Annual Report

FOR THE ABBREVIATED FISCAL YEAR
JANUARY – JUNE 2019

MOBERG PHARMA

CONTENTS

ABOUT MOBERG PHARMA

Moberg Pharma develops and commercializes medical products that relieve pain and treat skin conditions, with focus on nail fungus. The OTC business was divested at the beginning of 2019 in favor of the clinical pipeline consisting of late stage drug candidates with the potential to significantly exceed the value of the divested portfolio. The divestment of the OTC business is a major change for Moberg Pharma, allowing shareholders to recognize a compelling value for both components of the business.

FOCUS ON THE PIPELINE STRATEGY

As of April 2019, Moberg Pharma is focusing on the commercialization of its clinical pipeline with a combined peak sales potential estimated at USD 350–700 million. MOB-015 is a next-generation nail fungus treatment, 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.

Phase 3 studies for MOB-015 are underway in North America and Europe. Topline results are expected towards the end of 2019 and spring 2020 respectively, with two license agreements in place in Canada and Europe. MOB-015 enjoys patent protection in all major markets, including the EU, the US, China, Canada and Japan. The company estimates the sales potential at USD 250–500 million, with most of the sales expected to come from the high-priced US prescription drug market.

THE OTC PORTFOLIO HAS BEEN DIVESTED

In March 2019, Moberg Pharma divested the entire OTC business to RoundTable Healthcare Partners and Signet Healthcare Partners in favor of a more focused pipeline strategy, and MOB-015 in particular, while allowing shareholders to recognize a compelling value for both components of the business. The divested operations comprised the marketing and distribution of OTC brands, mainly in the U.S. Each of the three key brands, Kerasal Nail®, New Skin® and Dermoplast®, are market leaders in their respective niches. The OTC business was sold for an upfront cash consideration of USD 155 million adjusted for working capital, which resulted in a capital gain of SEK 561 million after transaction costs, whereof the effect of the divestment on the total result was SEK 501 million and resulted in multiples of 3.3x sales and 11.6x EBITDA.

561 MSEK

CAPITAL GAIN FROM THE DIVESTMENT OF THE OTC BUSINESS

KEY FINANCIALS JAN-JUNE 2019

- Net profit after tax SEK 559 million
- Total profit SEK 499 million
- Diluted earnings per share SEK 31,35
- Net revenue from continuing operations SEK 16 million
- EBITDA from continuing operations SEK -3 million
- Operating profit (EBIT) from continuing SEK -4 million
- Total R&D expenses SEK 38 million
- Cash and cash equivalents amounted to SEK 919 million

DEC 2019

EXPECTED TOPLINE RESULTS FROM THE NORTH AMERICAN PHASE 3 STUDY

CEO COMMENTARY

After the successful divestment of the OTC portfolio and the following organizational changes, focus now lies on our pipeline projects and the topline results of the Phase 3 study in North America are expected before year end. The business is progressing as planned with a focus on the Phase 3 studies for MOB-015, further commercialization preparations and preparations for the share redemption in November 2019.

I have worked at Moberg Pharma since the start in 2006. It is a privilege to take over the role of CEO for such a well-managed company and I look forward to further developing the business together with our skilled employees. We have an exciting period ahead of us with a focus on the pipeline projects MOB-015 and BUPI, whose combined potential is much greater than the divested business. At my side I have an outstanding management team, and together we have extensive experience from the company and the industry. We have also recently been joined by Dr. Amir Tavakkol, who brings unique experience in the development and registration of onychomycosis drugs in the US. In addition, we are fortunate to retain Peter Wolpert close to the business in the role of Executive Chairman who will focus on business development.

The company's resources are focused mainly on MOB-015, where our work is progressing as planned with an emphasis on the two clinical Phase 3 studies and continuing business development. More than 95% of patients have now completed the US study, and we expect topline results in December. In the European study, the corresponding figure is above 60%, with topline results expected in the second quarter 2020.

In the meantime, preparations are being made for the commercialization of the finished product together with current and future partners. The most important markets are expected to be the US, EU, Japan, Canada and China, all with patent protection until 2032. We aim to repeat the journey we took with Kerasal Nail®, where we combined direct sales in the US with collaborations with market-leading partners in major regions. The agreements for Canada with Cipher Pharmaceuticals and for Europe with the Consumer Health division of Bayer AG, a world leader in OTC fungus treatments with the brand Canesten, is in line with this strategy and means that strong partners are already in place for important regions. Moberg Pharma is conducting the clinical programs and registration, as well as manufacturing the product, while our partners are responsible for distribution and marketing.

Over the years with the OTC business, we have gathered valuable knowledge and experience ahead of the commercialization through Kerasal Nail®, where we have been involved in, or responsible for, marketing in a large number of regions, including the US. In the US, the emphasis this time is on the considerably larger prescription market for nail fungus treatments. We see a

CEO Anna Ljung

very interesting opportunity to build our own commercial platform to target podiatrists, with MOB-015 as our main product and a portfolio of additional niche products. Also, we intend to collaborate with a US partner that already has an established sales force targeting dermatologists.

We look forward to the major milestones in the second half of the year, with the share repurchase and results of the Phase 3 study for MOB-015 in North America in parallel with the continuation of the Phase 3 study in Europe and preparations for commercialization. With the data we are hoping for, we will be able to offer patients who currently lack safe and efficacious treatment alternatives the market's best topical product.

Since the OTC business was divested in March for SEK 1.4 billion, a transition process has been carried out related to the OTC business, which is generating one-off revenue and where most of the activities have now been completed. The company's previous bond loan, plus interest, was repaid in its entirety on April 29. The Annual General Meeting for the abbreviated fiscal year January – June 2019 is scheduled for October 30 and will focus on the shareholder distribution, which is estimated at SEK 43–45 per share and is expected to be paid through a share redemption in November 2019.

With SEK 919 million in cash reserves as at June 30, the company has sufficient funds to implement the share redemption as planned and finalize the clinical program for MOB-015. Moberg Pharma 2.0 remains fully dedicated to the goal of creating the future market leader in the treatment of nail fungus.

Anna Ljung,
CEO of Moberg Pharma

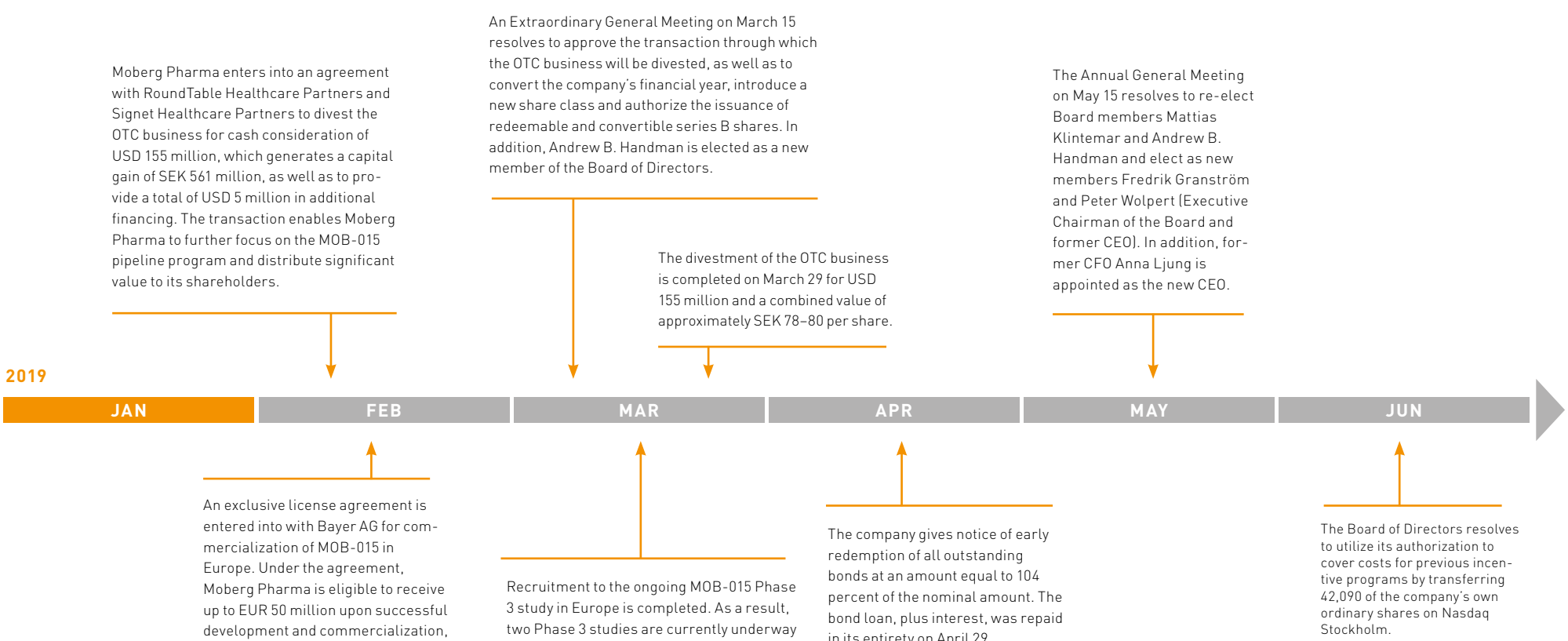
43-45 SEK

A DISTRIBUTION OF APPROXIMATELY 43-45 SEK PER SHARE IS PLANNED THROUGH A REDEMPTION OF SHARES

250-500 MUSD

MARKET POTENTIAL FOR MOB-015

SIGNIFICANT EVENTS UNDER 2019



THE DIVESTED OTC-OPERATIONS

The entire OTC business was divested in March 2019, transforming the company going forward as its operational focus shifts solely to the development and commercialization of pipeline assets, mainly MOB-015.

THE DIVESTED OTC PORTFOLIO

The OTC portfolio was dominated by three large brands, each with a leading position in its niche: nail fungus, liquid bandages and topical pain relief.

Kerasal Nail is the largest brand: a US-market leading, clinically proven product for nail fungus, also sold under other names in around 30 countries. The product brings visible improvement after just one week of treatment, and has been proven clinically effective against nail psoriasis in addition to nail fungus. Kerasal Intensive Foot Repair, designed to heal dry, cracked feet, was also marketed under the Kerasal brand in the US.

In addition to Kerasal Nail, two acquired brands, New Skin® and Dermoplast®, represent a steadily growing share of the company's sales. New Skin® is a waterproof liquid bandage that is applied or sprayed on damaged skin and is particularly useful for hard-to-cover areas and active users. Dermoplast® is a fast-acting anesthetic spray used for relief of pain and skin irritations and is sold to both consumers and hospitals. Hospital sales are primarily focused on women, for use on chapped skin and relief of pain or itch after surgery or childbirth. Lastly, the Domeboro® brand offers effective treatment for skin irritations and rashes.

The majority of revenue, 90%, came from direct sales in the US in more than 30,000 stores including major retailers such as Walmart and Target, chain drugstores such as CVS or Walgreens, or online, mainly through Amazon. This in addition to a small, but growing, direct sales business in the UK. A smaller share of sales, about 10%, was generated through distributors in Canada, the EU and parts of Southeast Asia such as Hong Kong, Taiwan and Japan.

The entire OTC business was sold in March 2019 to Round-Table Healthcare Partners and Signet Healthcare Partners.

PIPELINE

Moberg Pharma has developed a pipeline of late stage drug candidates with the potential to significantly exceed the sales of the divested OTC portfolio. MOB-015 is our next-generation nail fungus treatment and BUPI is our novel oral pain relief associated with inflammation and ulceration of the oral mucous membranes (oral mucositis or OM), a serious complication following cancer treatment. Both drug candidates are in Phase 3 and have demonstrated strong Phase 2 results, indicating that they have the potential to become market leaders in their respective niches. The estimated sales potential is USD 250–500 million for MOB-015 and USD 100–200 million for BUPI.

	MOB-015	BUPI
	**NAIL FUNGUS** • Topical terbinafine • Target profile: Rapid, visible improvment, superior cure rate and shorter treatment time(vs other topical medications)	**PAIN RELIEF FOR 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** • Two Phase-3 studies in North America and Europe ongoing • Primary endpoint: complete clinical cure of big toe nail and negative fungal tests after 52 weeks	**PARTNERING AND PREPARATIONS FOR PHASE 3 ONGOING** • Partnering discussions ongoing, in addition to current partner Cadila Pharmaceuticals • Advisory meetings held with agencies in Sweden and Germany
	**PATENT PROTECTION UNTIL 2032** • Patent granted in large markets, incl. U.S., Canada, EU, China and Japan • Inlude 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 anasthetic, 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** • 54% mycological cure at 60 weeks • 100 % negative culture at 60 weeks • 1000x more terbinafine in the nail vs oral administration • 40x more terbinafine in the nail bed vs oral administration • 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)

MOB-015

During the year, the two Phase 3 studies for MOB-015 progressed and a major license agreement was signed with Bayer AG in Europe. The first topline results from Phase 3 study are expected in December, and in the meantime commercialization plans with detailed discussions are continuing in other priority regions.

PRODUCT PROFILE AND TARGET GROUP

MOB-015 is our next-generation nail fungus treatment targeting both over-the-counter (OTC) and prescription markets around the world. The company's patented formulation technology facilitates the delivery of high concentrations of a proven antifungal substance (terbinafine) into and through the nail, and has emollient and keratolytic properties that contribute to rapid, visible improvement. Nail fungus is very common and affects around 10% of the general population. There are a number of topical treatments on the market, both OTC and prescription, where Kerasal Nail® has a leading position in the OTC-category in the US. While the most effective treatment at present is oral, based on the same antifungal substance as MOB-015 (terbinafine), oral treatment is also associated with the risk of severe liver damage. There is therefore great interest in MOB-015, which administers terbinafine locally without the risk of liver damage and other systemic side effects. Dermatologists and podiatrists around the world agree on the great need for better topical treatments without the risk of systemic side effects. MOB-015 is developed to meet this need and is patent protected until 2032 in most major markets, including the US, EU, Japan and China.

MOB-015 TRANSPORTS HIGH AMOUNTS OF TERBINAFINE THROUGH THE NAIL PLATE, WHILE SYSTEMIC EXPOSURE IS LOW

Tissue	Amount terbinafine (ug/g)	Compared to oral treatment
Nail	1610 (median)	**1000x higher** than oral
Nail bed	45 (median)	**40x higher** than oral
Plasma	0,0015 (max)	**1000x lower** than oral

Source: Data from tissue samples in Phase 2-study for MOB-015

STRONG RESULTS IN PHASE 2:

40%

MYCOLOGICAL CURE AT 24 WEEKS

54%

MYCOLOGICAL CURE AT 60 WEEKS

100%

NEGATIVE CULTURE AT 60 WEEKS

CLINICAL DEVELOPMENT AND RESULTS

Two parallel Phase 3 studies are currently underway for MOB-015 in North America and Europe. The Phase 3 program comprises more than 800 patients and the primary endpoint is a complete cure after 52 weeks. Topline results are expected in the fourth quarter 2019 and the second quarter 2020 respectively. The results of the Phase 2 program were presented in the fall of 2014 and exceeded expectations. The open clinical study included 25 patients and was conducted by Sahlgrenska University Hospital in Gothenburg. The study included patients with severe nail fungus (60% of the nail on average), who were treated with MOB-015 for 12 months and followed up for a total of 15 months. Of those who completed the study, 54% reached the primary endpoint, a mycological cure defined as negative microscopy and negative fungal culture after 15 months from the start of treatment. All the patients (100%) demonstrated negative fungal culture after 15 months, which included a wash-out period of three months after treatment was completed. Biopsies confirmed high levels of terbinafine in the nail and nail bed, while the risk of liver damage was negligible since plasma levels were a thousand times lower than with oral treatments. MOB-015 was generally well tolerated.

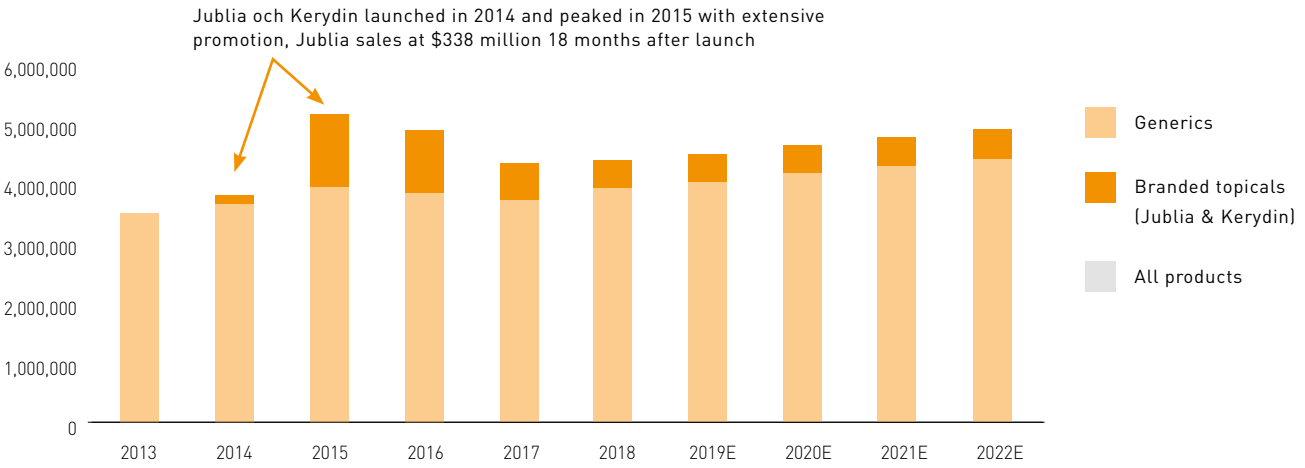
MARKET OVERVIEW

The commercialization plans for MOB-015 include a combination of direct sales, co-promotion with partners and out-licensing in certain markets. The strategy is based on valuable experience from the category with Kerasal Nail®, which currently is marketed in numerous markets, including the US, the most important market for Moberg Pharma. Around five million nail fungus treatments are prescribed each year in the North American market. Underlying growth in the last five years has been around 5% per year. Many patients don't treat their problem and others who do begin treatment don't complete it for various reasons. Previous launches have shown that the market is highly receptive to new products and that the patient base increases when a new product is well promoted. With 30–40 million Americans suffering from nail fungus, there is significant opportunity to grow the market with a new, effective treatment.

A survey conducted in 2017 of 90 US physicians (podiatrists and dermatologists) concluded that there is high demand for better topical treatments without the safety issues associated with oral treatments. Seven of ten stated that they avoid prescribing oral terbinafine due to the risk of liver damage. Six of ten stated that they would prefer a topical treatment with this effective compound over other topical treatments available on the market today, compared with just 6-15% who would continue to prescribe existing treatments. In a follow-up question for the physicians who prescribe oral treatment, 65% said they would prefer a topical treatment with the MOB-015 product profile, alone or in combination with oral terbinafine, just to avoid the risk of liver damage.

Market conditions vary from one region to the next, with prescription treatments, high list prices (more than USD 500/month) and extensive discount systems in the US, Japan and Canada among other countries, and lower-priced over-the-counter treatments (about USD 15-40/package) in other regions such as the EU, Russia and Asia. With a conservative assumption of 8-12%

MARKET - 5M TRX EXPECTED IN US RX ONYCHOMYCOSIS BY 2022



Source: Symphony Health, Moberg Pharma analysis, assuming 3% growth 2018E-2022E

market share in the US and industry standard discounts, the potential revenue for MOB-015 the U.S. alone is USD 200–300 million and USD 50–100 million each in Japan/Canada and the EU/rest of the world, respectively.

In fall 2018, Moberg Pharma signed an exclusive license agreement with Cipher Pharmaceuticals for the commercialization of MOB-015 in Canada. Under the terms of the agreement, Moberg Pharma is eligible to receive development and regulatory milestones up to USD 4.6 million, whereof USD 0.5 million is an up-front fee at the time of signing. Pending commercial targets, Moberg Pharma is entitled to further payments up to USD 10 million, as well as royalties and supply fees for delivered products.

DEVELOPMENT IN 2019 AND FOCUS GOING FORWARD

The two Phase 3 studies for MOB-015 are being finalized in North America and Europe. The US study comprises 365 patients randomized at 32 clinics in the US and Canada, while the number of patients recruited in Europe is 452. Topline results from the North American Phase 3 study are expected in December 2019, while the corresponding European results are expected in the second quarter 2020.

In February 2019, Moberg Pharma entered yet another major license agreement for MOB-015, this time for commercialization in Europe. The Consumer Health division of Bayer AG will be marketing, distributing and selling MOB-015 in Europe upon completion of Phase 3 clinical development and registration.

