Swedish Tax Agency has published a notification on distribution of the acquisition cost of shares as a consequence of the redemption in 2019 of shares in Moberg Pharma AB. The full text of the notification SKV M 2020:1, which is published on the Swedish Tax Agency's website (www4.skatteverket.se/rattsligvagledning/381557.html?date=2020-01-13), states that: Of the original acquisition cost of the ordinary shares in Moberg Pharma, 60 percent represents the redemption shares and 40 percent the remaining ordinary shares.

Tax rules for redemption

When a shareholder redeems shares in a company, the shareholder is deemed to have sold the shares. As a result, a capital gain is calculated[6]. In the calculation, the shareholder may deduct the portion of the original acquisition cost represented by the redeemed shares.

Alternatively, the standard approach may be used for shares that are publicly listed. In the standard approach, the acquisition cost may be calculated as 20 percent of the consideration received for redeemed or sold redemption shares.

Since the redemption shares were traded for a period of time, they are considered to be publicly listed.

Example

If the acquisition cost of an ordinary share in Moberg Pharma immediately before the split is SEK 40 in this example, (0.6 x 40 =) SEK 24 represents the redemption share. The remaining ordinary share is then assigned an acquisition cost of (40 – 24 =) SEK 16.

If the redemption share is sold or redeemed for SEK 46.50, a capital gain arises of (46.50 – 24 =) SEK 22.50

[6] Provided that the shares are not held in an account subject to the standard tax, such as an investment savings account or an endowment insurance policy, which means that the shareholder pays a certain percentage rate in tax per year. The percentage rate is based on the account's value instead of on the gains made by the shareholder.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(SEK thousand)	Oct-Dec 2019	Apr-Jun 2019	Jul-Dec 2019	Jan-Jun 2019
Continuing operations				
Net revenue	2,669	-	50,488	15,554
Cost of goods sold	-	-	-	-
Gross profit	**2,669**	**0**	**50,488**	**15,554**
Selling expenses	-131	-222	-293	-788
Business development and administrative expenses	-6,351	-8,511	-12,879	-15,334
Research and development costs	-2,191	-3,602	-4,827	-7,165
Other operating income	1,209	3,164	4,473	3,514
Other operating expenses	-	-	-	-
Operating profit (EBIT)	**-4,795**	**-9,171**	**36,962**	**-4,219**
Interest income and similar items	-	92	-	121
Interest expenses and similar items	-243	-711	-758	-966
Profit after financial items from continuing operations (EBT)	**-5,038**	**-9,790**	**36,204**	**-5,064**
Tax on profit for the period	1,036	2,189	-7,543	336
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	**-4,002**	**-7,601**	**28,661**	**-4,728**
Discontinued operations				
Profit after tax for the period from discontinued operations (see Note 2)	-	2,512	-	563,544
PROFIT FOR THE PERIOD	**-4,002**	**-5,089**	**28,661**	**558,816**
Items that will be reclassified to profit				
Translation differences of foreign operations	-	-	-	8,855
Reclassification of translation differences to profit from sale of discontinued operations	-	-	-	-68,249
Other comprehensive income	**-**	**-**	**-**	**-59,394**
TOTAL PROFIT FOR THE PERIOD	**-4,002**	**-5,089**	**28,661**	**499,422**
Whereof total profit from continuing operations	-4,002	-7,601	28,661	-4,728
Whereof total profit from discontinued operations (see Note 2)	-	2,512	-	504,150
Profit for the period attributable to parent company shareholders	-4,002	-5,089	28,661	558,816
Total profit attributable to parent company shareholders	-4,002	-5,089	28,661	499,422
Basic earnings per share	**-0,21**	**-0,28**	**1,54**	**31,64**
Diluted earnings per share [7]	**-0,21**	**-0,28**	**1,53**	**31,35**
Basic earnings from continuing operations per share	**-0,21**	**-0,43**	**1,54**	**-0,27**
Diluted earnings from continuing operations per share [7]	**-0,21**	**-0,43**	**1,53**	**-0,27**
EBITDA from continuing operations	**-4,161**	**-10,253**	**38,231**	**-2,950**