Under the terms of the license agreement, Moberg Pharma will finalize the ongoing Phase 3 program, complete registration in Europe and provide supply for the product. Moberg Pharma is eligible to receive up to EUR 50 million in milestone payments, including EUR 1.5 million paid at signing. The majority of the milestone payments are contingent on sales targets, with the balance contingent on development and regulatory milestones. Moberg Pharma will also receive supply fees including royalties.

The focus in the coming year will be on completing both Phase 3 studies on time, delivering compelling Phase 3 results and beginning the process of registering the finished product. In the meantime, we are establishing relationships with additional commercialization partners and developing commercialization strategies for prospective markets.

BUPI

BUPI meets a large demand for pain relief for patients with oral mucositis, a serious complication following cancer treatment that prevents completed treatment. The product is in a late clinical phase and has the potential to become the leading treatment in the field, according to a survey of US physicians.

PRODUCT PROFILE AND TARGET GROUP

BUPI is a lozenge with bupivacaine intended for pain relief in association with inflammation and ulceration of the oral mucous membranes (oral mucositis or OM), a serious complication following cancer treatment such as radiation of tumors in the head or neck. OM also affects certain patients with other forms of cancer or as a result of transplantation. The complication prevents these patients from completing their cancer treatment and results in great suffering and expensive hospital care.

MARKET OVERVIEW

Moberg Pharma considers the most important markets for commercialization of BUPI to be the US, EU and Canada, where patent protection is granted until 2032-2033. In the U.S. alone, OM affects around 400,000 patients. The company estimates the annual sales potential for BUPI at USD 100-200 million, given successful commercialization for oral mucositis and at least one other indication. This estimation was validated in a physician survey and market analysis made in the US in 2018.

CLINICAL DEVELOPMENT AND RESULTS

The Phase 2 results published in 2017 showed that BUPI achieved a statistically significant reduction of pain in the oral cavity compared with standard treatment. The primary endpoint, which was met with high statistical significance, was a measurement of pain in the mouth or pharynx 60 minutes post administration of BUPI, compared with the average pain during the day for the control group. The group treated with BUPI had a 31% reduction in pain. Both groups had access to standard treatment options for pain during the study. The control group was also allowed to use another locally acting anesthetic for the oral cavity in the form of a lidocaine gel. Moreover, the difference in the mouth, excluding the pharynx, was more significant, with BUPI reducing the pain by 50% compared with standard treatment. In February 2018, an advisory panel to the Indian regulator recommended the rejection of the Phase 3 application for BUPI made by our partner in India, Cadila Pharmaceuticals, due to concerns for potential overdosing related to the broad access to prescription drugs in the country. We do not expect this issue to be translated to the key commercial regions for the product, where dispensing by pharmacies is controlled. Despite this challenge, we remain convinced of the value and feasibility of BUPI.

DEVELOPMENT IN 2019 AND FOCUS GOING FORWARD

Discussions are currently being held with potential partners in North America and Europe, in addition to the partnership with Cadila Pharmaceuticals, as well as further detailed planning of development programs leading up to registration. In the coming year, the company's development resources will remain focused on MOB-015.

GLOBAL TEAM

The ability to attract, motivate and retain the right people is fundamental to Moberg Pharma's growth strategy. We look for experienced people with drive, commitment and integrity, and in return we offer a stimulating, supportive teamwork environment and an entrepreneurial culture.

PEOPLE

Moberg Pharma employs people with a variety of specialties and extensive experience in the pharmaceutical industry. In addition, the company has a number of external suppliers, partners and consultants around the world, offering services within manufacturing, clinical development and sales.

The ability to attract, motivate and retain the right people is fundamental to the company's growth strategy. Moberg Pharma aspires to recruit the best employees and partners globally within our focus areas. We look for experienced people with drive, commitment and integrity. We believe that a diverse workforce benefits the business and enables us to think outside the box. In return, we offer a stimulating, supportive teamwork environment and an entrepreneurial culture that emphasizes the importance of individual contributions. These values are also incorporated into our compensation programs, which include both short-and long-term incentives for all employees. Moberg Pharma encourages innovation and initiative and rewards performance at an individual, team and company level.

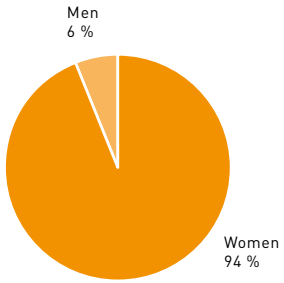
ORGANIZATION

Up until the divestment of the OTC business, the company employed around 40 people based in Stockholm, Sweden and New Jersey, in the US. As of March 29, the US OTC business has been transferred to the new owners, while around 20 employees in the remaining operations in Stockholm are focusing on clinical development, business development, commercialization, finance and administration.

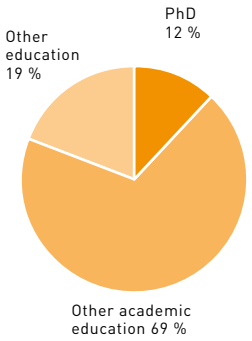
MANUFACTURING

Moberg Pharma works with partners and consultants to find the best solutions to develop, manufacture and distribute products with the smallest possible impact on the environment and the highest ethical standards. The company's internal department for sourcing and quality assurance is responsible for the network of contract manufacturers, which are fully integrated in the supply chain. Moberg Pharma adheres to the ISO 13485 international quality control standard, as well as other international laws and regulations that govern our commercial operations.

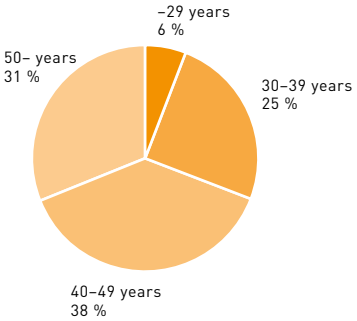
GENDER BREAKDOWN*



EDUCATION LEVEL*



AGE STRUCTURE*



*Based on 16 employees

FINANCIAL INFORMATION

DIRECTOR´S 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 abbreviated fiscal year January 1st, 2019 to June 30, 2019.

Amounts are expressed in TSEK (thousands of Swedish kronor) unless otherwise stated. Amounts and figures in parentheses are comparative figures from the previous financial year (January 1st – December 31st 2018).

COMPANY INFORMATION

The Group is active as a limited liability company headquartered in Stockholm, Sweden. The address of the head office is Gustavslundsvägen 42, 5th floor, SE-167 51 Bromma. By the end of the financial year, 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 2019 AB, corp. reg. nr 55192-9095. On March 29th 2019, the wholly owned subsidiaries MPJ OTC AB, corp.reg. no. 559183-3859 and Moberg Pharma North America LLC (formerly Alterna LLC) were divested. The sole business conducted by Moberg Derma Incentives AB is administration of Moberg Pharma's employee stock option program. No business is conducted in Moberg Pharma 2019 AB.

OPERATIONS

Moberg Pharma AB (publ) was formed in 2006 and is a rapidly growing Swedish pharmaceutical company that develops and commercializes medical products that relieve pain and skin conditions, especially nail fungus.

The OTC-business was sold at the beginning of 2019 in favor of the company's pipeline of drug candidates in late clinical phase, whose potential significantly exceedes the revenues of the divested portfolio. The sale resulted in a capital gain of SEK 561 million after transactions costs – of which the effect on total profit for the period was SEK 501 million – and facilitates a distribution to shareholders planned in November 2019. The OTC business mainly comprised the marketing and distribution of the OTC brands Kerasal Nail®, New Skin® and Dermoplast® in the US.

The portfolio is developed through acquisitions and in-licensing of products and through product development with the innovative drug delivery of tested substances, which reduces time to market, development costs and risk. The company has two projects in the late stages of clinical development: MOB-015 (nail fungus, Phase 3 studies are ongoing) and BUPI (pain relief for oral mucositis, Phase 3 preparations are ongoing). The company has its headquarters in Stockholm and its shares are traded in the Small Cap segment of NASDAQ OMX Nordic Exchange Stockholm (OMX: MOB).

WORKFORCE

As of June 30th, 2019, the Moberg Pharma Group had 16 (37) employees, of whom 94% (75%) were women. 16 (23) people were employed in the Parent company, of whom 94% were women. Approximately half of the employees followed the OTC-business and thus left the Group on the transaction date in March 2019. See Note 7 for more information on employees and personnel costs.

PROFIT/LOSS AND FINANCIAL POSITION

Revenue and profit/loss

Net sales for the continuing operations for the January – June 2019 period amounted to SEK 15.6 million (0). Revenues reported relate to the initial EUR 1.5 million milestone received in connection with the agreement with Bayer AG for MOB-015. The remaining business consists of research and development, business development and administrative functions. The majority of development expenses are directly attributable to the clinical phase-3 studies in the development project MOB-015, which are capitalized. The largest expense items in the profit for the period from continuing operations consist of business development and administration costs of SEK 15.3 million (24.4), followed by research and development costs of SEK 7.2 million (12.7). The result for the period from remaining operations also includes the provision of services related to a transitional services agreement that was part of the sale of the OTC business. Other operating income includes amounts invoiced to cover costs in accordance with the transitional services agreement.

The revenues and expenses related to the discontinued OTC business are listed as a separate item in the Group's income statement. The reported net profit for this business, including capital gains, for the year amounts to SEK 563.5 million (47.7). An income statement for the divested business is presented in Note 12.

INVESTMENTS

Investments in intangible assets during January - June 2019 relate predominantly to capitalized expenses for development work of 32.0 MSEK (106.8). The company has two late-stage development projects that are capitalized, MOB-015 and BUPI. The bulk of monies spent relate to MOB-015.

R&D EXPENSES (EXPENSES AND INVESTMENTS) (SEK THOUSAND)	Jan-Jun 2019	Full-year 2018
R&D expenses (in statement of comprehensive income)[1]	**-7,165**	**-12,720**
Capitalized R&D investments	-31,998	-106,793
Depreciation/amortization booked to R&D expenses	852	2,225
Change in R&D investments (in statement of financial position)	-31,146	-104,568
Total R&D expenditure	**-38,311**	**-117,288**

[1] From continuing operations

LIABILITIES

On April 1, 2019, the company sent an irrevocable notification of early redemption of the bond loan of SEK 600 million and the redemption was finalized on April 29, 2019. In accordance with the terms, the Bonds were redeemed at an amount corresponding to 104.00 percent of the nominal amount, which corresponded to SEK 624 million. The cost for early redemption was recorded as a financial expense in March 2019.

In connection with the divestment of the OTC business in March 2019, the buyer provided financing for a loan (USD 2.5 million) and subscription of shares (USD 2.5 million). The USD 2.5 million loan carries a 3-month PIK interest rate of LIBOR + 5.50% and falls due for payment on March 31, 2023. If Moberg Pharma, before March 31, 2023, receives milestone payments, royalties or other similar payments from partners who in total, exceed an amount equivalent to USD 10 million, plus any additional amounts received under partner agreements already entered (excluding payments received to cover fees, expenses and other expenses), Moberg Pharma shall use such excess funds to repay the loan. The nominal amount of the loan may be reduced by setting off the subscription price if the buyer chooses to exercise outstanding warrants to subscribe for common shares in Moberg Pharma. The warrants are issued without consideration and each warrant gives the holder the right to subscribe for a common share in Moberg Pharma at a subscription price of SEK 35.16 per share. The warrants may not be exercised until the OTC dividend has taken place.

LIQUIDITY AND FINANCIAL POSITION

Moberg Pharma's strategy means that the company will continue to invest considerable resources on research and development as well as business development. These efforts are today covered by cash and cash equivalents and commercial revenues and Moberg Pharma has a good financial position. Moberg Pharma is in an expansion phase and is engaged in development-intensive operations with investments aimed at obtaining revenues in the future. Liquid funds are thus consumed. The OTC business was divested at the beginning of 2019 against a cash consideration of USD 155 million (corresponding to SEK 1.43 billion) adjusted for working capital. The company intends to use the cash consideration to, among other things, distribute an estimated SEK 43–45 per ordinary share to its shareholders in 2019. The Phase 3 program for MOB-015 is fully financed through the cash proceeds from the divestment of the OTC business and license revenue. If there are opportunities for faster growth, for example through acquisitions, Moberg Pharma may need to raise additional capital through a capital raising or additional borrowing.

Cash flow from operating activities was SEK -60 million (74) and includes payments for transaction costs associated with the sale of the OTC business of SEK 34 million and interest payments on the bond loan, including redemption fees, of SEK 40 million. Cash flow from investing activities was significant due to the divestment of the commercial operations of SEK 1,443 million and amounted to SEK 1,400 million (-84). Investment activities also include capitalized expenditure on intangible assets, which consists mainly of capitalized expenditure on development work (see paragraph "investments" above), of SEK -32 million (-84). Cash flow from financing operations was SEK -555 million (-1) due to redemption of bond loans of SEK 600 million. Total change in cash and cash equivalents was SEK 808 M (-10).

The equity / assets ratio at year-end was 93 percent (47). Cash and cash equivalents amounted to SEK 919.1 million (SEK 122.2 million) at the end of the period.

INSURANCE

In addition to corporate insurance, Moberg Pharma's insurance policies include cover 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 well suited 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 is of the opinion 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 have or have had a significant impact on Moberg Pharma's financial position or profitability at any time.

WORK OF THE BOARD DURING JANUARY – JUNE 2019

At the Annual General Meeting 2019, four members were elected for the period until the next Annual General Meeting. The competence of the members includes the areas of drug development, medical research, and market, finance and strategy issues. The Board of Directors has held 11 minuted board meetings during the first half year 2019, of which five were held over telephone. Reports at the meeting were presented mainly by the CEO, but also by other members of the management team.

The focus of the Board's work in 2019 has been strategic issues, particularly the divestment, product development, business development, as well as further development of the company's business

plan. The work of the Board follows the established rules of procedure, which regulate areas such as the division of responsibilities, number of mandatory meetings, the form of summons, supporting documents and minutes, disqualifications, mandatory matters which the CEO must submit to the Board and company signatures. The Board of Directors deals with ongoing issues such as the business situation, period accounts, budget, strategies and external information. All issues have been dealt with by the Board as a whole.

For personal information about the board members, see page 69.

NOMINATION COMMITTEE

The Nomination Committee for the Annual General Meeting 2019 consists of four members, Peter Wolpert, Chairman of the Board, Gillis Cullin, appointed by the Baltic Sea Foundation, Fredrik Persson, appointed by Zimbrine Holding and Erik Lindbärg. The Nomination Committee submits proposals for the election of the Chairman and other members of the Board, as well as proposals for fees and other remuneration to the Board members. The nomination committee also submits proposals for election and remuneration of the auditor. The Nomination Committee's proposal was presented in a press release on September 19, 2019, http://www.mobergpharma.com/press-releases/2019-09-19/nomination-committees-proposal-annual-general-meeting-2019.

CORPORATE GOVERNANCE

Moberg Pharma has applied the Swedish Corporate Governance Code since May 26, 2011, the date when Moberg Pharma's shares were listed on NASDAQ OMX Nordic Exchange Stockholm. See page 61 for the Corporate governance report.

INFORMATION DISCLOSURE

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

PROPOSAL TO THE 2019 AGM – THE BOARD'S PROPOSAL FOR RESOLUTION ON PRINCIPLES FOR THE 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. The Board of Directors propose that the Annual General Meeting resolves to adopt principles for remuneration of senior executives on the following terms:

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 base salary and is to be proportionate to the executive's responsibilities and authority. Variable remuneration is generally capped at 25–50 per cent of each executive's base annual salary, however the variable remuneration for the period of 2019-2020 can amount to a maximum of 15 monthly salaries in total for the two years. Variable remuneration is 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. The pensionable salary comprises only the base salary. To the extent that members of the Board of Directors perform work for the Company or any other group company, in addition to work on the Board of Directors, a market-aligned fee may be payable.

In case of termination, the notice period is 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 may apply, however total remuneration during termination including severance amounts will never be more than 12 months' salary, other than what has been stated above regarding variable remuneration for 2019-2020. Any share and share-price-related programs must be adopted by a Shareholders' Meeting. Allocation from such programs must comply with a resolution from a Shareholders' Meeting. With the exception of share-based remuneration that has been allocated 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. Furthermore, the Board of Directors shall have the option of allocating further variable non-recurring remuneration to the management when the board deems it to be appropriate. The Board of Directors is to be entitled to ignore the aforementioned principles for remuneration of senior executives if there are special reasons for so doing.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR JANUARY – JUNE 2019

- On February 12th 2019, Moberg Pharma entered into an agreement with RoundTable Healthcare Partners and Signet Healthcare Partners to divest the commercial operations for a cash consideration of USD 155 million. In addition, the new investors provide funding of USD 5 million for the development and commercialization of MOB-015. As part of the transaction, the Purchaser has subscribed and paid for 660,843 series B shares in the Company, entailing an increase of the total number of shares in the Company from 17,703,762 to 18,364,605 shares in total after the issue has been completed. The Company has also issued 659,421 warrants without consideration. Neither the newly issued series B shares nor the warrants or any shares subscribed for by exercising the warrants will entitle to the OTC-dividend. The transaction was finalized on March 29, 2019.

- On February 11th 2019, Moberg Pharma entered into an exclusive licensing agreement with Bayer Consumer Health for the commercialization of MOB-015 in Europe following the completion of Phase 3 studies and registration. According to the agreement, Moberg Pharma will be able to receive up to EUR 50 million, of which EUR 1.5 million has been initially paid, for successful development and sales, in addition to royalty income and compensation for delivered products.

- In conjunction with an extraordinary general meeting on March 15, 2019, the EGM resolved to convert the Company's financial year from calendar year to a shortened financial year, July 1 to June 30.

- On March 22, 2019, it was announced that the company had completed the recruitment of 452 patients with nail fungus to the ongoing MOB-015 Phase 3 study in Europe.

- On April 1, 2019, Moberg Pharma called for the early redemption of all outstanding bonds on April 29, 2019 at an amount corresponding to 104.00 percent of the nominal amount.

- The Annual General Meeting on May 15, 2019 re-elected Mattias Klintemar and Andrew B. Hochman as members of the Board of Directors and elected Executive Chairman Peter Wolpert and Fredrik Granström as new Board members for a term extending until the end of the next Annual General Meeting, which will be held in the fourth quarter of 2019 due to the abbreviated fiscal year January 1 - June 30, 2019. At the same time, Thomas Eklund (former Chairman of the Board), Geert Cauwenbergh, Sara Brandt and Anna Malm Bernsten resigned from their positions with the company.

- As of May 16, 2019 a new, streamlined management team consists of four individuals: Anna Ljung (CEO), Torbjörn Wärnheim (Deputy CEO and Senior Vice President R&D), Sarah Hellerfelt (CFO) and Annica Magnusson (Senior Director Regulatory Affairs). In addition, the company has engaged Dr. Amir Tavakkol as Senior Advisor R&D, bringing unique experience in the development and registration of onychomycosis drugs in the US. Former CEO Peter Wolpert has transitioned to a role as Executive Chairman of the company.

- After being granted authorization by the Annual General Meeting, the Board of Directors implemented on June 28 a transfer of a total of 42,090 of the company's own ordinary shares on Nasdaq Stockholm to cover certain costs, mainly social security costs, related to previous incentive programs.

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

- During July 2019, the exercise of warrants under Moberg Pharma's share-based compensation plan increased the number of shares with 488 905 ordinary shares.

See note 31 for further information regarding events after the balance sheet date.

OUTLOOK

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

In 2019 and 2020, the focus is on advancing the company's phase 3 development programs and to continue commercialization preparations to maximize value and create future growth. Moberg Pharma will utilize the cash flow from the divestment of the commercial operations to provide a distribution to shareholders through a redemption of shares while retaining sufficient capital, taking into account expected revenues, to complete the ongoing Phase 3 studies for MOB-015.

It is the view of the Board of Directors and executive management that the company has sufficient funds, taking into account the planned OTC-dividend, to complete the ongoing clinical activities.

PARENT COMPANY MOBERG PHARMA AB (PUBL)

Moberg Pharma AB (publ), org. No. 556697–7426, is the parent company of the Group. The Group's operations are conducted primarily in the parent company (in addition to the sales organization in the US, sold in March 2019) and consists of research and development, business development and administrative functions. The parent company's net sales during January – June 2019 amounted to SEK 42.84 million (142.4). Operating expenses, excluding cost of goods sold, amounted to SEK 76.2 million (88,9) where administration expenses includes transaction costs for the disposal of the OTC business for SEK 40 million. Financial income includes the parent's reported capital gain on the disposal of the OTC business for SEK 592 million, plus a distribution from the then subsidiary Moberg Pharma North America LLC for SEK 55 million. Profit after net financial items amounted to SEK 572.5 million (17.3).

Cash and cash equivalents amounted to SEK 919.1 million (94.0) at the end of the period.