[7] In periods when the Group reports a loss, no dilution effect arises. The reason for this is that a dilution effect is only recognized when a potential conversion to ordinary shares would result in lower earnings per share.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN BRIEF

(SEK thousand)	2019-12-31	2019-06-30
Assets		
Intangible assets	284,290	255,654
Capitalized Development[8]	277,440	248,804
Patents	6,850	6,850
Property, plant and equipment	46	80
Right-of-use assets	9,259	10,493
Deferred tax asset	4,074	11,617
Total non-current assets	**297,669**	**277,844**
Trade receivables and other receivables	4,166	12,994
Cash and cash equivalents	64,707	919,134
Total current assets	**68,873**	**932,128**
TOTAL ASSETS	**366,542**	**1,209,972**
Equity and liabilities		
Equity (attributable to parent company's shareholders)	335,832	1,121,030
Non-current interest-bearing liabilities	-	23,642
Non-current leasing liabilities	7,084	8,331
Non-current non-interest-bearing liabilities	65	65
Total non-current liabilities	**7,149**	**32,038**
Current leasing liabilities	2,481	2,366
Current non-interest-bearing liabilities	21,080	54,538
Total current liabilities	**23,561**	**56,904**
TOTAL EQUITY AND LIABILITIES	**366,542**	**1,209,972**

[8] For further details, see note 3

CONSOLIDATED STATEMENT OF CASH FLOWS IN BRIEF

(SEK thousand)	Oct-Dec 2019	Apr-Jun 2019	Jul-Dec 2019	Jan-Jun 2019
Operating activities				
Operating profit before financial items from continuing operations	-4,795	-9,172	36,962	-4,220
Operating profit before financial items from discontinued operations	-	5,111	-	599,371
Operating profit before financial items	-4,795	-4,060	36,962	595,152
Financial items, received and paid	-1,152	-32,862	-1,211	-42,288
Taxes paid	-	-	-	-15
Adjustments:				
Depreciation/amortization and capital gains	634	635	1,269	10,518
Capital gains	-	-5,031	-	-624,905
Employee share-based adjustments to equity[9]	201	528	386	1,675
Cash flow before changes in working capital	**-5,112**	**-40,790**	**37,406**	**-59,863**
Change in working capital				
Increase (-)/Decrease (+) in inventories	-	-284	-	-3,481
Increase (-)/Decrease (+) in operating receivables	47,598	-22,230	6,097	19,050
Increase (+)/Decrease (-) in operating liabilities	1,118	-570	-29,196	6,441
OPERATING CASH FLOW	**43,604**	**-63,874**	**14,307**	**-37,853**
Investing activities				
Net investments in intangible assets	-10,455	-13,401	-28,636	-32,396
Net investments in subsidiaries	-	-50	-3,760	1,432,816
CASH FLOW FROM INVESTING ACTIVITIES	**-10,455**	**-13,451**	**-32,396**	**1,400,420**
Financing activities				
Issue of loans	-	-	-	23,205
Repayment of loans	-23,642	-600,000	-23,642	-600,000
Repayment of leases	-612	-514	-1,132	-1,031
Payment in the form of redemption procedure	-837,401	-	-837,401	-
Issue of new shares less transaction costs	-	30	25,837	23,236
CASH FLOW FROM FINANCING ACTIVITIES	**-861,655**	**-600,484**	**-836,338**	**-554,590**
Change in cash and cash equivalents	**-828,506**	**-677,809**	**-854,427**	**807,977**
Cash and cash equivalents at beginning of period	893,213	1,596,943	919,134	110,785
Exchange rate differences in cash and cash equivalents	-	-	-	372
Cash and cash equivalents at the end of period	64,707	919,134	64,707	919,134