PROPOSED DISTRIBUTION OF APPROPRIATED PROFIT (TSEK)

On January 1st, 2016, a change was introduced in the Swedish Annual Accounts Act meaning that, in order to capitalize internally generated development expenditure, the company must recognize the corresponding amount in a restricted reserve under equity, "Reserve for development expenditure". Moberg Pharma recognized capitalized internally generated development expenditure of SEK 32,0 million in 2019 and after the divestment of the OTC business reports a reserve for development funds of SEK 244,3 million.

The amount available for appropriation at the Annual General Meeting comprises the following unrestricted reserves, profit carried forward and the profit for the year in the Parent company:

Share premium reserve	434,479
Profit carried forward	-138,600
Profit/loss for the year	579,075
	874,954

The Board of Directors propose at the Annual General Meeting that retained earnings and the share premium reserve be carried forward. Following appropriation, unrestricted equity amounts to:

Share premium reserve	434,479
Profit carried forward	440,475
	874,954

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, 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. There is no guarantee that Moberg Pharma can successfully address the following or other risks.

RISK MANAGEMENT AND CONTROL STRATEGIES

The Company's Board conducts continuous and systematic risk-assessment work aimed at identifying risks and taking the necessary actions to deal with such risks. 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, and monitoring.

For each identified risk of 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.

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 produckt	**Marketing and sales**	**Organization**	**Financial risks**	
• Preclinical and clinical studies • Official decisions • Commercial potential of product candidates • Healthcare reforms	• Competition and pricing • Parallel import • Cooperation partners • Disputes • Side-effects • Product liability • Patents and trademarks • Manufacturing • Inventories • Acquisitions • Economic trends	• Dependence on key individuals • Recruitment needs • Trade secrets and know-how • Security leaks • Incentive schemes	• Refinancing risk and future capital recruitments • Foreign exchange risk • Interest rate risk and liquidity risk • Credit and counterparty risk • Tax • Loss carryforwards • Non-sustainable sources of income • Financial obligations	• Share performance and liquidity • Dividends • Shareholders with significant influence • Shareholders in other jurisdictions prevented from participating in any future preferential rights issues
RISK MANAGEMENT AND CONTROL STRATEGIES				
• Policy documents, manuals and recommendations • Internal control activities, either preventive or detective • Analyses • Quality control in accordance with ISO13485			• Regulatory documentation prepared in parallel with clinical studies • Product liability insurance • Cooperation with reputable patent agents • Structured investment decisions aided by Innovation Engine	

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 pharmaceuticals for each indication given. The scope of the preclinical and clinical studies needed varies depending on the product candidate's classification, indication, and previously published data, as well as the regulatory requirements that apply to the specific product candidate. However, there is a risk that ongoing or future clinical trials may not be able to demonstrate a sufficient degree of effectiveness and safety to obtain the necessary regulatory approvals, or that they may not lead to products that can be sold on the market.

Preclinical and clinical development is a time-consuming and costly activity that is affected by a variety of factors, including some that are beyond Moberg Pharma's control, such as the results of stability studies or patient recruitment being slower than expected. In the course of development work, it may be that the Company's product candidates do not have the expected effect or that they turn out to have unforeseen and undesirable side effects or other characteristics that may delay or stop ongoing product development. Moberg Pharma also uses consultants and contract research organizations ("CROs") in the development of drugs and other medical products. There is a risk that such third parties may not fulfill their commitments to Moberg Pharma or that Moberg Pharma may not be able to monitor their work adequately, which can result in delays, increased costs, quality issues or other deficiencies in the development work. There is also a risk that Moberg Pharma may not be able to procure consultants or CROs with the requisite qualifications at an affordable price, or at all. Any deficiencies or delays in the implementation of the Company's development programs may reduce or delay Moberg Pharma's ability to commercialize existing product candidates, which can result in significant costs. Difficulties in supplementing the project portfolio with new product candidates can have a material adverse effect on the Company's expected sales, earnings and financial position.

In addition, preclinical tests and clinical studies are difficult to design and implement effectively, and their outcomes are uncertain. It may take the Company or its cooperation partners many years to carry out preclinical tests and clinical studies to prove the safety and efficacy of the Company's product candidates. The initiation and completion of clinical studies may be delayed or stopped due to changes in regulatory requirements, manufacturing problems, the adoption of necessary administrative measures, slower patient recruitment than expected, changes in care standards, the accessibility or existence of similar drugs or the need for early treatment, clinical outcomes or financial limitations of the company or any of its partners.

The development of medicines and medical products is subject to significant risks. Developmental failures can occur at any time during all stages of preclinical and clinical development. Typically, a large number of product candidates are lost during preclinical and clinical development due to scientific feasibility, safety, efficacy, changes in medical standards or other factors. The risk of failure is greater for product candidates that are based on new technologies.

A number of companies have been affected by unforeseen significant failures in clinical studies due to factors such as inconclusive results with regard to side-effects and efficacy. Unexpected failures may also occur in cases where previous preclinical studies have shown positive results that were satisfactory both for the Company and for regulatory authorities. The outcome of clinical studies is unpredictable, and it is possible for one or more of the Company's clinical studies to fail due to insufficient efficacy of the products, their safety, other significant findings during the clinical study, or regulatory requirements. Results from preclinical tests or early clinical studies of a product candidate will not necessarily coincide with the results obtained at a later stage of the studies. The Company, the European Medicines Agency ("EMA"), the Food and Drug Administration ("FDA"), an IRB (independent ethics committee) or another regulatory authority may decide at any time that a clinical study needs to be discontinued for a variety of reasons. Such reasons may include a belief that patients participating in the study are being exposed to unacceptable health risks or harmful side-effects. Similarly, an IRB or an ethics committee may decide that clinical studies being performed in a particular location need to be discontinued.

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 as the Medical Products Agency in Sweden, the FDA in the U.S. or the EMA in the EU. Such assessments precede decisions regarding, among other things, permission to conduct clinical trials and authorization to market and sell products or medical devices. However, there is a risk that Moberg Pharma may not obtain the regulatory decisions necessary in order to develop commercially and financially valuable products on the market.

An application for market approval requires extensive documentation concerning matters such as clinical results, quality assurance and production that meets national and international requirements. Even if the Company prepares large portions of this documentation in parallel with the clinical studies, there is a risk that unforeseen circumstances may cause delays. Since the Medical Products Agency may request additions or have other comments on the application, the timeframe and costs of a possible market approval are subject to uncertainty.

If Moberg Pharma markets a number of products, which are currently classified as cosmetics and thus do not require regulatory approval in some markets, there is a risk that the authorities may make a different assessment in the future which could lead to sales of the products being prohibited.

The Company is also affected by regulatory decisions on matters such as changes in duties or taxes, conditions for prescribing pharmaceuticals, the pricing of medicinal products covered by subsidy schemes, and discounts on pharmaceuticals. There is a risk that the regulatory conditions in the market may change in a way that negatively affects the Company's ability to develop and manufacture commercially valuable products.

Commercial potential of product candidates

It is difficult to estimate the commercial potential of product candidates due to several important factors, such as safety and efficacy compared with other available treatment methods (including generic alternatives), changes in treatment standards, changes in third-party remuneration standards

for medical products, the preferences of patients and doctors, and changes in the classification of the medical product. The accessibility of competitive alternatives that arise either during the time it takes to develop the Company's product candidate or after the product candidate has been commercially launched, as well as the accessibility of generic versions of the Company's product candidates, also affects commercial potential. The accessibility of generic versions of the product candidates may be a result either of regulatory approvals for these alternatives due to the expiration of the Company's regulatory exclusivity, or of the Company's failure to prevent generic options from coming onto the market despite claiming the relevant patent rights. If the occurrence of one or more of these risks causes the market potential of one or more of the Company's product candidates to be worse than expected, this may have a negative impact on the commercial terms of any cooperation activities relating to such product candidates. If these risks do occur, cooperation activities that have already been initiated may also be adversely affected due to the negative impact on the Company's potential income from royalties and milestone payments.

The Company is also dependent on its relationship with other companies for the sale, marketing and commercialization of product candidates. If these companies do not perform sufficiently well when carrying out these activities, or if Moberg Pharma enters into disputes with these companies or if its relationship with them deteriorates, this may adversely impact the Company's performance and financial position.

Healthcare reforms

Changes in remuneration systems for medical devices may affect Moberg Pharma's ability to conduct its business profitably. At present, Moberg Pharma has no products that are covered or remunerated by public or private healthcare remuneration systems. However, the success of Moberg Pharma's future prescription products depends on whether these products qualify for remuneration from publicly or privately funded healthcare remuneration systems. A development that eliminates or reduces the remuneration levels for the Company's future products on any of the Company's existing or potential markets may have a negative impact on the Company's ability to sell its products or cause the customers in these markets to use cheaper products instead.

In domestic and international markets, sales of the Company's products that have obtained regulatory approval will to some extent depend on how they are received by doctors and patients, any price approvals from the authorities, and the options for compensation from publicly and privately funded remuneration systems. These third parties are calling the price and cost efficiency of medical products and services into question to an increasing extent. Against this background, there is uncertainty in terms of price approval and payment and of compensation for recently approved medical products. In addition, legislation and other regulations that affect the price of pharmaceuticals may be subject to change before the Company receives regulatory approval for its intended products, which may further limit price approvals and compensation from third parties. If such publicly or privately funded remuneration systems decide not to accept the pricing of the products, if they decide that the products will not be covered by their systems, or if they do not provide adequate compensation to the Company with respect to the Company's products, this will limit the commercial success of these products.

MARKETING AND SALES

Competition and pricing

The pharmaceutical industry is a highly competitive industry. Within most indications, a number of companies are competing to develop new and improved products to obtain a high market share and a favorable price. There is a risk that Moberg Pharma's products will not be favored on the market over existing or other new products, which may negatively impact Moberg Pharma's business and financial position. Price pressure for medical products in Moberg Pharma's indication areas is considerable and is expected to remain high or increase 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 an attractive market share and an attractive price for its products.

Parallel imports

There is a risk that differences in price in the markets on which the Company or its partners operate may lead to an increase in parallel imports, meaning that the Company's products can be purchased at a more affordable price in some markets and then compete with the Company's sales in other markets.

Partners and distributors

Moberg Pharma depends on cooperation and distribution agreements with partners, distributors or retailers for the marketing and sale of its products. There is a risk that it may not be possible to enter into such agreements on favorable terms or that counterparties may not meet their obligations in accordance with concluded agreements, which could include the registration of the products in the relevant country.

Accordingly, Moberg Pharma's growth is highly dependent on the ability to uphold such partnerships and their implementation. If important partnerships cannot be concluded, are terminated or function unsatisfactorily, this could have an adverse impact on the Company's continued development, growth and financial position. There is also a risk that future launches and sales may not be able to produce results that are comparable to those achieved so far.

Disputes

There is a risk that Moberg Pharma may become involved in legal processes associated with the Company's operating activities. Such legal processes may include disputes involving infringements of intellectual property and the validity of certain patents or trademarks (see "Patents and trademarks" below), as well as commercial disputes. Even if the outcome is favorable for Moberg Pharma, disputes and claims can be time-consuming, interfere with operating activities, involve significant amounts or fundamentally vital issues for the Company, and result in significant costs. Disputes that lead to unfavorable outcomes for Moberg Pharma may result in the Company incurring significant costs for settlements or being required to pay significant amounts or penalties, or having restrictions or bans imposed on it with regard to selling or marketing particular products.

Side-effects

Since the Company's primary business is the development of medical products, there is a risk that patients who use the Company's products, participate in clinical studies involving the Company's products, or otherwise come into contact with the Company's products may experience side-effects. The consequences of such potential side-effects may harm patients, delay or halt continued product development, and restrict or prevent the commercial use of products. Another consequence is that patients suffering from side effects may claim damages or sue the Company, in which case the Company could incur significant legal fees, receive negative publicity or be liable for the payment of damages.

Product liability and insurance

Moberg Pharma conducts clinical trials of medical products, which entails risks associated with product liability. Moberg Pharma has the insurance cover customary to the industry for its clinical trial activities and holds product liability insurance policies for products under development and in the market. However, there is a risk that the insurance may not provide sufficient protection against claims for damages 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 has operated, and can in the future continue to operate, in the U.S., where lawsuits and judicial proceedings are much more common than in Europe, for example, and often involve significant amounts, which may result in considerable costs and affect the Company's profits and financial position. Consequently, it may be more difficult to obtain adequate insurance cover in the U.S., and there are also higher costs involved in obtaining such cover.

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, that applications will not be granted or that the Company's rights cannot be asserted. Furthermore, patent or trademark infringement could occur, which could lead to costly disputes. For the losing party, a negative outcome to a dispute over intellectual property rights could result in the loss of protection, a ban on continuing to use the right concerned or an obligation to pay damages. Patent applications have been submitted for the Company's products under development and have been granted in some but not all markets. There is a risk that the outstanding patent applications may not 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. There can be no guarantee that acquired trademarks will not be questioned by competing companies that appeal against Moberg Pharma's entitlement to these trademarks. Moberg Pharma is also exposed to the risk that the value of its trademarks could be reduced due to unforeseen events.

Manufacturing

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. There is a risk that Moberg Pharma may be impacted by delayed or failed deliveries, which could impact sales.

It may happen that the Company is faced with a limited range of critical raw and packaging materials that can only be obtained from a single supplier or a limited number of suppliers. This may cause delays in manufacturing or clinical trials, significant loss of earnings, or a liability on the part of the Company for damages or similar with respect to third parties. Any disruption of the delivery of raw materials or failure on the Company's part to acquire such raw materials on commercially acceptable terms could damage the Company's business by causing delays in the Company's clinical trials, preventing the commercialization of approved products or increasing the Company's costs.

Acquisitions

Moberg Pharma's operations has in the past included the acquisition of new assets. The Company may also in the future evaluate opportunities for acquisitions. There is a risk that the Company may be unable to make acquisitions at attractive prices, or at all. In addition, there is a risk that acquired trademarks or patents may be challenged by competing companies calling into question Moberg Pharma's right to those trademarks and patents. Moberg Pharma is also exposed to the risk that the value of its assets could be reduced due to unforeseen events.

As well as Company-specific risks, the acquired company's relationships with customers, suppliers and key personnel may be adversely affected in the event of an acquisition. Integration processes related to future acquisitions could become more costly or time-consuming than expected, and anticipated synergies could fail to materialize either in full or in part. Establishing the manufacture of acquired products with new contract manufacturers may fail or be more expensive or time-consuming than anticipated. The difficulties of combining business operations may include the coordination of geographically scattered operations and assets from an operating, financial and legal perspective.

Economic trends

Moberg Pharma's future sales are to a certain extent dependent on the general economic situation. A downturn in the markets in which the Company operates could reduce demand for the Company's products.

ORGANIZATION

Key individuals

Moberg Pharma is dependent on the Company's senior executives and other key individuals, to be able to engage in high-quality business and product development, and related operations among other things. Should the Company lose one of its key employees, this could delay or cause interruptions to

development programs, the licensing-out or commercialization of the Company's product candidates. Such delays or interruptions could adversely affect the Company's expansion and growth.

In addition to internal key personnel, Moberg Pharma also depends on certain executives employed by contract manufacturers and other key suppliers. There is a risk that it may not be possible to maintain these relationships over time.

Recruitment requirement

There is a risk that Moberg Pharma will not be able to recruit new qualified employees which the business may need.

Trade secrets and know-how

Moberg Pharma relies to a certain extent on unpatented trade secrets, know-how and continued technological innovation in order to develop and retain its market position. If the Company is unsuccessful in protecting these trade secrets and this know-how and technology, there is a risk that the Company's market position could be adversely affected and that the value of the Company's commercialized products, technologies and product candidates could be adversely affected.

Security leaks

The Company's IT systems, as well as those of the Company's consultants and CROs, are subject to the risk of exposure to computer viruses, unauthorized access, natural disasters, terrorism, wars and breakdowns in the telecommunications network or power grid. Such events could cause disruptions to the Company's operations, such as the loss of data from ongoing and future clinical studies relating to the Company's product candidates. Such events could also cause delays in the development of products and the submission of applications for approval to regulatory authorities and increase the Company's costs. To the extent that such disruptions may result in the loss of, or damage to, the Company's data or in leaks of trade secrets and know-how, the Company could incur costs and the development of product candidates could be delayed.

Incentive program

Moberg Pharma has introduced several share-based incentive schemes in the form of employee stock options, subscription warrants and performance share units. The purpose of the schemes is to motivate and reward key personnel by making them shareholders in the Company and thereby promoting the Company's long-term interests. However, there is a risk that this purpose may not be achieved, and this could result in the Company's employees carrying out their work less efficiently than expected. Share-based incentive schemes also always involve a tax risk, as the Company's assessment of the applicable tax legislation could prove to be incorrect, and this could lead to a higher tax burden in the future and to tax-related penalties being imposed on the Company. In addition, share-based incentive schemes in the form of subscription warrants and performance share units entail a dilution of the existing shareholders when the warrants are exercised or when shares to be allocated to holders of performance share units are issued.

FINANCIAL RISKS

For information on financial risk factors, see Note 28.

RISKS RELATED TO THE DIVESTMENT OF THE OTC-BUSINESS

Commitments and guarantees

In connection with the divestment of the OTC-business in March 2019, Moberg Pharma, as a beneficiary, has taken out insurance with respect to the commitments and guarantees in the share purchase agreement. This is the only remuneration option Moberg Pharma has, according to the share purchase agreement, with respect to the business commitments provided by the company in the share purchase agreement. Unless Moberg Pharma is guilty of fraud or similar, the company's liability for breaches of such business commitments is limited to USD 1. However, there is a risk that deficiencies in customary guarantees during the share purchase agreement may lead to negative financial effects for the company and adversely affect the company's reputation.

Changed risk profile

Moberg Pharma's financial profile have changed through the divestment of the OTC business. The company no longer receive ongoing revenues from product sales from the OTC business. As a result, Moberg Pharma's dependence on positive clinical results and successful commercialization of its development projects increases. There is a risk that Moberg Pharma will not receive positive clinical results and that the commercialization of the company's development activities will not be as successful as expected, which could have a material negative effect on the company's operations, earnings and financial position.

Payment of the OTC dividend

The company intends to use the remainder of the purchase price for the sale of the OTC-business, after the bonds have been repaid and deductions for transaction costs, to carry out an extraordinary distribution to the shareholders of Moberg Pharma in the form of an automatic share redemption procedure (the OTC dividend). According to Moberg Pharma's current assessment, the OTC dividend is estimated to amount to approximately SEK 43–45 per ordinary share in the company. However, the actual and final amount of the OTC dividend may change and depend on several factors, such as transaction costs, the receipt of expected milestone payments, anticipated investments in R&D, business development, and administrative costs to complete the MOB-015 development program, exchange rate fluctuations and other factors affecting Moberg Pharma's financial situation at the actual time of disbursement of the OTC dividend. There is a risk that the OTC dividend may amount to a lower amount than the company originally assessed if the company's financial situation at the time of disbursement of the OTC dividend is such that Moberg Pharma according to current value transfer rules or otherwise not allowed to distribute a higher amount to the company's shareholders.

RISKS RELATED TO THE COMPANY'S SHARES

Share performance and liquidity

Investing in shares is by its very nature associated with the risk that the value of the investment can fall. There is no guarantee for how the Company's shares will perform. The price of the Moberg Pharma share has been volatile ever since the Company's share was listed on NASDAQ Nordic Exchange Stockholm and the share's liquidity 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. The ability of shareholders to sell their shares, whether at all or without a negative impact on the market price, assumes constantly active and liquid trading.

Dividend

To date, the Company has not paid a dividend. As Moberg Pharma over the next few years is expected to be in a phase of development of the company's organization and portfolio, any capital surplus will be invested in the business. The Board of Directors reviews the dividend policy on an annual basis. There is a risk that future cash flows will not exceed the Company's capital requirements and that the Annual General Meeting will not decide on dividends in the future. The above does not affect the planned dividend to the shareholders of the net proceeds from the divestment of the OTC business.

Shareholders with significant influence

If the principal owners are in agreement, they will have a significant influence on the Company and on most of the decisions that require the approval of the Company's shareholders. This concentration of ownership may be detrimental to the other shareholders if they have interests that are different from those of the principal owners.

Shareholders in other jurisdictions prevented from participating in any future preferential rights issues

If Moberg Pharma issues new shares in a preferential rights issue, then, as a general rule, existing shareholders will have a preferential right to subscribe to new shares relative to their shareholding at the time of the issue. However, shareholders in certain other countries may be subject to restrictions that prevent them from participating in such preferential rights issues, or their participation may otherwise be hampered or restricted.

THE MOBERG PHARMA SHARE

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

NEW ISSUES DURING THE YEAR

Share capital at the end of the period was SEK 1,817,986 (1,744,076), the total number of shares outstanding was 17,519,016 ordinary shares (17,440,762) and 660,843 Series B shares (0) with a quotient value of SEK 0.10.

As part of the sale of the OTC business, the buyer has subscribed and paid for 660,843 class B shares in Moberg Pharma at a subscription price of SEK 35.16 per share (without the right to the OTC dividend), which resulted in an increase in the total number of shares in the company from 17,703,762 to 18,364,605 after completion of the issue on April 30, 2019.

Moberg Pharma has also issued 659,421 warrants free of charge, each of which entitles the buyer to subscribe for one common share in the company at a subscription price of SEK 35.16 per share. Neither the newly issued B shares, the warrants or the shares subscribed for through the exercise of the warrants will be eligible for the OTC dividend and the warrants will not be exercisable until the OTC dividend has been paid out. After payment of the OTC dividend, the B shares will be converted into ordinary shares in the Company.

The number of repurchased own shares decreased by 36,164 in May 2019 through the accelerated earning of performance share rights to employees, as well as 42,090 shares transferred in June 2019 to cover costs incurred as a result of exercised warrants and shares transferred from employee incentive programs. Moberg Pharma holds 184,746 (263,000) repurchased own shares at the end of the period.

After the end of the period, in July 2019, the number of shares and votes has increased as a result of 488 905 ordinary shares having been added following the exercise of warrants under Moberg Pharma's share-based compensation plans. The OTC divestment resulted in the vesting of a proportion of outstanding incentive programs pro rata based on the date of the divestment, 29 March 2019. Exercise of the warrants means that the number of shares and votes has increased by 488,905 from 18,364,605 to 18,853,510 at the time of publication of this report.

SHARE PRICE MOVEMENT

The closing price on June 28th, 2019 was SEK 65.90, which gave a market capitalization of SEK 1,210 million for Moberg Pharma.

The highest price recorded for the Moberg Pharma share during January – June 2019 was SEK 71.00 and the lowest price was SEK 42.05.

In total, 9.9 million (13.6) Moberg Pharma shares were traded during January – June 2019, corresponding to a value of approximately SEK 660 (572) million. Each trading day averaged 81,481 (54,584) shares. At year-end, Moberg Pharma had a total of 4,920 (4,114) shareholders , with the 20 largest shareholders holding 58.7% (65.3) of the shares in Moberg Pharma.

OWNERSHIP STRUCTURE

	No. of shares	Share capital, %	No. of shareholders[2]
1 – 500	499,621	2.7%	3,411
501 – 1,000	549,553	3.0%	637
1,001 – 5,000	1,499,929	8.2%	619
5,001 – 10,000	708,666	3.9%	100
10,001 – 15,000	523,494	2.9%	42
15,001 – 20,000	309,496	1.7%	17
20,001 –	14,273,846	77.7%	94
TOTALT	**18,364,605**	**100%**	**4,920**

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

SHAREHOLDERS AT 2019-06-28

Shareholders	Number of shares	% of votes and capital
FÖRSÄKRINGSBOLAGET, AVANZA PENSION[3]	2,320,994	12.64
ZIMBRINE HOLDING BV	1,902,849	10.36
ÖSTERSJÖSTIFTELSEN	1,624,179[4]	8.84
NORDNET PENSIONSFÖRSÄKRNING AB	1,000,990	5.45
JAZZ HOLDCO, INC	660,843[5]	3.60
LINDBERG, ERIK JOHAN	397,300	2.16
NORMAN, CARL ERIK	360,000	1.96
LUNDMARK, SVEN ANDERS	326,500	1.78
EUROCLEAR BANK S.A/N.V,W8-IMY	317,943	1.73
BNY MELLON SA/NV (FORMER BNY), W81MY	223,108	1.21
SOCIETE GENERALE	219,536	1.20
MOBERG PHARMA AB	181,836[6]	0.99
70133904, DANICA PENSION	173,500	0.94
BNY MELLON NA (FORMER MELLON), W9	172,683	0.94
SYNSKADADES RIKSFÖRBUND	172,201	0.94
AKTIEINVEST FK AB	164,137	0.89
ML, PIERCE, FENNER & SMITH INC	147,414	0.80
MORGAN STANLEY & CO INTL PLC, W-8BEN	144,684	0.79
GUNNARSSON, MIKAEL	144,000	0.78
SKANDIA, FÖRSÄKRINGS	133,747	0.73
TOTAL, 20 LARGEST SHAREHOLDERS	**10,788,444**	**58.70**
Other shareholders	7,576,161	41.30
TOTAL	**18,364,605**	**100**

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

[4] Östersjöstiftelsen also holds 650,000 shares that were lent to Aktieinvest at the end of the period to facilitate the exercise of warrants in employee share-based compensation programs, Östersjöstiftelsens total holding is unchanged at 2,274,179 shares.

[5] Series B shares

[6] Moberg Pharma also holds shares that at the end of the period were lent to Aktieinvest to cover costs incurred as a result of exercised warrants and received shares in employee share-based compensation programs. Moberg Pharma holds 184,746 repurchased own shares at the publication of this report.

DISTRIBUTION OF OWNERSHIP

	No. of shares	Share capital, %	No. of shareholders[7]
Physical entities	6,315,946	34.4%	4,558
Legal entities	12,048,659	65.6%	362
Total	**18,364,605**	**100.0%**	**4,920**
– of whom, residing in Sweden	13,457,817	73.3%	4,681

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

GEOGRAPHIC BREAKDOWN

	No. of shares	Share capital %	No. of shareholders[8]
Sweden	13,457,817	73.3%	4,681
Netherlands	2,007,732	10.9%	4
United States	1,284,03	7.0%	20
Belgium	552,159	3.0%	4
United Kingdom	297,626	1.6%	19
Other countries	765,188	4.2%	192
TOTAL	**18,364,605**	**100%**	**4,920**

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

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 recurring dividend until such a time when it is warranted by Moberg Pharma's earnings, financial position and capital requirements.

In March 2019, the OTC business was divested for a cash consideration of USD 155 million (corresponding to SEK 1.43 billion) adjusted for working capital. The company intends to use the cash consideration to, among other things, conduct an extraordinary distribution to the shareholders of Moberg of approximately SEK 43–45 per ordinary share to its shareholders in 2019.

Consequently, the Board of Directors intends to propose that the Annual General Meeting for the abbreviated financial year 1 January – 30 June 2019 be held on 30 October 2019, and to resolve on an extraordinary distribution to the shareholders of Moberg Pharma in the form of an automatic share redemption procedure. The purchaser of the OTC-business will not be entitled to the distribution.

By way of the automatic share redemption procedure, each ordinary share will be split into an ordinary share and a redemption share. The redemption share will thereafter be automatically redeemed at an amount tentatively between SEK 43 and 45 per share. The redemption shares will also be admitted to trading on Nasdaq Stockholm. Accordingly, shareholders may choose to either (a) keep their redemption shares and receive the redemption payment, or (b) sell their redemption shares on Nasdaq Stockholm, which for shareholders resident outside of Sweden may be favorable from a tax perspective. Payment for the redemption shares is expected to be disbursed by the end of November 2019. The Board of Directors' complete proposal, as well as an information document further describing the automatic share redemption procedure, will be presented well in advance of the Annual General Meeting.

According to Moberg Pharma's current assessment, the OTC dividend is expected to amount to approximately SEK 43–45 per ordinary share in the company. However, the actual and final amount of the OTC dividend may change and depend on several factors, such as transaction costs, the receipt of expected milestone payments, anticipated investments in R&D, business development, and administrative costs to complete the MOB-015 development program, exchange rate fluctuations and other factors affecting Moberg Pharma's financial situation at the actual time of disbursement of the OTC dividend.

ANALYSTS MONITORING MOBERG PHARMA

Dan A Johansson, Nordea	**Hans Mähler,** Nordea
Klas Palin, Redeye	**Johan Unnerus,** Pareto Securities

SHARE-BASED INCENTIVE PROGRAMS

The number of instruments outstanding as at June 30, 2019 was 783,901 personnel options and 80,022 performance share units aming to provide long term incentives to employees. If all personnel options were exercised, the total number of shares would increase by 783,901. The performance share units are issued and held in trust, where the actual number of shares that may vest range from 0% to 100% depending on share price development. Redemption price for the warrant programs varies from SEK 42.97 to SEK 65.47, and performance share units are tied to share performance from SEK 35.00[9]. Where applicable, the redemption price may be subsequently adjusted in the event distributions are made. For detailed information on the share-based compensation plans, see Note 7 and Note 19.

The following table gives an indication of the maximum levels of dilution for share based incentive programs to employees at different levels of share price:

INSTRUMENTS GRANTED BASED ON STRIKE PRICE

Share price	**40**	**50**	**60**	**70**
Number of new shares due to diluting warrants	-	370,000	597,151	783,901
Number of shares allocated by performance share units	10,003	24,007	33,343	40,011
Theoretical dilution	**0.1%**	**2.2%**	**3.5%**	**4.5%**
Company's market capitalization, SEK million	734	934	1,133	1,334
Gain for instrument holders , SEK million	0.9	5.4	11.1	19.8
Actual dilution from share-based instruments	**0.1%**	**0.6%**	**1.0%**	**1.5%**

The OTC divestment triggered vesting for the proportion of the outstanding incentive programs earned to employees. The board approved a vesting scheme in which instruments were vested pro rata based on the closing date of the OTC divestment, March 29, 2019.

[9] Redemption prices will be subject to recalculation after the OTC dividend has been executed in accordance with the terms of the respective incentive program

OUTSTANDING WARRANTS

Together with personnel options, Moberg Pharma has, in connection with the buyer of the OTC business providing loan financing, issued 659,421 warrants, each of which entitles the buyer of the OTC business to subscribe for one common share in the company from after the OTC dividend has been completed until March 31, 2023 with a subscription price of SEK 35.16 per share. The warrants are not eligible to the OTC dividend and may not be exercised until the OTC dividend has been settled.

Outstanding warrants	**Total**
2015:1 – Closing date for subscription: 12/31/2019 Subscription price SEK 65.47	186,750
2016:1 – Closing date for subscription: 12/31/2020 Subscription price SEK 42.97	376,000
2017:1 – Closing date for subscription: 12/31/2021 Subscription price SEK 59.50	221,151
2019 - Warrants issued to the purchaser of the OTC business. Closing date for subscription: 03/31/2023 Subscription price SEK 35,16 post OTC dividend	659,421
	1,443,322

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(TSEK)	Note	Jan-Jun 2019	Jan-Dec 2018
Continuing Operations			RESTATED
Net sales	2	15,554	4,553
Cost of goods sold		-	-
Gross profit/loss		**15,554**	**4,553**
Sales expenses		-789	-2,075
Business development and administrative expenses		-15,334	-24,372
Research and development costs		-7,165	-12,720
Other operating income	4	3,514	804
Other operating expenses		-	-1,137
Operating profit/loss	5-9	**-4,220**	**-34,947**
Interest income and similar items	10	121	1
Interest expenses and similar items	10	-966	-4
Profit/loss before tax		**-5,065**	**-34,950**
Income taxes	11	336	7,106
Profit/loss for the period from continuing operations		**-4,729**	**-27,844**
Discontinued Operations			
Profit/loss after tax from discontinued operations	12	563,544	47,682
Total profit/loss for the period		**558,815**	**19,838**
Translation differences of foreign operations		8,855	20,555
Reclassification of translation differences to profit from sale of discontinued operations		-68,249	-
Other comprehensive income		**-59,394**	**20,853**
COMPREHENSIVE INCOME FOR THE YEAR		**499,421**	**40,691**
Profit for the period attributable to parent company shareholders		558,815	19,838
Total profit attributable to parent company shareholders		499,421	40,691
Earnings/loss per share before dilution	13	**31.64**	**1.14**
Earnings/loss per share after dilution	13	**31.35**	**1.14**
Average number of shares before dilution		17,662,347	17,440,762
Average number of shares after dilution		17,825,850	17,462,351
Number of shares at year-end		18,179,859	17,440,762

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (TSEK)	Note	**2019-06-30**	**2018-12-31**
NON-CURRENT ASSETS			
Intangible non-current assets			
Capitalized expenditure for research and development work	14	248,804	237,624
Capitalized expenditure for computer systems	14	-	2,359
Goodwill	14	-	97,088
Product rights	14	-	690,297
Patents, licenses and similar rights	14	6,850	6,850
Total intangible non-current assets		*255,654*	*1,034,218*
Property, plant and equipment			
Machinery and equipment	*15*	*80*	*382*
Financial and other non-current assets			
Right-of-use assets	6	10,493	-
Deferred tax asset	11	11,617	5,064
Total other non-current assets		*22,110*	*5,446*
Total non-current assets		**277,844**	**1,039,664**
CURRENT ASSETS			
Inventories	16	-	24,976
Current receivables			
Trade receivables	17	81	67,460
Other receivables	17	11,349	5,629
Prepaid expenses and accrued income	18	1,564	3,100
Total current receivables		*12,994*	*76,189*
Cash and cash equivalents	*19*	*919,134*	*110,785*
Total current assets		**932,128**	**211,950**
TOTAL ASSETS		**1,209,972**	**1,251,614**

EQUITY AND LIABILITIES (TSEK)	Note	**2019-06-30**	**2018-12-31**
EQUITY	20		
Equity attributable to Parent company shareholders			
Share capital		1,818	1,744
Other capital contributions		555,639	528,122
Translation reserve		-	59,395
Accumulated profit/loss		4,758	-15,080
Profit/loss for the year		558,815	19,838
Total equity		**1,121,030**	**594,018**
LIABILITIES			
Non-current liabilities			
Interest bearing non current liabilities	21	23,642	594,451
Non-current leasing liabilities	6	8,331	-
Other non-current liabilities		65	65
Deferred tax liabilties	11	-	6,916
Total non-current liabilities		*32,038*	*601,432*
Current liabilities			
Trade payables		7,568	25,381
Current leasing liabilities	6	2,366	-
Other current liabilities	22	37,231	2,096
Accrued expenses and deferred income	23	9,739	28,687
Total current liabilities		*56,904*	*56,164*
Total liabilities		**88,942**	**657,596**
TOTAL EQUITY AND LIABILITIES		**1,209,972**	**1,251,614**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to Parent company shareholders				
(TSEK)	Share capital	Other capital contributions	Translation reserve	Profit/loss carried forward including profit/loss for the year	Total equity
Opening equity, January 1, 2018	**1,744**	**527,203**	**38,542**	**-15,080**	**552,409**
Profit/loss for the period				19,838	19,838
Other comprehensive income – translation differences on translation of foreign operations			20,852		20,852
Total	**-**	**-**	**20,852**	**19,838**	**40,690**
New shares issued	26				26
Transaction costs on new shares issued		-666			-666
Tax effect on transaction costs, new shares issued		147			147
Repurchased own shares	-26				-26
Employee share based payments		1,438			1,438
Closing equity, December 31, 2018	**1,744**	**528,122**	**59,394**	**4,758**	**594,018**
Opening equity, January 1, 2019	**1,744**	**528,122**	**59,394**	**4,758**	**594,018**
Profit/loss for the period				558,815	558,815
Other comprehensive income – translation differences on translation of foreign operations			-59,394		-59,394
Total	**-**	**-**	**-59,394**	**558,815**	**499,421**
New shares issued	66	23,169			23,235
Employee share based payments	8	4,348			4,356
Closing equity, June 30, 2019	**1,818**	**555,639**	**-**	**563,573**	**1,121,030**

Additional information on the share and its performance is available on pages 27-28.

CONSOLIDATED STATEMENT OF CASH FLOWS

(TSEK)	Note	2019	2018
Operating activities			
Operating profit before financial items from continuing operations		-4,220	-34,947
Operating profit before financial items from discontinued operations		599,371	99,766
Operating profit before financial items		**595,152**	**64,819**
Financial items paid/received		-42,288	-36,410
Taxes paid		-15	-736
Adjustments for items not affecting cash flow:			
Depreciation/amortization and other adjustments	29	10,518	31,861
Capital gain on sale of OTC business		-624,905	-
Revaluation contingent consideration and unrealized foreign exchange rate differences		-	-4,552
Employee share based remuneration		1,676	1,438
Cash flow before changes in working capital		-59,863	56,420
Change in working capital			
Increase (-)/Decrease (+) in inventories		-3,481	3,822
Increase (-)/Decrease (+) in operating receivables		19,050	17,592
Increase (+)/Decrease (-) in operating liabilities		6,441	-3,943
Cash flow from operating activities		**-37,853**	**73,891**
Investing activities			
Net investments in intangible assets	14, 30	-32,396	-83,641
Net investments in subsidiaries		1,432,816	-
Cash flow from investing activities		**1,400,420**	**-83,641**
Financing activities			
Issue of loans		23,205	-
Repayment of bonds		-600,000	-
Payment of lease liabilities		-1,031	-
Issue of new shares		23,236	26
Repurchase own shares		-	-26
Transaction costs on issued shares		-	-666
Cash flow from financing activities		**-554,590**	**-666**
CHANGE IN CASH AND CASH EQUIVALENTS		**807,977**	**-10,416**
Cash and cash equivalents on January 1		110,785	119,437
Exchange rate difference in cash and cash equivalents		372	1,764
Cash and cash equivalents on December 31	19	919,134	110,785
Supplementary disclosures to cash flow statement			
Interest paid /received			
Interest received		71	1
Interest paid		-42,359	-36,411

PARENT COMPANY INCOME STATEMENT

(TSEK)	Note	Jan-Jun 2019	Jan-Dec 2018
Net sales	2	42,848	142,394
Cost of goods sold		-2,477	-14,130
Gross profit/loss		**40,371**	**128,263**
Sales expenses		-11,450	-42,346
Business development and administrative expenses		-56,908	-29,226
Research and development costs		-7,860	-16,207
Other operating income	4	4,208	16,914
Other operating expenses		-	-1,077
Operating profit/loss	5-9, 27	**-31,639**	**56,321**
Interest income and similar items	10	646,606	1
Interest expenses and similar items	10	-42,445	-38,974
Profit/loss before tax		**572,522**	**17,347**
Tax on net profit for the year	11	6,553	-4,337
PROFIT/LOSS		**579,075**	**13,010**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

(TSEK)	Note	Jan-Jun 2019	Jan-Dec 2018
Profit/loss for the year		**579,075**	**13,010**
Other comprehensive income		-	-
COMPREHENSIVE INCOME FOR THE YEAR		**579,075**	**13,010**

PARENT COMPANY BALANCE SHEET

ASSETS (TSEK)	Note	**2019-06-30**	**2018-12-31**
NON-CURRENT ASSETS			
Intangible non-current assets			
Capitalized expenditure for research and development work	14	248,804	237,624
Capitalized expenditure for computer systems	14	-	2,259
Product rights	14	-	642,612
Patents, licenses and similar rights	14	6,850	6,850
Total intangible non-current assets		*255,654*	*889,346*
Property, plant and equipment			
Machinery and equipment	15	80	114
Financial and other non-current assets			
Right-of-use assets		10,493	-
Shares in Group companies	26	150	178,106
Deferred tax asset	11	11,617	5,064
Total other non-current assets		*22,260*	*183,170*
Total non-current assets		**277,994**	**1,072,630**
CURRENT ASSETS			
Inventories	16	-	*728*
Current receivables			
Trade receivables	17	81	12,472
Other receivables	17	11,349	4,485
Prepaid expenses and accrued income	18	1,564	2,086
Total current receivables		*12,994*	*19,043*
Cash and cash equivalents	19	*919,084*	*93,998*
Total current assets		**932,078**	**113,769**
TOTAL ASSETS		**1,210,072**	**1,186,399**

EQUITY AND LIABILITIES (TSEK)	Note	**2019-06-30**	**2018-12-31**
EQUITY	20		
Restricted equity			
Share capital		1,818	1,744
Reserve for development expenditure		244,258	225,888
Total restricted equity		*246,076*	*227,632*
Unrestricted equity			
Share premium reserve		434,479	406,962
Accumulated profit/loss		-138,600	-133,240,
Profit/loss for the year		579,075	13,010
Total unrestricted equity		*874,954*	*286,732*
Total equity		**1,121,030**	**514,364**
LIABILITIES			
Non-current liabilities			
Interest bearing liabilties	21	23,642	594,451
Non-current lease liabilities		8,331	-
Other non-current liabilties		65	65
Total non-current liabilities		*32,038*	*594,516*
Current liabilities			
Trade payables		7,569	18,055
Liabilities to Group companies		99	41,306
Current leasing liabilities		2,366	-
Other short term liabilties	22	37,231	2,171
Accrued expenses and deferred income	23	9,740	15,987
Total current liabilities		*57,005*	*77,519*
Total liabilities		**89,043**	**672,035**
TOTAL EQUITY AND LIABILITIES		**1,210,072**	**1,186,399**