[9] Note that revaluation of estimated costs for social security contributions for employee stock options is reported in change in operating liabilities.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(SEK thousand)	Share capital	Other capital contributions	Translation reserve	Accumulated loss	Total equity
July 1 – December 31, 2019					
Opening balance July 1,2019	**1,818**	**555,639**	**-**	**563,573**	**1,121,030**
Total income					
Profit for the period				28,661	28,661
Transactions with shareholders					
New share issue[10]	49	23,107			23,156
Payment in the form of redemption procedure	-943			-836,458	-837,401
Bonus issue	943	-943			-
Employee stock options		386			386
CLOSING BALANCE DECEMBER 31, 2019	**1,867**	**578,189**	**-**	**-244,234**	**335,832**
January 1 – June 30, 2019					
Opening balance, January 1, 2019	**1,744**	**528,122**	**59,394**	**4,758**	**594,018**
Total income					
Profit for the period				558,815	558,815
Other comprehensive income – translation differences on translation of foreign operations			-59,394		-59,394
Transactions with shareholders					
New share issue	66	23,169			23,235
Employee stock options	8	4,348			4,356
CLOSING BALANCE, JUNE 30, 2019	**1,818**	**555,639**	**-**	**563,573**	**1,121,030**

[10] Neww share issue after exercise of employee stock warrants after the OTC divestment.

KEY RATIOS FOR THE GROUP

(SEK thousand)	Oct-Dec 2019	Apr-Jun 2019	Jul-Dec 2019	Jan-Jun 2019
Net revenue*	2,669	0	50,488	15,554
EBITDA*	-4,161	-10,253	38,231	-2,950
Operating profit (EBIT)*	-4,795	-9,171	36,962	-4,219
Profit after tax	-4,002	-5,089	28,661	558,816
Cash and cash equivalents	64,707	919,134	64,707	919,134
Balance sheet total	366,542	1,209,972	366,542	1,209,972
Equity/assets ratio	92%	93%	92%	93%
Return on equity	Neg	Neg	9%	50%
Diluted earnings per share, SEK	-0.21	-0.28	1.53	31.35
Equity per share, SEK	17,99	61.66	17,99	61.66
Basic average number of shares	18,668,764	17,883,932	18,587,280	17,662,347
Diluted average number of shares	18,815,505	18,080,898	18,729,122	17,825,800
Number of shares at the end of the period excluding repurchased own shares	18,668,764	18,179,859	18,668,764	18,179,859
Share price on balance sheet date, SEK	18.10	65.90	18.10	65.90
Market capitalization balance date, SEK million	338	1,198	338	1,198

**continuing operations*

DEFINITIONS OF KEY RATIOS

Moberg Pharma presents certain financial performance measurements in the interim report that are not defined in accordance with IFRS. In Moberg Pharma's opinion, these performance measurements provide valuable additional information to investors and company management as they enable an evaluation of the company's performance. These financial performance measurements are not always comparable with those used by other companies since not all companies calculate them in the same manner. Accordingly, these financial measurements are not to be regarded as a replacement for the performance measurements defined in accordance with IFRS.

Net revenue adjusted for acquisitions and divestments	Net revenue for products owned by the company through the entire reporting period and through the entire comparative period.
EBITDA	Operating profit before depreciation/amortization and impairment of intangible assets and property, plant, and equipment
Equity/assets ratio	Equity at the end of the period in relation to balance sheet total
Return on equity	Profit for the period divided by closing equity
Earnings per share*	Profit after tax divided by the diluted average number of shares
Equity per share	Equity divided by the number of shares outstanding at the end of the period