CHANGES IN EQUITY FOR THE PARENT COMPANY

	Restricted equity		Unrestricted equity		
(TSEK)	Share capital	Reserve for development expenditure	Share premium reserve	Other unrestricted equity	Total equity
Opening equity, January 1, 2018	**1,744**	**120,556**	**406,044**	**-27,909**	**500,435**
Profit/loss for the period				13,010	13,010
Reclassification to reserve for development expenditure		105,332		-105,332	0
New shares issued	26				26
Transaction costs on new shares issued			-666		-666
Tax effect on transaction costs on new shares issued			146		146
Repurchase own shares	-26				-26
Employee stock option schemes			1,438		1,438
Closing equity, December 31, 2018	**1,744**	**225,888**	**406,962**	**-120,230**	**514,364**
Opening equity, January 1, 2019	**1,744**	**225,888**	**406,962**	**-120,230**	**514,364**
Profit/loss for the period				579,075	579,075
Reclassification to reserve for development expenditure		18,370		-18,370	0
New shares issued	66		23,169		23,235
Employee stock option schemes	8		4,348		4,356
Closing equity, June 30, 2019	**1,818**	**244,258**	**434,479**	**440,475**	**1,121,030**

PARENT COMPANY CASH FLOW STATEMENT

(TSEK)	Note	Jan-Jun 2019	Jan-Dec 2018
Operating activities			
Operating profit/loss		-31,639	56,321
Financial items paid/received		-42,288	-36,410
Taxes paid		-	-
Adjustments for items not affecting cash flow:			
Depreciation/amortization and other adjustments	9, 29	9,092	26,429
Revaluation contingent consideration and unrealized foreign exchange rate differences		-	-4,552
Employee share based remuneration		1,362	607
Cash flow before changes in working capital		-63,473	42,395
Change in working capital			
Increase (-)/Decrease (+) in inventories		443	-728
Increase (-)/Decrease (+) in operating receivables		5,309	2,381
Increase (+)/Decrease (-) in operating liabilities		36,696	33,989
Cash flow from operating activities		**-21,025**	**78,037**
Investing activities			
Net investments in intangible assets	14,30	-32,065	-80,578
Investments in equipment and tools		1,432,766	-
Cash flow from investing activities		**1,400,701**	**-80,578**
Financing activities			
Issue of loans		23,205	-
Repayment of bonds		-600,000	-
Payment of lease liabilities		-1,031	-
Issue of new shares		23,236	26
Repurchase own shares		-	-26
Transaction costs on new shares issued		-	-666
Cash flow from financing activities		**-554,590**	**-666**
CHANGE IN CASH AND CASH EQUIVALENTS		**825,086**	**-3,207**
Cash and cash equivalents on January 1		93,998	97,205
Cash and cash equivalents on December 31	19	919,084	93,998
Supplementary disclosures to cash flow state-ment			
Interest paid /received			
Interest received		71	1
Interest paid		-42,359	-36,411

NOTES

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

NOTE 1. ACCOUNTING POLICIES

Company information
The Annual Report for Moberg Pharma AB 2019 was approved for publication by decision of the Board on September 27, 2019. The Annual Report will be submitted to the Annual General Meeting (AGM) for adoption on October 30, 2019. Moberg Pharma AB, corporate registration number 556697-7426, is a limited liability company registered in Bromma, Sweden. The company's main business is described in the Directors' Report.

Basis of preparation and IFRS
The following accounting and valuation principles pertain to both the consolidated financial statements and the Parent company's annual accounts unless otherwise specified.

The consolidated financial statements have been prepared in accordance with international accounting standards, the International 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 by the European Commission for application in 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's Annual Report has been prepared in accordance with the Swedish Annual Accounts Act (ÅRL) by application of Recommendation RFR 2 of the Swedish Financial Reporting Board. This means that, as the main rule, the IFRS valuation and disclosure rules, as applied in the consolidated financial statements, also apply to the Parent company.

Standards, amendments and interpretations to be applied as of 2019
As of January 1, 2019, IAS 17 was replaced by IFRS 16 Leasing. According to the new standard, most leased assets are recognized in the balance sheet and the lessee divides the cost into interest payments and depreciation of the asset. The Group has elected to apply the modified retroactive approach in the transition to the new standard, which does not require a restatement of comparative periods. The leasing portfolio mainly comprises leased office premises. The Group has elected not to recognize short-term lease agreements and leasing agreements for which the underlying asset has a low value as an asset with the right of use and leasing liabilities, respectively. As a result of the transition, a right-of-use asset of SEK 11.7 million has been recognized as an asset with corresponding liabilities of SEK 11.7 million in accordance with the table below on continuing operations.

(SEK thousand)	12/31/18	Adjustments	1/1/19
Assets			
Right-of-use assets	-	11,728	11,728
TOTAL	**-**	**11,728**	**11,728**
Equity and liabilities			
Non-current lease liability	-	9,565	9,565
Current lease liability	-	2,163	2,163
TOTAL	**-**	**11,728**	**11,728**

Translation of foreign currency
Functional currency and reporting value
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 reports 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.

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

Consolidation principles
Subsidiaries are consolidated in accordance with the acquisition 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 corporate 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.

Revenue
Two types of income are included in net revenue: product sales and milestone payments. All revenues are recognized at the fair value of what has been received or will be received less deductions for discounts, VAT and after elimination of intra-group transactions and are recorded as follows:

- *Product sales are reported as revenue when control of the goods has been transferred to the customer, which is on delivery taking into account the current shipping conditions.*
- *Milestone payments are recognized when all conditions of eligibility for milestone payment under the agreement are met.*

Other income
Other services not associated with the company's core business are recognized in other income. Government grants and research grants are also recognized as other income in the same period as the expenses that the grants are intended to offset.

Leasing
Assets and liabilities associated with a lease agreement are initially measured at present value. The lease payments are discounted by the interest rate implicit in the lease. If this rate cannot be easily established, which is usually the case with property leases, the lessee's incremental borrowing rate is used, which is the rate that the individual lessee would have to pay to borrow the funds needed to obtain an asset of similar value in a similar economic environment with similar terms.

Lease payments are divided between amortization and financing costs. The financing cost is expensed over the lease term to produce a constant periodic rate on the remaining liability in each period.

The liability will be increased by the rate on the lease liability, but reduced by paid leasing fees. The valuation of the liability will also reflect changes in the leasing fees.

Right-of-use assets are measured at cost, which comprises the amount of the initial valuation of the lease liability. Right-of-use assets are depreciated over the shorter asset's useful life and the lease term on a straight-line basis. After the commencement date, the lessee measures the right of use at cost after deducting accumulated depreciation and any accumulated impairment. The valuation also takes into account any revaluation of the lease liability.

Payments associated with short-term equipment leases and all leases with low value assets are expensed on a straight-line basis in the income statement. Short-term leases are leases with a term not exceeding 12 months. Low value assets consist of IT equipment and office furniture.

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 impairment tested 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 asset's estimated useful life from the time of an acquisition.

Depreciation/amortization periods
The following useful lives are applied for different types of assets:

Product rights	15–25 years
Patents	useful life of the patent
Capitalized expenditure for research and development work	anticipated useful life
Capitalized expenditure for computer systems	5 years
Machinery	7 years
Equipment	5 years
Computer equipment[10]	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 life of the patent if this is less than the term of the patent. Amortization of product rights is applied straight line over the anticipated useful life.

Research and development costs
Research costs are expensed as incurred.

Expenditure relating to internally generated development projects is capitalized as intangible assets in accordance with IAS 38 Intangible Assets insofar as this expenditure is expected to generate future economic benefits. The cost of such intangible assets is amortized over the asset's estimated useful life. 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.

[10] Personal computers are expensed directly to the income statement when acquired

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 term of the underlying patent. 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 products are 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 for intangible assets and property, plant and equipment are tested for impairment. If an indication of impairment exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of the fair value of the asset less selling expenses and the asset's value 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 the income statement.

Inventories

Inventories are recognized at the lower of cost (weighted average price) and net realizable value. Acquisition costs are defined as costs for finished goods and raw materials. Cost includes purchasing costs, customs and transport costs and other direct costs associated with the purchase of goods. Net realizable value is the estimated selling price in the company's operating activities less selling costs. The risk of obsolescence and confirmed obsolescence have 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 the income statement during the period to which they relate.

Financial instruments

Financial instruments reported in the statement of financial position include, on the asset side, cash and cash equivalents, accounts receivable and financial receivables. Liabilities include accounts payable, other interest-bearing liabilities and contingent consideration.

Reporting in an removal from report on financial position

A financial asset or liability is recognized in the statement of financial position when the company becomes a party according to the instrument's contractual terms. A claim is raised when the company has performed and there is a contractual obligation for the counterparty to pay, even if the invoice has not yet been sent. Accounts receivable are recognized in the statement of financial position when the invoice has been sent. Debt is raised when the counterparty has performed and there is a contractual obligation to pay, even if the invoice has not yet been received. Accounts payable are recognized when the invoice is received.

A financial asset is removed from the statement of financial position when the rights in the agreement are realized, expire or the company loses control over them. The same applies to part of a financial asset. A financial liability is removed from the statement of financial position when the obligation in the agreement is fulfilled or otherwise extinguished. The same applies to part of a financial debt. A financial asset and a financial liability are offset and reported with a net amount in the statement of financial position only when there is a legal right to offset the amounts and that there is an intention to settle the items with a net amount or to simultaneously realize the asset and settle the debt. Acquisitions and divestments of financial assets are reported on the business day. The business day is the day on which the company commits to acquire or dispose of the asset.

Classification and valuation of financial assets

Debt instruments: the classification of financial assets that are debt instruments is based on the Group's business model for managing the asset and the nature of the asset's contractual cash flows.

The instruments are classified into:

- accrued acquisition value
- fair value through other comprehensive income, or fair value through profit or loss.

The Group's assets in the form of debt instruments are classified at amortized cost. Financial assets classified at amortized cost are initially measured at fair value with the addition of transaction costs. Accounts receivable are initially recognized at the invoiced value. After the first accounting opportunity, the assets are valued according to the effective interest method. Assets classified at amortized cost are held according to the business model to collect contractual cash flows that are only payments of principal amounts and interest on the outstanding capital amount. The assets are covered by a loss reserve for expected loan losses.

Equity instruments are classified at fair value through profit or loss, with the exception if they are not held for trading, as an irrevocable choice can be made to classify them at fair value through other comprehensive income without subsequent reclassification to the result. The Group classifies equity instruments at fair value through profit or loss.

Classification and valuation of financial liabilities

Financial liabilities are classified at amortized cost, except for contingent considerations. Financial liabilities recognized at amortized cost are initially measured at fair value including transaction costs. After the first accounting date, they are valued at accrued acquisition value according to the effective interest method. Supplementary consideration is reported at fair value through profit or loss.

Impairment of financial instruments

The Group's financial assets, other than those that are classified at fair value through profit or loss, are subject to write-downs for expected loan losses. The reserve for loan losses is calculated and reported initially based on twelve-month expected loan losses. If the credit risk has increased significantly since the financial asset was first recognized, the reserve for credit losses is calculated and reported based on expected loan losses for the entire remaining term of the asset. For accounts receivable and contract assets, a simplified method is applied and the reserve for credit losses is calculated and reported based on expected loan losses for the entire remaining term. The calculation of expected loan losses is mainly based on an individual assessment of the current receivable or the asset together with information on historical losses for similar assets and counterparties. The historical information is evaluated and adjusted continuously based on the current situation and the expectation of future events. The financial assets are reported in the balance sheet at amortized cost, ie net of gross value and loss reserve. Changes in the loss reserve are reported in the income statement.

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 probable than not 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 plans for 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 remuneration. Prepaid fees are recognized as an asset to the extent that cash repayment or a reduction of future payments may benefit Moberg Pharma.

Equity
Transaction costs directly attributable to the issue of new shares are recognized in equity, net after tax, as a deduction from the issue proceeds.

Employee share based incentive programs
Share-based incentive programs are reported in accordance with IFRS 2. According to IFRS 2, the cost of share-based remuneration to employees is reported at fair value per grant date. The cost, together with a corresponding increase in equity, is reported during the period during which the performance and earnings conditions are met, up to and including the date on which the employees concerned are fully entitled to the compensation (vesting day). The accumulated cost recognized at each reporting date until the vesting date reflects the extent to which the vesting period has been harvested and Moberg Pharma's estimate of the number of equity-linked instruments that will ultimately be fully earned.

The company's employee share based incentive programs constitute a transaction that is regulated with equity instruments in accordance with IFRS 2, where the fair value of the allocated employee share based instrument is reported in the income statement as a personnel cost during the vesting period. The fair value of the employee share based instrument is determined at the time of allotment using the Black-Scholes option pricing model. Earnings terms are taken into account in assumptions about the number of employee stock options that are expected to be possible to utilize. This estimate is revised regularly. Moberg Pharma reports the possible effect of the revision of the original estimate in the income statement with a corresponding effect on equity during the remainder of the vesting period. Funds received on exercise of employee stock options, net of any directly attributable transaction costs, are added to equity.

Related-party transactions
Remuneration and benefits to senior executives are recognized in accordance with IAS 19 Employee Benefits and IFRS2 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 31.

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 amounts in the consolidated financial statements. Deferred tax is calculated by applying the tax rates and laws that have been enacted or that have been enacted in principle 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 and liabilities 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.

Assets held for sale and discontinued operations
Assets are classified as held for sale if their value, within one year, will be recovered through sales and not through continued use in the business. At the time of reclassification, assets and liabilities are valued at the lower of fair value, less selling costs, and the assets are no longer amortized after the reclassification. Profit is limited to an amount corresponding to previously made impairment losses. Gains and losses reported on revaluation and divestment are recognized in the profit and loss for that period.

When an independent business segment or a significant business in a geographical area is divested, it is classified as a discontinued operation.

Profit for the period after tax from discontinued operations is reported on a separate line in the income statement.

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 consolidated statement of financial position and consolidated statement of cash flows, respectively. The income statement and balance sheet for the Parent company are drawn up 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. Starting from 2016, a special restricted reserve will be introduced within equity relating to the Group's own expenditure for development work. A sum equivalent to capitalized expenditure for the Group's own development work is to be transferred from unrestricted to restricted equity. The reserve for development expenditure will be released as amounts are amortized.

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

Significant estimates and assessments
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 assessments 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.

Internal development expenditure
Development costs 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 3 development or equivalent final development steps for types of products other than pharmaceuticals. But even after completion of such development steps, a number of uncertainty factors could 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 costs offset will not be justified, but will have to be expensed directly. In turn, this would imply that previous and current year results would be misleading because of an excessively optimistic assessment of the likelihood of success.

Status reports on the development projects were presented to the Board of Directors on a number of occasions during the year. The Board has evaluated the development projects and determined that two ongoing development projects, MOB-015, and BUPI, fulfill all capitalization criterias. This assessment is made according to the criteria defined in IFRS:

It is technically feasible for the company to complete the product candidates

- Efficacy and safety have been proved in phase II studies as well as previous in vitro and ex vivo studies.
- The products are based on well-known and well documented substances. Significant parts of the regulatory dossier can be based on literature data when applying for market approval which may potentially lead to a shorter path to approval.
- Scientific advice meetings with regulatory agencies have been conducted to discuss the development program to market approval which indicates a high probability of obtaining a market approval
- Moberg Pharma has been granted patents and has pending patent applications in major territories

Moberg Pharma has the intention to complete the product candidates

- The Board of Directors has approved the continued development plans
- The company has entered into several agreements with external parties on continued development

Moberg Pharma has the ambition and ability to sell the products

- Both via existing distributors and partners and through its own sales channels

The asset will generate significant future economic benefits

- Market research has shown significant potential for new products

Moberg Pharma has access to adequate technical, financial and other resources to complete development of the product candidates

- Moberg Pharma has secured the availability of all necessary resources

Impairment test of capitalised development expenditure
At each balance sheet date, impairment testing of capitalized development expenses is also carried out. This impairment test contains a number of estimates and assessments. For more on the impairment test, see Note 14

Taxes
Deferred tax assets pertaining to tax-deductible temporary differences and tax losses carried forward are recognized only insofar as it is considered likely that they will be utilized and will 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 losses carried forward can be recovered through future taxable surpluses could impact recognized taxes on earnings and on items in the balance sheet in forthcoming periods.

NOTE 2. REVENUE

Distribution of net revenue	Parent company 2019	Parent company 2018	Group 2019	Group 2018
				RESTATED
Sales of products	26,775	136,549	-	-
Milestone payments	16,073	5,845	15,554	4,553
	42,848	**142,394**	**15,554**	**4,553**

Net revenue by geographical market	Parent company 2019	Parent company 2018	Group 2019	Group 2018
				RESTATED
Europe	16,501	24,328	15,554	-
America	21,769	97,667	-	4,553
Rest of the world	4,578	20,399	-	-
	42,848	**142,394**	**15,554**	**4,553**

Net revenue is based on the geographic market from which the product is sold.

Net revenue by sales channel	Parent company 2019	Parent company 2018	Group 2019	Group 2018
				RESTATED
Direct sales	499	1,918	-	-
Distribution sales	5,026	44,542	-	-
License revenues	15,554	4,553	15,554	4,553
Transfer price adjustments	21,769	91,381	-	-
	42,848	**142,394**	**15,554**	**4,553**

Net revenue by product category	Parent company 2019	Parent company 2018	Group 2019	Group 2018
				RESTATED
Nalox™/Kerasal Nail®	27,294	137,842	-	-
MOB-015	15,554	4,552	15,554	4,553
	42,848	**142,394**	**15,554**	**4,553**

NOTE 3. SEGMENT INFORMATION

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

NOTE 4. OTHER OPERATING INCOME

Other operating income	Parent company 2019	Parent company 2018	Group 2019	Group 2018
				RESTATED
Exchange-rate gains	869	5,318	175	804
Capital gains from sales of non-current assets[13]	-	5,007	-	-
Revaluation deferred purchase price	-	6,459	-	-
Other services	3,339	130	3,339	-
	4,208	**16,914**	**3,514**	**804**

[11] Including foreign exchange gains/losses on capital gains

NOTE 5. ANALYSIS OF EXPENSES BY COST CATEGORY

Operating expenses	Parent company 2019	Parent company 2018	Group 2019	Group 2018
				RESTATED
Cost of goods sold	2,477	14,130	-	-
Personnel costs[12]	13,494	39,710	9,910	19,177
Depreciation/amortization	9,092	31,493	1,270	91
Research and development costs[12]	1,683	2,640	1,227	341
Other expenses	51,949	11,853	10,880	20,695
	78,695	**102,986**	**23,287**	**40,304**

[12] Expenses excluding capitalised development charges

Depreciation/amortization by function	Parent company 2019	Parent company 2018	Group 2019	Group 2018
				RESTATED
Research and development costs	1,347	2,225	852	50
Sales expenses	7,258	28,881	46	16
Business development and administrative expenses	487	387	371	24
	9,092	**31,493**	**1,269**	**91**

NOTE 6. LEASING

	Parent company		Group	
Leasing expenses	**2019**	**2018**	**2019**	**2018**
Depreciation expenses - premises	1,235	-	1,235	-
Interest expenses	113	-	113	-
Administration expenses (low-value assets)	76	-	76	-

	Parent company		Group	
Right-of-use assets	**2019**	**Jan 1, 2019**	**2019**	**Jan 1, 2019**
Premises	10,493	11,728	10,493	11,728

	Parent company		Group	
Leasing liabilities	**2019**	**Jan 1, 2019**	**2019**	**Jan 1, 2019**
Current leasing liabilties	2,366	2,163	2,366	2,163
Non-current leasing liabilties	8,331	9,565	8,331	9,565
	10,697	**11,728**	**10,697**	**11,728**

The Group rents office space. Leases are usually made over a fixed period of 5 years. Until the financial year 2018, leasing agreements were classified as operating leases. As of January 1, 2019, lease agreements are reported as a right-of-use asset with a corresponding liability at the date the leased asset is available for use.

NOTE 7. EMPLOYEES

	2019				2018			
	Average number of employees			No. of employees on June 30	Average number of employees			No. of employees on Dec 31
No. of employees	**Women**	**Men**	**Total**	**Total**	**Women**	**Men**	**Total**	**Total**
Sweden	17	3	20	16	20	6	26	23
USA	4	3	7	0	8	5	13	14
Total	**21**	**6**	**27**	**16**	**28**	**11**	**39**	**37**

	2019		2018	
Reporting of gender distribution of members of Parent company senior management	**Women**	**Men**	**Women**	**Men**
Board of Directors	0	4	2	3
Other senior executives	3	1	1	5

	2019		2018	
Reporting of gender distribution of members of Group senior management	**Women**	**Men**	**Women**	**Men**
Boards of Directors	0	4	2	4
Other senior executives[13]	3	1	1	6

[13] Executive management of the Group. Following the divestment of the OTC business, the executive management of the parent entity and the Group are the same

	Parent company		Group	
Total salaries, social security expenses and pensions	**2019**	**2018**	**2019**	**2018**
Salaries and other remuneration, including pension costs	12,246	28,592	20,180	46,939
Employee stock option costs	1,364	607	1,655	1,427
Social security costs	5,632	8,819	5,632	8,819
Training	27	217	27	226
Recruitment	-	493	-	493
Other expenses	404	982	1,548	4,211
Total	**19,674**	**39,710**	**29,042**	**62,115**
Of which pension costs	1,115	3,537	1,115	3,537
Of which relates to discontinued operations			-12,952	-33,008
Total wages, social costs and pensions continuing operations			16,090	29,107

Variable remuneration in January - June 2019 amounted to a total of MSEK 7.1 (7.4) for the entire workforce, of which MSEK 3.4 (3.6) in the parent company. Variable remuneration represented approximately 24% (11) of the Group's total personnel costs for the financial year. The proportion of variable remuneration in relation to the Group's total personnel costs is higher in January - June 2019 as a result of the divestment of the OTC operations. All permanent employees who have been employed for more than 6 months have the opportunity to receive a variable salary component that is linked to the fulfillment of individual goals and the company's goals.

Senior executive benefits

Board and committees

The Chairman of the Board and other Board members receive director's fees as resolved by the Annual General Meeting. To compensate for the additional work that Peter Wolpert will perform for the company in his capacity as Executive Chairman, the Annual General Meeting resolved, in accordance with Nomination Committee's proposal, to pay Peter Wolpert SEK 61,000 per month.

Chief Executive Officer

Anna Ljung took over as the new CEO of Moberg Pharma on May 16, 2019. For the period January 1 to May 15, 2019, the company paid SEK 0.9 million (2.4) in base salary to former CEO Peter Wolpert and SEK 1.2 million (1.3) in variable remuneration. For the period May 16 to June 30, 2019, SEK 0.2 million was paid out in base salary to current CEO Anna Ljung as well as SEK 0.1 million in variable remuneration.

The CEO's pension is a defined contribution, whereby the company has no pension obligations over and above those stated here. Premium payments equivalent to 25% of base salary have been made for current CEO Anna Ljung. In 2018, premium payments equivalent to 27% of base salary for 2018 were made for former CEO Peter Wolpert. The notice period is six months in the event the CEO resigns and twelve months if terminated by the company.

Other senior executives

Remuneration to other senior executives consists of base salary, variable remuneration, other benefits and pensions. Other senior executives in the parent company refer to the three persons who together with the CEO constitute the management team. In addition to the CEO, the management team consisted of the following persons on June 30, 2019:

- CFO
- Vice President Pharmaceutical Innovation and Development
- Senior Director Regulatory Affairs

Remuneration to senior executives

At the AGM on May 15th, 2019, 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 and is to be proportionate to the executive's responsibilities and authority. Variable remuneration is capped at 25–50% of each executive's basic annual salary, however the variable remuneration for the period of 2019-2020 can amount to a maximum of 15 monthly salaries in total for the two years. Variable remuneration is based on results achieved in relation to in relation to goals set by the Board of Directors. The pensionable salary comprises only the basic salary. To the extent that Board members 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 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 may apply, however total remuneration during termination including severance amounts will never be more than 12 months' salary, other than what has been stated above regarding variable remuneration for 2019-2020. Any share and share-price-related programs must be adopted by a Shareholders' Meeting. Allocation from such programs must comply with a resolution from a Shareholders' Meeting. With the exception of share-based remuneration that has been allocated 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 ignore the aforementioned principles for remuneration of senior executives if there are special reasons for so doing.

Remuneration and other benefits in 2019 for the CEO and other senior executives in the Group

2019	Basic salary[14]	Variable remuneration[15]	Other benefits	Pension costs	Share-based remuneration[16]	Other remuneration	Total
CEO, Anna Ljung (from May 16, 2019)	151	93	-	37	44	-	325
CEO, Peter Wolpert (through May 15, 2019)	853	1,219	1	281	206	-	2,560
Other executives (7 persons)[17]	4,495	3,703	-	292	733	-	9,224
Total	**5,499**	**5,016**	**1**	**609**	**984**	**-**	**12,109**

2018	Basic salary[18]	Variable remuneration[19]	Other benefits	Pension costs	Share-based remuneration[20]	Other remuneration	Total
CEO, Peter Wolpert	2,379	,1,278	-	642	414	-	4,714
Other executives (6 persons)	8,232	2,785	-	668	1,388	-	13,073
Total	**10,611**	**4,063**	**-**	**1,311**	**1,802**	**-**	**17,787**

[14] Remuneration to Mark Beveridge and Shaw Sorooshian has been settled in the form of consulting fees invoiced via companies

[15] Variable remuneration attributable to the 2019 period, but will be settled in following period

[16] These costs do not result in a disbursement and do not affect the Group's cashflows. Estimated social security costs are not included in the reported amounts.

[17] As a result of the OTC divestment, a new management team has been established, resulting in a reduction of executives to 3 persons at period's end

[18] Remuneration to Mark Beveridge and Shaw Sorooshian has been settled in the form of consulting fees invoiced via companies

[19] Variable remuneration attributable to the fiscal year 2018, o f which SEK 1,613 million was settled in 2019

[20] These costs do not result in a disbursement and do not affect the Group's cashflows. Estimated social security costs are not included in the reported amounts

Incentive programs

Moberg Pharma has introduced share-based incentive programs in the form of employee stock options and performance share units that are designed to promote the company's long-term interests by motivating and rewarding senior executives and other employees. No new programs have been introduced in 2019. The number of

shares and options held by Board members, the President and other senior executives is stated in the information on the Board on page 69 and on management on page 68. For further information on share-based payments, see Note 20.

Directors' Fees

	2019		2018	
	Directors' Fees	Other Remuneration	Directors' Fees[21]	Other Remuneration
Peter Wolpert (Chairman) (from May 16, 2019)	60	122	-	-
Thomas Eklund (Chairman) (through May 15, 2019)	143	-	416	-
Board members:				
Fredrik Granström (from May 16, 2019)	28	-	-	-
Andrew B. Handman (from May 16, 2019)	28	-	-	-
Mattias Klintemar	108	-	222	-
Geert Cauwenbergh (through May 15, 2019)	57	-	170	-
Sara Brand (through May 15, 2019)	57	-	170	-
Anna Malm Bernsten (from May 15, 2018, through May 15, 2019)	64	-	113	-
Torbjörn Koivisto (through May 15, 2018)	-	-	76	-
Thomas Thomsen (t through May 15, 2018)	-	-	78	-
Total	**545**	**122**	**1 245**	**-**

[21] Board members Thomas Eklund, Geert Cauwenbergh, Mattias Klintemar and Thomas Thomsen have, for work performed until May 15th 2018, invoiced their directors' fees plus social security contributions and VAT through companies. This procedure is cost neutral for Moberg Pharma. All fees for the period after the AGM 2018 have been paid out as income of services and are therefore subject for social security contributions in Moberg Pharma AB.

NOTE 8. INFORMATION ON AUDITOR'S REMUNERATION

	Parent company		Group	
Ernst & Young	**2019**	**2018**	**2019**	**2018**
Audit assignment	564	744	564	800
Auditing in addition to the assignment	492	118	492	118
Tax advice	292	35	292	35
Other services	873	3	873	3
	2,221	**900**	**2,221**	**956**

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 includes support on various technical issues and further audit work than initially planned. Other services are of one off character. During 2019, other work including work performed on the pro forma, information documentation, audit work in connection to the OTC divestment plus support from specialists within capital markets.

NOTE 9. DEPRECIATION/AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE NON-CURRENT ASSETS

	Parent company		Group	
Depreciation/amortization	**2019**	**2018**	**2019**	**2018**
				RESTATED
Equipment and inventory	35	91	35	286
Right-of-use assets	1,235	-	1,235	-
Intangible assets	7,822	31,402	-	-
	9,092	**31,493**	**1,270**	**286**

NOTE 10. FINANCIAL ITEMS

	Parent company		Group	
Interest income and similar items	**2019**	**2018**	**2019**	**2018**
				RESTATED
Interest income	120	1	120	1
Gain on sale subsidiaries	591,574	-	-	-
Dividend from subsidiaries	54,912	-	-	-
Other financial income	-	-	1	-
	646,606	**1**	**121**	**1**

	Parent company		Group	
Interest expenses and similar items	**2019**	**2018**	**2019**	**2018**
				RESTATED
Interest expenses	12,896	36,311	595	4
Exchange losses on liabilities	5,549	2,663	-	-
Costs for loans raised	24,000	-	371	-
	42,445	**38,974**	**966**	**4**

NOTE 11. TAXES

	Parent company		Group	
Tax recognized in the income statement	**2019**	**2018**	**2019**	**2018**
				RESTATED
Current tax	-	-	-	-
Deferred tax	6,553	-4,337	336	7,106
	6,553	**-4,337**	**336,**	**7,106**
Applicable tax rate in Sweden	21,4%	22,0%	21,4%	22,0%

	Parent company		Group	
Income taxes	**2019**	**2018**	**2019**	**2018**
				RESTATED
Profit before tax from continuing operations			-5,604	-34,950
Profit before tax from discontinued operations			557,896	60,796
Total profit/loss before tax	572,522	17,347	552,829	25,846
Tax according to the applicable tax rate for the Parent company	-122,520	-3,816	-118,305	-5,686
Effects of other tax rates for foreign subsidiaries	N/A	N/A	-162	206
Non-taxable income	138,348	0	133,730	0
Non-deductible expenses	-9,275	-379	-9,276	-417
Effect of change in tax rate on deferred tax	-	-142	-	-142
Other	-	-	-	31
Tax recognized	**6,553**	**-4,337**	**5,987**	**-6,008**

	Parent company		Group	
Deferred tax assets/tax liabilities	**2019**	**2018**	**2019**	**2018**
Deferred tax asset for deficit	4,157	5,064	4,157	5,378
Deferred tax assets – other temporary differences	-	-	-	1,422
Deferred tax assets - interest expense	7,460	-	7,460	-
Deferred tax liabilities	-	-	-	-8,652
	11,617	**5,064**	**11,617**	**-1,852**

Deferred tax assets relating to deductible temporary differences and losses carried forward are recognized only to the extent that it is probable that these will be utilized and result in lower tax payments. The Board's assessment is that the company's potential development is compelling where future taxable surpluses will be available to offset against unutilized tax losses. Current tax losses carried forward may be utilized over an indefinite period in Sweden.

The Parent company has not made any extra allowance available for deductions of accelerated amortization of intangible assets. It is possible to make significant amortization deductions in the Parent company for intangible assets in accordance with the Swedish Income Tax Act.

NOTE 12. DISCONTINUED OPERATIONS

On February 12, 2019, the company announced that it had entered into an agreement to divest the 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 for total cash consideration of SEK 1,432.8 million, which resulted in a net gain of SEK 561 million after transaction costs. The effect of the divestment on total profit was SEK 501 million.

	Group	
Income statement discontinued operations	**2019**	**2018**
Revenue	91,919	434,489
Cost of goods sold	-22,293	-104,436
Gross profit	**69,626**	**330,052**
Selling expenses	-51,262	-224,886
Business development and administrative expenses	-3,255	-16,638
Research and development expenses	-1,158	-4,602
Other operating items	741	15,840
Operating profit	**14,692**	**99,765**
Finance costs	-17,478	-38,970
Tax benefit/(expense)	5,651	-13,114
Post-tax profit/(loss) of discontinued operations	**2,865**	**47,682**
Capital gain on sale of discontinued operations	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	**560,679**	**-**
Profit after tax for the period from discontinued operations	**563,544**	**47,682**
Items that may be reclassified to profit		
Translation differences of foreign operations	8,855	20,853
Reclassification of translation differences to profit from sale of discontinued operations	-68,249	-
Other comprehensive income	**-59,394**	**20,853**
TOTAL PROFIT FOR THE PERIOD	**504,150**	**68,535**
Net cash flows are as follows		
Cash flow from ongoing discontinued operations	-29,842	102,443
Cash flow from discontinued investment operations	1,432,699	26,215
Cash flow from discontinued finance operations	-600,000	-
Cash flow from discontinued operations	**802,857**	**128,658**
Earnings per share		
Weighted average number of shares before dilution	31,91	2,73
Weighted average number of shares after dilution	31,61	2,73

Details on the sale of discontinued operations	March 29, 2019
Purchase price	
Cash settlement	1,429,106
Total purchase price	**1,429,106**
Net assets	-872,450
Profit before reclassification of translation differences	**556,656**
Reclassification of translation differences	68,249
Tax on transaction	-
Profit from the sale of discontinued operations	**624,905**

Reported assets and liabilities at date of sale of the OTC business	March 29, 2019
Assets	
Intangible assets	806,400
Fixed assets	232
Inventory	29,336
Accounts receivable and other receivables	79,118
Total Assets	**915,086**
Liabilities	
Non-current non-interest bearing liabilities	-7,711
Current non-interest bearing liabilities	-34,925
Total Liabilities	**-42,636**
Net Assets	**872,450**

NOTE 13. 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 from continued operations	2019	2018 RESTATED
Consolidated net profit/loss	-4,729	-27,844
Weighted average number of shares before dilution	17,662,347	17,440,762
Dilution effect of employee stock option schemes	163,503	21,589
Weighted average number of shares after dilution	17,825,850	17,462,351
Earnings/loss per share before dilution	-0.27	-1.60
Earnings/loss per share after dilution	-0.27	-1.60

NOTE 14. INTANGIBLE NON-CURRENT ASSETS

	Parent company		Group	
Capitalized development expenditure	**2019**	**2018**	**2019**	**2018**
Opening accumulated cost	241,462	134,670	241,462	134,670
Capitalised expenditiure for the year, own development	31,999	106,793	31,999	106,793
Discontinued operations and divestments	-24,584	-	-24,584	-
Closing accumulated cost	**248,877**	**241,462**	**248,877**	**241,462**
Opening accumulated amortisation	-3,838	-2,377	-3,838	-2,377
Amortization for the year	-365	-1,461	-365	-1,461
Discontinued operations and divestments	4,130	-	4,130	-
Closing accumulated amortisation	**-73**	**-3,838**	**-73**	**-3,838**
Carrying amount at the end of the period	**248,804**	**237,624**	**248,804**	**237,624**
Detailed analysis of capitalized development expenditure				
Capitalized expenditure for MOB-015	234,417	203,173	234,417	203,173
Capitalized expenditure for BUPI	14,387	13,632	14,387	13,632
Capitalized expenditure for the next generation of Kerasal Nail®/Nalox™	-	20,819	-	20,819
Carrying amount at the end of the period	**248,804**	**237,624**	**248,804**	**237,624**

	Parent company		Group	
Capitalized expenditure for computer systems	**2019**	**2018**	**2019**	**2018**
Opening accumulated cost	6,227	4,913	6,398	5,069
Capitalized expenditure for the year	67	1,314	67	1,314
Discontinued operations and disposals	-6,294	-	-6,470	-
Translation differences	-	-	5	14
Closing accumulated cost	**-**	**6,227**	**-**	**6,398**
Opening accumulated amortization	-3,968	-2,610	-4,038	-2,623
Amortization for the year	-395	-1,358	-409	-1,414
Discontinued operations and disposals	4,363	-	4,450	-
Translation differences	-	-	-3	-1
Closing accumulated amortization	**-**	**-3,968**	**-**	**-4,038**
Carrying amount at the end of the period	**-**	**2,259**	**-**	**2,359**

	Parent company		Group	
Goodwill	**2019**	**2018**	**2019**	**2018**
Opening accumulated cost	-	-	97,088	89,092
Discontinued operations and disposals	-	-	-100,432	-
Translation differences	E/T	E/T	-3,344	7,996
Carrying amount at the end of the period	**-**	**-**	**-**	**97,088**

Goodwill relates to the acquisition of Moberg Pharma North America LLC (Alterna LLC) in 2012, which was sold 2019-03-29 together with the remaining OTC-business.

	Parent company		Group	
Product rights	**2019**	**2018**	**2019**	**2018**
Opening accumulated cost	706,255	739,586	786,474	813,198
Acquisitions for the year	-	-	-	-
Divestments for the year	-706,255	-33,331	-789,237	-33,331
Translation differences	-	-	2,763	6,606
Closing accumulated cost	**-**	**706,255**	**-**	**786,474**
Opening accumulated amortization	-63,643	-39,058	-96,177	-64,006
Amotrtization for the year	-7,062	-28,584	-8,429	-33,765
Discontinued operations and disposals	70,705	3,999	105,742	3,999
Translation differences	-	-	-1,136	-2,405
Closing accumulated amortization	**-**	**-63,643**	**-**	**-96,177**
Carrying amount at the end of the period	**-**	**642,612**	**-**	**690,297**

		Parent company		Group	
Specification of product rights	**Useful life, years**	**2019**	**2018**	**2019**	**2018**
Product rights for Dermoplast®	25	-	398,808	-	398,808
Product rights for NewSkin®	25	-	230,279	-	230,279
Product rights for Kerasal®	15	-	-	-	47,685
Product rights for Domeboro®	25	-	13,525	-	13,525
Carrying amount at the end of the period		**-**	**642,612**	**-**	**690,297**

Amortization of product rights is applied on a straight-line basis across the estimated useful life. All product rights have been divested on March 29, 2019.

	Parent company		Group	
Patents, licenses and similar rights	**2019**	**2018**	**2019**	**2018**
Opening accumulated cost	7,150	7,150	7,150	7,150
Acquisitions for the year	-	-	-	-
Closing accumulated cost	**7,150**	**7,150**	**7,150**	**7,150**
Opening accumulated amortization	-300	-300	-300	-300
Amortization for the year	-	-	-	-
Closing accumulated amortization	**-300**	**-300**	**-300**	**-300**
Carrying amount at the end of the period	**6,850**	**6,850**	**6,850**	**6,850**

Investments in patents primarily refers to the acquisition from Oracain II ApS of rights to a patent-pending formulation of the proven substance bupivacaine for the treatment of pain in the oral cavity, BUPI, which has not yet been commercialized. Amortization of patents commences from the time of commercialization.

Testing of impairment requirement

Intangible assets with an indeterminable useful life are tested at least annually to assess impairment requirements. Assets amortized and intangible assets under development are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount is not recoverable, or at least annually.

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 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 budget for the year and forward is based on the long-term forecast planning by company management. This is based on several more 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 analysis. This, combined with management's experience, estimated forecasts, business plans, as well as existing agreements with suppliers and customers, forms the basis of assessment. The most significant assumptions applied during the year's test include volume growth, EBITDA, investment requirements and discount rates (WACC).

For the company's intangible fixed assets that are under development, the expected cash flows are likely to be adjusted to take into account the development risk. The cash flow is calculated based on forecasts for total market size, expected market share, estimated price level etc. The size of the market, price level and probability assessment is based on external market information and accepted probability assumptions for the corresponding product to reach the market. The costs include development costs based on the company's business plan. The forecast period for income and expenses extends to the end of the patent in 2032. The most significant assumptions mainly consist of market size, market share and probability.

WACC

The discount rate used has been calculated as WACC (weighted average cost of capital) and amounts to 8.9 percent. The discount rate is based on a market-based assessment of the average capital cost taking into account the estimated existing risk level.

Sensitivity analysis
Sensitivity analyses are conducted to analyze how changes in WACC and growth rates influence the calculated value in use. Sensitivity analyses that have been carried out indicate that no reasonable changes in significant assumptions lead to a need for impairment.

NOTE 15. PROPERTY, PLANT AND EQUIPMENT

	Parent company		Group	
	2019	**2018**	**2019**	**2018**
Opening accumulated cost	2,224	2,420	3,712	3,785
Investments	-	-	-	-
Discontinued operations and disposals	-	-195	-1,539	-195
Translation differences	-	-	51	122
Closing accumulated cost	**2,224**	**2,224**	**2,224**	**3,712**
Opening accumulated depreciation	-2,110	-2,125	-3,330	-3,062
Depreciation for the year	-34	15	-79	-180
Discontinued operations and disposals			1,307	
Translation differences	-	-	-42	-90
Closing accumulated depreciation	**-2,144**	**-2,110**	**-2,144**	**-3,330**
Carrying amount at the end of the period	**80**	**114**	**80**	**382**

NOTE 16. INVENTORIES

	Parent company		Group	
Inventories	**2019**	**2018**	**2019**	**2018**
Component parts	-	-	-	4,050
Finished products and goods for resale	-	728	-	20,926
	-	**728**	**-**	**24,976**

NOTE 17. TRADE RECEIVABLES AND OTHER RECEIVABLES

	Parent company		Group	
Trade receivables and other receivables	**2019**	**2018**	**2019**	**2018**
Trade receivables	81	12,472	81	67,716
Provisions for doubtful debts	-	-	-	-256
Carrying amount at the end of the period, trade receivables	**81**	**12,472**	**81**	**67,460**
Other receivables	11,349	4,485	11,349	5,629
	11,430	**16,957**	**11,430**	**73,089**

Fair value for trade receivables corresponds to the carrying amount. The maximum exposure to credit risk at 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.