** Defined in accordance with IFRS*

PARENT COMPANY INCOME STATEMENT SUMMARY

(SEK thousand)	Oct-Dec 2019	Apr-Jun 2019	Jul-Dec 2019	Jan-Jun 2019
Net revenue	2,669	-	50,488	42,848
Cost of goods sold	-	26	-	-2,477
Gross profit	**2,669**	**26**	**50,488**	**40,371**
Selling expenses	-131	-222	-293	-11,450
Business development and administrative expenses	-6,351	-8,511	-12,879	-56,908
Research and development costs	-2,191	-3,601	-4,827	-7,860
Other operating income	1,209	3,217	4,473	4,208
Other operating expenses	-	-	-	-
Operating profit	**-4,795**	**-9,091**	**36,962**	**-31,639**
Capital gain from divested subsidiary and similar income	-	5,122	-	646,606
Interest expenses	-243	-3,812	-758	-42,445
Profit after financial items	**-5,038**	**-7,781**	**36,204**	**572,522**
Tax on profit for the period	1,036	2,691	-7,543	6,553
PROFIT	**-4,002**	**-5,090**	**28,661**	**579,075**

PARENT COMPANY BALANCE SHEET SUMMARY

(SEK thousand)	2019-12-31	2019-06-30
Assets		
Intangible assets	284,290	255,654
Property, plant and equipment	46	80
Right-of-use assets	9,259	10,493
Non-current financial assets	150	150
Deferred tax asset	4,074	11,617
Total non-current assets	**297,819**	**277,994**
Trade receivables and other receivables	4,166	12,994
Cash and cash equivalents	64,657	919,084
Total current assets	**68,823**	**932,078**
TOTAL ASSETS	**366,642**	**1,210,072**
Equity and liabilities		
Equity	335,832	1,121,030
Non-current interest-bearing liabilities	-	23,642
Non-current lease liabilities	7,084	8,331
Non-current non-interest-bearing liabilities	65	65
Total non-current liabilities	**7,149**	**32,038**
Liabilities to Group companies	99	16,611
Current lease liabilities	2,481	2,366
Current non-interest-bearing liabilities	21,081	54,539
Total current liabilities	**23,661**	**57,004**
TOTAL EQUITY AND LIABILITIES	**366,642**	**1,210,072**

PARENT COMPANY CASH FLOW STATEMENT SUMMARY

(SEK thousand)	Oct-Dec 2019	Apr-Jun 2019	Jul-Dec 2019	Jan-Jun 2019
Operating activities				
Operating profit before financial items	-4,795	-9,091	36,962	-31,639
Financial items, received and paid	-1,152	-32,861	-1,211	-42,288
Adjustments:				
Depreciation/amortization and capital gains	634	635	1,269	9,092
Employee share-based adjustments to equity	201	528	386	1,362
Cash flow before changes in working capital	**-5,112**	**-40,789**	**37,406**	**-63,473**
Change in working capital				
Increase (-)/Decrease (+) in inventories	-	-285	-	443
Increase (-)/Decrease (+) in operating receivables	47,598	-63,438	6,097	5,309
Increase (+)/Decrease (-) in operating liabilities	1,118	41,155	-29,196	36,696
OPERATING CASH FLOW	**43,604**	**-63,357**	**14,307**	**-21,025**
Investing activities				
Net investments in intangible assets	-10,455	-13,401	-28,636	-32,065
Net investments in subsidiaries	-	-50	-3,760	1,432,766
CASH FLOW FROM INVESTING ACTIVITIES	**-10,455**	**-13,451**	**-32,396**	**1,400,701**
Financing activities				
Issue of loans	-	-	-	23,205
Repayment of loans	-23,642	-600,000	-23,642	-600,000
Repayment of leases	-612	-1,031	-1,132	-1,031
Payment in the form of redemption procedure	-837,401	-	-837,401	-
Issue of new shares less transaction costs	-	30	25,837	23,236
CASH FLOW FROM FINANCING ACTIVITIES	**-861,655**	**-601,001**	**-836,338**	**-554,590**
Change in cash and cash equivalents	**-828,506**	**-677,809**	**-854,427**	**825,086**
Cash and cash equivalents at the beginning of the period	893,163	1,596,893	919,084	93,998
Cash and cash equivalents at the end of the period	64,657	919,084	64,657	919,084

NOTE 1 ACCOUNTING POLICIES AND MEASUREMENT PRINCIPLES

The interim report was prepared in accordance with IAS 34 and the Swedish Annual Accounts Act. The consolidated financial statements were, like the annual accounts for 2019, prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the Swedish Annual Accounts Act. The parent company financial statements were prepared in accordance with Swedish Annual Accounts Act and Recommendation RFR 2 of the Swedish Financial Reporting Board, Financial Statements for Legal Entities.