	Parent company		Group	
Ageing of trade receivables	**2019**	**2018**	**2019**	**2018**
Not overdue	81	9,858	81	58,881
Less than 3 months	-	2,612	-	8,573
3 to 6 months	-	-	-	173
More than 6 months	-	2	-	89
	81	**12,472**	**81**	**67,716**

	Parent company		Group	
Changes in provisions for expected credit losses	**2019**	**2018**	**2019**	**2018**
On January 1	-	-	-256	-456
Additional provisions for expected credit losses	-	-	-	-368
Receivables written off during the year as non-recoverable	-	-	-	604
Reversed unutilized amount	-	-	256	-
Translation differences	-	-	-	-36
Carrying amount at the end of the period	**-**	**-**	**-**	**-256**

	Parent company		Group	
	2019	**2018**	**2019**	**2018**
Non-overdue trade receivables not subject to impairment	81	9 858	81	58 881

NOTE 18. PREPAID EXPENSES AND ACCRUED INCOME

	Parent company		Group	
Prepaid expenses and accrued income	**2019**	**2018**	**2019**	**2018**
Leasing of premises	701	695	701	695
Insurance costs	394	1,030	394	1,261
Pension costs	144	201	144	201
Marketing costs	-	-	-	639
Other prepaid expenses	325	160	325	304
	1,564	**2,086**	**1,564**	**3,100**

NOTE 19. 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 cash equivalents	**2019**	**2018**	**2019**	**2018**
Cash and cash equivalents	919,084	93,998	919,134	110,785
Carrying amount	**919,084**	**93,998**	**919,134**	**110,785**

Cash and cash equivalents in both the Parent company and the Group include bank accounts pledged as security for bank guarantees of SEK 0.7 (0.7) million.

NOTE 20. EQUITY

Capital

Moberg Pharma's managed assets comprise equity. Changes in managed equity are described in "Consolidated Statement of Changes in Equity", page 31.
Moberg Pharma seeks to add value and generate a good return for shareholders through profitable growth from organic sales growth, acquisitions and in-licensing of new products.

Share Capital

Date[22]	**Transaction**	**Change in number of shares**	**Changes in share capital**	**Number of shares**	**Total share capital, SEK**	**Face value, SEK**[23]	**Subscription price, SEK**[25]	**Invested capital**
Outstanding, January 2018				**17,440,762**	**1,744,076.20**	**0.10**		
June 2018	New share issue (own shares)	263,000	26,300.00	17,703,762	1,770,376.20	0.10		
Closing balance 2018				**17,703,762**	**1,770,376.20**	**0.10**		
Outstanding, January 2019				**17,703,762**	**1,770,376.20**	**0.10**		
April 2019	New share issue	660,843	66,084.30	18,364,605	1,836,460.05	0.10	35.16	23,235,240
Closing balance, June 2019				**18,364,605**	**1,836,460.05**	**0.10**		

The share capital excluding shares in treasury amounted to SEK 1,817,986 (1,744,076) at the end of the period. The total number of shares outstanding excluding shares in treasury comprised 17,519,016 common shares (17,440,762) and 660,843 Series B shares (0) with a quota value of SEK 0.10.

As part of the sale of the OTC business, the buyer has subscribed and paid for 660,843 Series B shares in Moberg Pharma at a subscription price of SEK 35.16 per share (without the right to the OTC dividend), which resulted in an increase in the total number of shares in the company from 17,703,762 to 18,364,605 after completion of the issue on April 30, 2019. The number of shares in treasury decreased by 36,164 in May 2019 through the accelerated vesting of performance share rights to the employees, as well as 42,090 shares transferred in June 2019 to cover the costs incurred as a result of exercised warrants and shares transferred from employee incentive programs, so that Moberg Pharma holds 184,746 (263,000) repurchased common shares at the end of the period.

[22] Refers to the date of registration with the Swedish Companies Registration Office

[23] Average exercise price

Share-based remuneration

Employee stock options	2015:1	2015:1 B	2016:1	2017:1	2018:1[24]
	2010-05-19	2012-11-27	2014-05-22	2015-05-11	2015-05-11
Start day	2015-05-11	2015-05-11	2016-05-16	2017-05-16	2018-05-15
Expiration date	2019-12-31	2019-12-31	2020-12-31	2021-06-30	2021-05-10
Vesting date	2018-06-30	2018-06-30 and 2019-09-30	2019-06-30	2020-06-30	2021-03-31
Exercise price, SEK per share	65.47	65.47	42.97	59.50	35.00
Number originally allocated	138,500	150,000	428,000	304,000	263,000
Outstanding, January 1, 2019	105,750	81,000	376,000	251,500	263,000
Forfeited in January - June 2019[25]	-	-	-	-30,349	-108,222
Exercised in January - June 2019	-	-	-	-	-74,756
Outstanding, June 30, 2019	**105,750**	**81,000**	**376,000**	**221,151**	**80,022**
Number of shares that may be subscribed to through employee stock options	**105,750**	**81,000**	**376,000**	**221,151**	**80,022**
Vested, June 30, 2019	105,750	81,000	376,000	163,266	-

The number of instruments outstanding as at June 30, 2019 was 783,901 personnel options (of which 726,016 are vested) and 80,022 performance share units (PSUs) as at June 30, 2019. If all personnel options were exercised, the total number of shares would increase by 783,901. The performance share units are issued and held in trust, where the actual number of shares that may vest range from 0 percent to 100 percent depending on share price development. If all employee stock options were exercised and all shares were allotted, the total number of shares would increase from 18,179,859, which excludes shares in own custody, to 18,963,760 shares.

Employee stock options are issued by the subsidiary Moberg Derma Incentives AB. Stock options may be exercised by the holder at any time after the vesting day up to and including the closing date, where each option entitles the holder to a subscribe to one share warrant. Each subscription warrant in turn entitles the holder to subscribe for one common share in Moberg Pharma. If the employment is terminated, allotted unearned employee stock options are forfeited.

For employee stock options that give right to acquire warrants that are automatically and simultaneously exercised to subscribe for new shares, Moberg Pharma must pay social security contributions on the difference between the market value of the share when the option is exercised and the exercise price paid by the employee. Expected social costs have been calculated and provisions have been made in the accounts.

The Group's costs for employee stock option programs (excluding estimated social security costs) for January - June 2019 amounted to SEK 4.4 million (1.4).

The OTC divestment resulted in the accelerated vesting on a pro rata basis of the current share based programs. The Board of Directors declared that such vesting shall be pro rated up to the date of the sale of the OTC business on March 29, 2019.

Outstanding warrants	Moberg Derma Incentives AB	Total
2015:1 – Closing date for subscription: 12/31/2019 Subscription price SEK 65.47	186,750	186,750
2016:1 – Closing date for subscription: 12/31/2020 Subscription price SEK 42.97	376,000	376,000
2017:1 – Closing date for subscription: 12/31/2021 Subscription price SEK 59.50	221,151	221,151
2019 - Warrants issued to the purchaser of the OTC business. Closing date for subscription: 03/31/2023 Subscription price SEK 35,16 post OTC dividend	-	659,421
	783,901	**1,443,322**

When the purchaser of the OTC business provided financing in the form of a loan (see Note 20 Non-current liabilities for more information) Moberg Pharma also issued 659,421 warrants, each of which entitles the buyer of the OTC business to subscribe for one common share in the company at a subscription price of SEK 35.16 per share post the OTC dividend and with a final subscription date of March 31, 2023. Neither the newly issued Series B shares, the warrants nor the shares subscribed for through the exercise of the warrants will be eligible for the OTC dividend and the warrants will not be exercisable until the OTC dividend has been paid out. After settlement of the OTC dividend, the Series B shares will be converted into common shares of the company.

[24] Refers to performance share units as opposed to previous years incentive program with employee stock options

[25] Forfeited items refer to programs vested on a pro rata basis as incurred by the sale of the OTC business on March 29, 2019.

NOTE 21. NON-CURRENT LIABILITIES

	Parent company		Group	
Long-term borrowing	**2019**	**2018**	**2019**	**2018**
Bond loan	-	594,451	-	594,451
Interest-bearing liabilities (denominated in USD)	23,642	-	23,642	-
Carrying amount at the end of the period	**23,642**	**594,451**	**23,642**	**594,451**

The following table analyzes the Group's interest-bearing financial liabilities, distributed by the time remaining on the balance sheet date until the contractual maturity date. Expected future interest payments have been calculated based on the interest rate in effect on balance sheet date. The amounts in the table are the contractual, undiscounted cash flows.

	Parent company		Group	
Maturity dates, long-term borrowing:	**2019**	**2018**	**2019**	**2018**
Maturity date 1–2 years from the balance sheet date	-	-	-	-
Maturity date 2–5 years from the balance sheet date	23,642	600,000	23,642	600,000
Maturity date more than 5 years from the balance sheet date	-	-	-	-
Carrying amount at the end of the period	**23,642**	**600,000**	**23,642**	**600,000**

The table below shows expected future interest payments, which have been calculated based on the interest rate available on the balance sheet date.

	Parent company		Group	
Expected future interest payments:	**2019**	**2018**	**2019**	**2018**
Maturity date 1–2 years from the balance sheet date	-	36,000	-	36,000
Maturity date 2–5 years from the balance sheet date	8,077	39,000	8,077	39,000
Date of maturity more than 5 years from the balance sheet date	-	-	-	-
Total expected future interest payments	**8,077**	**75,000**	**8,077**	**75,000**

Upon the sale of the OTC business, the company on April 1, 2019 sent an irrevocable notification of early redemption of its SEK 600 million bond loan, and the redemption was finalized on April 29, 2019. In accordance with the terms, the bonds were redeemed at an amount corresponding to 104.00 percent of the nominal amount (corresponding to SEK 624 million). The SEK 24 million cost of the early redemption has been recognized as a financial expense.

In connection with the divestment of the OTC business in March 2019, the buyer provided financing for a loan of USD 2.5 million with a book value of SEK 23.6 million as of June 30, 2019 and subscription of shares (USD 2.5 million). The loan carries a 3 month PIK interest rate of LIBOR +5.50 percent. The interest is paid in connection with repayment of the loan, which falls due for payment on March 31, 2023. No transaction expenses arose in connection with the acquisition and the signing of the loan. Nor were there any covenants associated with the loan. If Moberg Pharma, before March 31, 2023, receives milestone payments, royalties or other similar payments from partners that in total exceed an amount equivalent to USD 10 million, plus any additional amounts received under existing partner agreements (excluding payments received to cover fees, charges and other expenses), Moberg Pharma will use such excess funds to repay the loan. The nominal amount of the loan may be reduced by setting off the subscription price if the buyer chooses to exercise outstanding warrants to subscribe for common shares in Moberg Pharma. The warrants are issued without consideration and each warrant gives the holder the right to subscribe for one common share in Moberg Pharma at a subscription price of SEK 35.16 per share post the OTC dividend. The warrants may not be exercised until the OTC dividend has taken place.

NOTE 22. CURRENT LIABILITIES

	Parent company		Group	
	2019	**2018**	**2019**	**2018**
Employee payroll tax	607	615	607	540
Social security contributions	610	641	610	641
Provision for social security contributions on employee share based incentives	2,541	915	2,541	915
Paid share subscriptions and other share-based payments	31,609	-	31,609	-
Other current liabilities	1,864	-	1,864	-
	37,231	**2,171**	**37,231**	**2,096**

NOT 23. ACCRUED EXPENSES AND DEFERRED INCOME

	Parent company		Group	
	2019	**2018**	**2019**	**2018**
Accrued personnel expenses	4,331	7,369	4,331	11,301
Accrued Board expenses	231	374	231	374
Audit	470	285	470	460
Market Development Funds	-	-	-	2,733
Accrued marketing expenses	-	-	-	899
Returns and discounts	-	-	-	3,282
Coupons	-	-	-	31
Accrued interest	-	5,900	-	5,900
Other accrued expenses	4,708	2,059	4,708	3,707
	9,740	**15,987**	**9,740**	**28,687**

	Parent company		Group	
Accrued personnel expenses	**2019**	**2018**	**2019**	**2018**
of which, accrued salaries	1,756	2,861	1,756	6,793
of which, accrued vacation pay liability	2,085	3,668	2,085	3,668
of which, accrued social security contributions	490	840	490	840
	4,331	**7,369**	**4,331**	**11,301**

NOTE 24. PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Parent company		Group	
Pledged assets in the Parent company	**2019**	**2018**	**2019**	**2018**
Bank guarantee, cash and cash equivalents	702	702	702	702
	702	**702**	**702**	**702**

NOTE 25. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY FOR THE GROUP

Financial assets and liabilities by category **June 30, 2019**	**Assets/liabilities measured at fair value via the income statement**	**Financial assets at amortised cost**	**Finanicial debt at amortised cost**	**Total**
Assets in the balance sheet				
Trade receivables and other receivables (excluding prepaid expenses)		11,430		11,430
Cash and cash equivalents		919,134		919,134
Total		**930,564**		**930,564**
Liabilities in the balance sheet				
Interest bearing liabilities			23,642	23,642
Leasing liabilities			10,697	10,697
Other non-current liabilities			65	65
Trade payables and other liabilities excluding non-financial liabilities			10,110,[26]	10,110
Total			**44,514**	**44,514**

[26] Consists of accounts payable of 7,569 plus other current liabilities (excluding supplementary purchase price, staff withholding tax and social security contributions) of 2,541, see note 22

Financial assets and liabilities by category **December 31, 2018**	**Assets/liabilities measured at fair value via the income statement**	**Loan receivables and trade receivables**	**Other financial liabilities**	**Total**
Assets in the balance sheet				
Trade receivables and other receivables (excluding prepaid expenses)		73,089		73,089
Cash and cash equivalents		110,785		110,785
Total	**0**	**183,874**		**183,874**
Liabilities in the balance sheet				
Bond loan			594,451[27]	594,451
Non-current non-interest-bearing liabilities			65	65
Trade payables and other liabilities excluding non-financial liabilities			26,296[28]	26,296
Total	**0**	**0**	**620,812**	**620,812**

[27] Bond loan, see note 21

[28] Consists of accounts payable of 25,381 plus other current liabilities (excluding supplementary purchase price, staff withholding tax and social security contributions) of 915, see note 22

In neither 2019 nor 2018 did any items recognized at fair value in the balance sheet arise.

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 of the above items for 2019 the book value is an approximation of fair value, which is why these items are not divided into levels according to the valuation hierarchy. The bond loan was redeemed in 2019 in connection with the sale of the OTC business. The fair value of the bond loan as of December 31, 2018 amounted to approximately SEK 599 million (based on liquidity trading price) according to level 2 of the valuation hierarchy, while the book value was SEK 594 million.

NOT 26. SHARES 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 2019 AB	559192-9095	Stockholm, Sweden	100%	50

Change in carrying amounts, shares in subsidiaries	2019	2018
Opening cost	178,106	178,106
Acquisitions	100	-
Disposals	-178,056	-
Closing accumulated cost	**150**	**178,106**
Closing carrying amount	**150**	**178,106**

During the financial year, the group has acquired the subsidiaries MPJ OTC AB and Moberg Pharma 2019 AB. The subsidiaries Moberg Pharma North America LLC and MPJ AB were divested March 29, 2019.

NOTE 27. INTRA-GROUP TRANSACTIONS

Intra-Group transactions from the Parent company's perspective	Parent company	
	2019	2018
Dividends	54,912	-
Transfer price adjustments	21,769	91,381
	76,681	**91,381**

NOTE 28. FINANCIAL RISKS, FINANCIAL POLICY AND OTHER RISKS

Financial risk management

Financial risks consist of market risk (comprising interest rate risk and currency risk), credit risk, liquidity risk and refinancing risk.

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.

After the divestment of the OTC business, there is no longer any significant market risk, since Moberg Pharma is no longer exposed to any material interest rate or currency risk. At present, Moberg Pharma's policy is to not hedge financial risks relating to loans and transaction exposures. This decision has been taken in view of the cost of hedging against risks.

Refinancing risk and future capital requirements

Moberg Pharma's strategy means that the company will continue to invest significant resources in research and development and in business development. These activities are covered today by available cash and cash equivalents, and Moberg Pharma is in a good financial position. Moberg Pharma is in an expansion phase and conducts development-intensive activities with investments aimed at generating future income. This consumes cash and cash equivalents. The OTC business was divested at the beginning of 2019 for cash consideration of USD 155 million (corresponding to SEK 1.43 billion) adjusted for working capital. The company intends to use the cash consideration to, among other things, distribute approximately SEK 43–45 per common share to its shareholders in 2019. Moberg Pharma has also redeemed its outstanding bonds. The Phase 3 program for MOB-015 is fully financed through the cash proceeds from the divestment of the OTC business and license revenues. After the Phase 3 program, should the opportunity arise for faster growth, e.g., through acquisitions, Moberg Pharma may have to raise additional capital by issuing new shares or raising further loans. In addition, in the event of an economic downturn or adverse conditions in the credit markets, this could have an impact on the company's ability to continue to finance its operations. There is a risk that financing cannot be secured for future capital requirements or that such financing cannot be obtained on favorable terms, or at all.

Refinancing risk refers 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 that are prepared to invest in the company or because existing loans are cancelled, in part the risk that the refinancing of a loan that falls due cannot be implemented, and in part the risk that refinancing must occur under adverse market conditions at unfavorable terms.

Currency risk

Currency risk is the risk that changes in exchange rates will negatively impact Moberg Pharma's income statement, financial position and/or cash flows. It also affects comparability between periods of changes in exchange rates. After the divestment of the OTC business, there are no longer any foreign subsidiaries in the Group, because of which no translation exposure exists.

The collaboration and licensing agreements signed with counterparties outside Sweden are often signed in currencies other than Swedish kronor. As activity from such agreements grows, the company's currency exposure will gradually increase. As of the balance sheet date, June 30, 2019, there are no material balance sheet items in foreign currency.

Translation exposure arises when operations are conducted outside Sweden in accounting currencies other than SEK. The translation exposure is considered limited as no operations are carried out outside Sweden after the divestment of the OTC business. Prior to the divestment of the OTC business, translation exposure attributable to the US dollar (through the subsidiary Moberg Pharma North America) arose during consolidation when the net assets in the Group's units were converted to SEK. The translation differences regarding net assets in USD recognized in other comprehensive income in 2018 were SEK 20.9 million.

Net exposure of subsidiaries	2019	2018
USD	-	257,662

Interest rate risk and liquidity risk

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

Interest rate risk pertains to the risk that changes in interest rates will negatively impact 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. After the divestment of the OTC business, Moberg Pharma has very little borrowing, because of which the company's exposure to interest rate risk is considered low. The outstanding loans amount to SEK 23 million and have a fixed-interest period over the term of the loan. For further information on outstanding interest-bearing liabilities, see Note 21.

Credit and 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 collaboration and licensing agreements and financial investments. When a collaboration or licensing agreement is 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 credit-impaired assets low. The Group limits its current counterparty risk in connection with financial investments by investing surplus liquidity with counterparties with very high credit ratings. There is a risk that the company's assessment and evaluation of counterparty credit risks and credit ratings is not correct. In the event that a counterparty is unable to meet its commitments to Moberg Pharma, this may adversely affect the company's performance and financial position.

Tax

Moberg Pharma operates in Sweden. As far as the Board of Directors is aware, business activities are conducted in accordance with applicable tax laws. However, there is a risk that the company's interpretation of these tax rules may be incorrect or that legislation might change, possibly with retroactive effect. The company's previous or current tax situation could therefore change as a result of decisions taken by revenue services, which may have a negative impact on the company's business activities, performance and financial position.

Tax loss carry forwards

The company currently has declared tax loss carry forwards which may be lost if a new owner gains control of over 50% of the votes in the company or new owners each gain control of at least 5% of the votes and collectively control more than 50% of the votes in the company. The loss of these tax loss carry forwards would result in a financial loss for Moberg Pharma, which could have a negative impact on the company's business activities and financial position. In light of interest limitation rules, a remaining net interest expense has been saved following the divestment of the OTC business with certain limitations that can be utilized for six years after the net interest expense arose. The right to utilize the remaining net interest expense ceases in the event of a change in ownership.