Amounts are presented in Swedish kronor and rounded to the nearest thousand unless otherwise stated. Rounding to the nearest thousand may mean that certain amounts do not match when added up. MSEK stands for million Swedish kronor. Amounts and figures in parentheses are comparative figures from the previous year.

NOTE 2 DISCONTINUED OPERATIONS

On February 12, 2019, the company announced that it had entered into an agreement to divest its subsidiaries MPJ OTC AB and Moberg Pharma North America LLC. According to the terms of the agreement, the parent company's OTC business was transferred to the subsidiary MPJ OTC AB prior to the transaction. The divested business comprises the company's entire commercial operations and the transaction is thus reported as discontinued operations. The transaction was completed on March 29,2019 for a total cash consideration of SEK 1,432.8 million, which resulted in a net gain of SEK 561 million after transaction costs. The effect from the divestment on the total profit was SEK 501 million.

INCOME STATEMENT DISCONTINUED OPERATIONS

(SEK thousand)	Oct-Dec 2019	Apr-Jun 2019	Jul-Dec 2019	Jan-Jun 2019
Revenue	-	-	-	91,919
Cost of goods sold	-	26	-	-22,293
Gross profit	**-**	**26**	**-**	**69,626**
Selling expenses	-	-	-	-51,262
Business development and administration expenses	-	-	-	-3,255
Research and development expenses	-	-	-	-1,158
Other operating items	-	54	-	741
Operating profit	**-**	**80**	**-**	**14,692**
Finance costs	-	-3,100	-	-17,478
Tax benefit/(expense)	-	501	-	5,651
Post-tax profit/(loss) of discontinued operations	**-**	**-2,519**	**-**	**2,865**
Capital gain on sale of discontinued operations	-	5,031	-	624,905
Transaction costs on sale of discontinued operations	-	-	-	-40,226
Financial charges from sale of discontinued operations	-	-	-	-24,000
Post-tax gain on sale of discontinued operations	**-**	**5,031**	**-**	**560,679**
Profit after tax for the period from discontinued operations	**-**	**2,512**	**-**	**563,544**
Items that will be reclassified to profit				
Translation differences of foreign operations	-	-	-	8,855
Reclassification of translation differences to profit from sale of discontinued operations	-	-	-	-68,249
Other comprehensive income	**-**	**-**	**-**	**-59,394**
TOTAL PROFIT FOR THE PERIOD	-	2,512	-	504,150

NOTE 3 SPECIFICATION OF MAJOR INTANGIBLE NON-CURRENT ASSETS

(SEK thousand)	2019-12-31	2019-06-30
Capitalized expenditure for MOB-015	262,880	234,417
Capitalized expenditure for BUPI	14,560	14,387
TOTAL CAPITALIZED EXPENDITURE FOR DEVELOPMENT WORK	**277,440**	**248,804**

NOTE 4 SEGMENT REPORTING

Moberg Pharma's operations comprise only one area of operation, which is the development and commercialization of medical products. The statement of comprehensive income and statement of financial position as a whole comprise one operating segment.

NOTE 5 RELATED PARTY TRANSACTIONS

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

INFORMATION AND FINANCIAL CALENDAR

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

Interim report for July 2019 – March 2020	May 12, 2020
Interim report for July 2019 – June 2020	August 11, 2020
Interim report for July 2019 – September 2020	November 10, 2020

FOR FURTHER INFORMATION, PLEASE CONTACT

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For more information on Moberg Pharma's business, please see the company's website, www.mobergpharma.com.

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

DECLARATION

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

Bromma, February 11, 2020

Peter Wolpert *Chairman of the Board*	Fredrik Granström *Board member*	Andrew B. Hochman *Board member*
Mattias Klintemar *Board member*	Anna Ljung *CEO*	