Non-sustainable sources of income

Moberg Pharma's business and income model is partly based on license agreements with so-called milestone payments. One-off payments in the form of milestone payments constitute an important source of revenue for Moberg Pharma, but are not a sustainable source of income. In addition, milestone payments are dependent on certain predetermined targets for the sales, research and development activities of the company's business partners, which means that they are difficult to forecast. Consequently, there is a risk that the company's revenue and profit/loss could vary significantly from one period to the next.

NOTE 29. DEPRECIATION/AMORTIZATION AND OTHER ADJUSTMENTS IN THE CASH FLOW STATEMENT

	Parent company		Group	
Depreciation/amortization and other adjustments	**Jan-Jun 2019**	**2018**	**Jan-Jun 2019**	**2018**
Amortization of R&D investments	365	1,461	365	1,461
Amortization of product rights	7,063	28,584	8,430	33,766
Amortization of patents	-	-	-	-
Depreciation of capitalized expenditure for computer systems	395	1,357	409	1,412
Depreciation of plant and equipment	34	91	79	287
Depreciation right-of-use assets	1,235	-	1,235	-
Other adjustments	-	-	-	-1
Capital gains on divestments of product rights	-	-5,064	-	-5,064
	9,092	**26,429**	**10,518**	**31,861**

Capital gain on divested product rights in 2018 relates to capital gain in connection with the divestment of Balmex® in April of SEK 5 million.

NOTE 30. NET INVESTMENTS IN INTANGIBLE ASSETS IN THE CASH FLOW STATEMENT

	Parent company		Group	
Net investments in intangible assets	**2019**	**2018**	**2019**	**2018**
R&D investments	-31,998	-106,793	-31,998	-106,793
Investments in capitalized expenditure for computer systems	-67	-1,314	-67	-1,314
Acquired product rights	-	-	-331	-
Divested product rights	-	27,529	-	24,466
Translation differences (currency adjustments)	-	-	-	1
	32,065	**-80,578**	**-32,396**	**-83,641**

Investments in R&D 2019 refer to investments in MOB-015 totaling SEK 31.2 million and investments in BUPI totaling SEK 0.8 million.

NOTE 31. EVENTS AFTER THE BALANCE SHEET DATE

488,905 ordinary shares were added in July 2019 following the exercise of warrants within the framework for Moberg Pharma's share-related incentive program.

NOTE 32. RELATED-PARTY TRANSACTIONS

Remunerations to the Board of Directors and management are described in Note 7. All transactions with related parties have been concluded on market terms. No Board members or senior executives, or their related parties, 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 terms and conditions of contract, and that were concluded in the current year. Nor has Moberg Pharma granted loans, issued guarantees or provided surety bonds to or on behalf of any Board member or senior executive of the company.

NOTE 33. PROPOSED APPROPRIATION OF PROFITS

The amount available for appropriation at the Annual General Meeting comprises the following unrestricted reserves, profit carried forward and the profit for the year in the Parent company:

Share premium reserve	434,479
Profit carried forward	-138,600
Profit/loss for the year	579,075
	874,954

The Board of Directors proposes that at the disposal of the Annual General Meeting standing profits and share premium reserve be carried forward. Following appropriation, unrestricted equity amounts to:

Share premium reserve	434,479
Profit carried forward	440,475
	874,954

ASSURANCE BY THE BOARD OF DIRECTORS

The undersigned certify that the consolidated financial statements and the 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 and results of the Group and the Parent company and that the Director's Report 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.

Stockholm September 27th , 2019

Peter Wolpert
Chairman

Fredrik Granström
Board member

Andrew B. Hochman
Board member

Mattias Klintemar
Board member

Anna Ljung
CEO

Our audit report was issued on September 27th , 2019

Ernst & Young AB

Andreas Troberg
Authorized Public Accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of Moberg Pharma AB (publ), corporate identity number 556697-7426

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Moberg Pharma AB (publ) for the year 2019-01-01-2019-06-30. The annual accounts and consolidated accounts of the company are included on pages 15-55 in this document.

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 30 June 2019 and its financial performance and cash flow for the year then ended 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 30 June 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), 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 consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the consolidated statement of comprehensive income and the consolidated statement of financial position for the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's board of directors in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

KEY AUDIT MATTERS

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

CAPITALIZED DEVELOPMENT COSTS

Description

The capitalized development costs for the group and the parent company amount to 234 MSEK for MOB-015 and 14 MSEK for BUPI as per June 30, 2019.

The initial capitalization as well as subsequent capitalization are based on the company's judgments around the probability for the development projects to succeed, why capitalized development costs have been assessed as a key audit matter.

Judgments used and the Board of Director's decision that form basis for this assessment is described in section "Significant estimates and assessments" in note 1. The capitalized development costs are described in note 14.

How our audit addressed this key audit matter

In our audit we have assessed and reviewed the company's documentation for assessing which development projects that meet the conditions for capitalization as intangible assets according to IFRS. We have reviewed the company's follow up on development projects, including the communication with regulatory authorities. We have reviewed the company's process for identifying and allocating expenses to respective development project.

In addition, we have reviewed the related disclosures in the financial statements.

VALUATION OF CAPITALIZED DEVELOPMENT COSTS

Description

As per June 30, 2019 capitalized development costs amount to 249 MSEK in the consolidated statement of financial position for the group and 249 MSEK in the balance sheet for the parent company. The company prepares annual impairment tests for capitalized development costs and if indications of impairment have been identified.

With reference to the assets value in relation to the group's and the parent company's total assets and the significant assumptions and judgments involved when calculating the recoverable amount, valuation of capitalized development costs has been assessed as a key audit matter.

A description of the company's impairment test process is described in note 14. Further information on the current year's impairment test including significant assumptions are described in note 14.

How our audit addressed this key audit matter

In our audit we have reviewed the forecasts for future sales, used by the company in its valuation models. We have reviewed the assumptions used in these valuations, such as the expected growth rates, profit levels and discount rate but also expected market share, probability assessment and remaining development costs. The forecasts have been evaluated for reasonableness based on our knowledge of the company's business, historical information and also external valuations. We have used valuation specialists in our audit to evaluate and review the company's valuation model and sensitivity analysis.

In addition, we have reviewed the related disclosures in the financial statements.

CAPITAL GAIN FROM DIVESTED OPERATIONS

Description

During the financial year the company has divested a significant part of its business. Because of the sale the company has recorded the disposed business as a discontinued operation. The group's capital gain after tax from the divested line of business amounts to 561 MSEK.

Due to the financial impact of the transaction in relation to the group's comprehensive income and the parent company's profit it is considered a significant event. Hence, we have assessed the capital gain after tax from the divested subsidiary a key audit matter.

Additional information on discontinued operations can be found in the consolidated statement of comprehensive income, the income statement as well as in note 12.

How our audit addressed this key audit matter

We have obtained the group's sales documentation. We have evaluated and reviewed the sales agreement. We have reconciled the group's capital gain calculation to supporting documentation and recalculated the result. We have also consulted our internal tax specialists to evaluate the tax effect of the transaction.

In addition, we have reviewed the related disclosures in the financial statements.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-15, 60-64 and 66-71. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibilities for the audit of the annual accounts and the consolidated accounts is located at Revisors-inspektionen's (the Swedish Inspectorate of Auditors) website at: http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf.

This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Moberg Pharma AB (publ) for the year 2019-01-01-2019-06-30 and the proposed appropriations of the company's profit or loss.

We recommend to the 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 Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the administration is located at Revisorsinspektionen's (the Swedish Inspectorate of Auditors) website at: http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf.

This description forms part of our auditor's report.

Ernst & Young AB, Box 7850, 103 99 Stockholm was appointed auditor of Moberg Pharma AB by the general meeting of the shareholders on May 15, 2019 and has been the company's auditor since 2007. Moberg Pharma AB has been a public interest entity since May 26, 2011.

Stockholm 27 September 2019
Ernst & Young AB

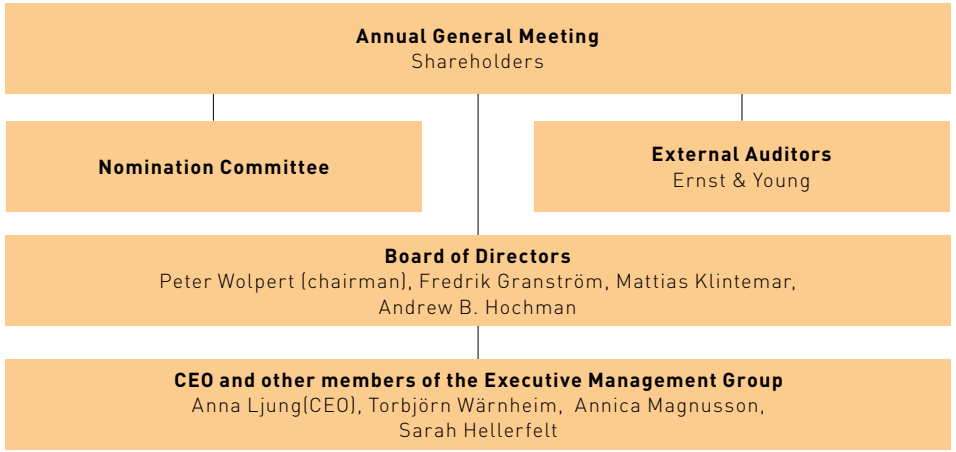
Andreas Troberg
Auktoriserad revisor

CORPORATE GOVERNANCE REPORT

Moberg Pharma AB (publ), corporate 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 26th, 2011 and has adhered to NASDAQ OMX Nordic Exchange Stockholm's rules for issuers and applied the Swedish Code of Corporate Governance ("the Code") as of that 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 from the date of 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 follows all the rules in the Code, with the exception that the Nomination Committee has submitted a proposal to the AGM 2019 in the guidelines for the next AGM that the composition of the Nomination Committee shall be announced no later than four months before the next AGM. Due to the shortened financial year 1 January 2019 - 30 June 2019, the next AGM will fall within six months after the AGM on May 15, therefore a deviation from the Swedish Code of Corporate Governance is made.



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 on 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
- Finance manual
- Employee handbook
- Authorization manual
- Information policy
- Code of Conduct

External regulatory structures that affect corporate governance

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

Shareholders

As of June 30, 2019 the share capital amounted to SEK 1,817,986 with a total number of outstanding 17,519,016 ordinary shares plus 660,843 Series B shares, each with a quota value of SEK 0.10. The number of shareholders amount to about 4,920. As of June 30, 2019, shareholders who directly, or indirectly, represent at least 10 per cent of the total amount of the votes in the company are: Försäkringsbolag Avanza Pension, 12.64 per cent and Zimbrine Holding BV, 10.36 per cent. The foreign owners represented about 26.7 per cent of the votes. For more information regarding Moberg Pharma's share and ownership structure, please refer to the Section "The Moberg Share", on pages 25-27.

SHAREHOLDERS' MEETINGS

In accordance with the Swedish Companies Act, Moberg Pharma's highest decision-making body is a Shareholders' Meeting. At 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 Chief Executive Officer from personal liability, election of Board members and auditors, and remuneration of the Board of Directors and auditors. In addition to the Annual General Meeting, Extraordinary Shareholders' Meetings may also be convened. The Articles of Association state that official notice of an AGM or Extraordinary Shareholders' Meeting 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 Shareholders' Meeting has taken place is published in Dagens Industri.

Right to attend a shareholders' meeting

Shareholders who would like to attend a Shareholders' Meeting must be registered in the shareholder register maintained by Euroclear five working days before the meeting, and must also notify the Company that they will attend the Shareholders' Meeting no later than the date stated in the notice of the Meeting. In addition to notifying the Company of their attendance, shareholders whose shares are registered in the name of a nominee via a bank or financial institution, must, via the nominee, temporarily register their shares in their own name with Euroclear in order to be entitled to attend the meeting. Shareholders should notify the nominee about this in good time before the reconciliation date. Shareholders may attend the Shareholders' Meeting in person or via an authorized representative and may be accompanied by up to two advisors. One share entitles the holder to one vote at General Meetings, and there are no limits as to how many votes each shareholder can cast at a General Meeting. Shareholders are normally able to register for a Shareholders' Meeting in several ways, details of which are given in the notice of the meeting

Shareholder initiatives

Shareholders who would like a particular issue to be addressed at a Shareholders' Meeting are required to submit a written request to the Board of Directors. Such requests should normally be received by the Board no later than seven weeks before the Shareholders' 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 Shareholders' 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 2019 AGM took place on May 15th, 2019. The AGM was attended by 20 shareholders, in person or by proxy. These represented 27.8% of shares and votes in Moberg Pharma. Thomas Eklund, Chairman of the Board, was elected Chairman of the meeting. The CEO and all Board Members except Anna Malm Bernsen and Geert Cauwenbergh attended the AGM. The minutes from the AGM are available at www.mobergpharma.se under corporate governance.

BOARD OF DIRECTORS AND THE WORK OF THE BOARD OF DIRECTORS

After the 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 responsible for ensuring that the Annual Report and consolidated financial statements and interim reports are prepared in time. It also appoints the Chief Executive Officer. Board members are elected each year at the AGM for the period until the end of the next AGM. According to Moberg Pharma's Articles of Association, the Board should consist of at least three and no more than ten Board members and no more than two alternates. According to the Code, no alternates are to be appointed for AGM-elected Board members.

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 of the Board 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 Board members 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. The Chairman and CEO also engage in continuous dialogue concerning the company's significant issues. Moberg Pharma conducts an annual evaluation of the work of the Board. The January to June 2019 evaluation primarily focused on internal issues relating to the quality of decisions, the management of the Board, and the composition and competence of the Board. The results have been presented to and discussed by the Board and have also been disclosed to the nomination committee. At the end of 2018, Moberg Pharma's Board consisted of five members. In connection with an extraordinary general meeting on March 15, 2019, a decision was made to approve the divestment of the OTC-business and accompanying decisions related to the transaction, including the election of the buyer's candidate, Andrew B. Hochman, as board member of the company. At the AGM May 15th, 2019 Peter Wolpert was appointment new Board member and executive Chairman of the Board of Directors, and Fredrik Granström was appointed new Board member. Thomas Eklund has, after three years as Chairman of the Board and four years as Board member, chosen to resign. Geert Cauwenbergh, Sara Brandt and Anna Malm Bernsten have chosen not to be available for re-election in order to enable a composition of the Board of Directors that is better adapted to the Company's new situation and focus.Therefore, Moberg Pharma's Board of Directors currently consists of four members. Members of the Board of Directors are presented in the annual report on page 67.

	Attendance (no. of board meetings Jan-Jun 2019)	Directors´fees Jan-Juni 2019, tSEK	Other renumeration Jan-Juni 2019, tSEK	Elected	Independent i relation to	
					The company	Owners
Chairman of the Board, Peter Wolpert (from 2019-05-15	2	60	122	2019	Yes	Yes
Chairman of the Board, Thomas Eklund (to 2019-05-15)	9	143		2015	Yes	Yes
Board member, Mattias Klintemar	11	108		2015	Yes	No
Board member Fredrik Granström (from 2019-05-15)	2	28		2019	Yes	Yes
Board member Andrew B. Hochman (from 2019-03-15)	6	28		2019	Yes	No
Board member, Geert Cauwenbergh (to 2019-05-15)	9	57		2012	Ja	Ja
Board member, Sara Brandt (to 2019-05-15	9	57		2017	Yes	Yes
Board member, Anna Malm Bernsten (to 2019-05-15)	9	64		2018	Yes	Yes

REMUNERATION COMMITTEE

The Board had, until the AGM 2019-05-15, s a remuneration committee, which prepared proposals on remuneration issues. After the AGM May 15th 2019, the remuneration committee was abolished and thereafter the committee's work is carried out by the Board in its entirety. The remuneration committee consisted of three Board members, Thomas Eklund (Chairman), Anna Malm Bernsten and Mattias Klintemar. All members are independent in relation to the company and the company's senior executives. The committee's principal tasks was 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 must, after preparation by the committee, be adopted by the Board as a whole.

Audit Committee

The Board of Directors ha d, until the AGM 2019-05-15, an audit committee with the following primary duties:

- Monitoring the company's financial reporting and submitting recommendations and suggestions for ensuring the reliability of reporting.
- With regard to financial reporting, monitoring the effectiveness of the company's internal control, internal audit and risk management.
- Staying informed about the audit of the annual accounts and consolidated financial statements, as well as the quality control of the Supervisory Board of Public Accountants.
- Looking at the way in which the audit contributed to the reliability of financial reporting and the function performed by the Board.
- Reviewing and monitoring the auditor's impartiality, paying special attention to whether the auditor is providing the company with services other than auditing services.
- Assisting with the preparation of proposals for the Shareholders' Meeting's decision on the election of auditor.
- Preparing the Board's decisions in the above matters.

The audit committee comprised of two Board members: Mattias Klintemar (Chairman) and Thomas Eklund. After the AGM May 15th 2019, the audit committee was abolished and thereafter the committee's work is carried out by the Board in its entirety.

CEO AND OTHER SENIOR EXECUTIVES

The CEO reports to the Board and is primarily responsible 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 governing the activities 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 performance 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 executives are presented in more detail in the annual report on page 66.

REMUNERATION TO DIRECTORS AND SENIOR EXECUTIVES

Remuneration to Directors

Fees and other remuneration to the Board of Directors, including the Chairman, are set by a Shareholders' Meeting. At the AGM on May 15, 2019, it was resolved that the Board's fees for 2019 (on an annual basis), totaling a maximum of SEK 870,00 excluding social security contributions, would be paid and distributed as follows: SEK 360,000 to the Chairman and SEK 170,000 thousand to each of the other Board members. In addition, it was resolved that supplementary remuneration of SEK 61,000 would be paid to Peter Wolpert in order to compensate for the additional work that Peter Wolpert will perform in the Company in the capacity of executive Chairman of the Board.None of the company's Board members are entitled to any benefits after stepping down from the Board.

Remuneration of senior executives

At the AGM on May 15th, 2019, 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 and is to be proportionate to the executive's responsibilities and authority. Variable remuneration is capped at 25–50% of each executive's basic annual salary, however the variable remuneration for the period of 2019-2020 can amount to a maximum of 15 monthly salaries in total for the two years. Variable remuneration is based on results achieved in relation to in relation to goals set by the Board of Directors. The pensionable salary comprises only the basic salary. To the extent that Board members 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 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 may apply, however total remuneration during termination including severance amounts will never be more than 12 months' salary, other than what has been stated above regarding variable remuneration for 2019-2020. Any share and share-price-related programs must be adopted by a Shareholders' Meeting. Allocation from such programs must comply with a resolution from a Shareholders' Meeting. With the exception of share-based remuneration that has been allocated 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 ignore the aforementioned principles for remuneration of senior executives if there are special reasons for so doing.

	Basic salary[29]	Variable remuneration[30]	Other benefits	Pension costs	Share-based remuneration[31]	Other remuneration	Total
CEO, Anna Ljung (from 2019-05-15)	151	93	-	37	44	-	325
CEO Peter Wolpert (to 2019-05-15)	858	1,219	1	281	206	-	2,560
Other senior executives (7 people)[32]	4,495	3,703	-	292	733	-	9,224
Total	**5,499**	**5,016**	**1**	**609**	**984**	**0**	**12,109**

[29] Mark Beveridge and Shaw Sorooshian have invoiced their renumeration as consultant fees through companies.

[30] Variable remuneration pertains to the 2019 fiscal year.A fraction of the variable renumeration paid in 2019 pertains to work in the 2018 fiscal year and is therefore excluded in this summary.

[31] These costs will not entail a payment and do not affect the Company's cash flow. Estimated social security costs are not included in the carrying amounts.

[32] In cases where senior executives were elected to the management during the year, remuneration is only included for the period in which the senior executives were a part of the management team.

Share-based incentive schemes

Moberg Pharma has introduced share-based incentive schemes comprising employee stock options and performance share units designed to promote the company's long-term interests by motivating and rewarding senior executives and other employees. The employee stock options and the performance share units have been granted free of charge. All permanent employees who have been employed for at least 12 months as of December 31st, 2019 are included in the company's incentive schemes. The number of shares and stock options held by Board members, the CEO and other senior executives is presented in the annual report on pages 66–67.

The company's employee stock option scheme has a vesting period of more than three years.

AUDIT

The auditor must audit 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.

The audit firm Ernst & Young Aktiebolag has been the company's auditor since 2007. Authorized Public Accountant Andreas Troberg has been the Auditor-in-Charge since fall 2016. The company's auditor is presented in more detail in the annual report on page 67.

Remuneration to auditors

The remuneration paid to the auditor is subject to approval by a Shareholders' Meeting. The AGM on May 15th, 2019 resolved to approve remuneration of the auditor on a continuous basis.

In 2019, remuneration of SEK 2.2 million was paid to the auditor, of which audit assignments accounted for SEK 0.6 million, audit work in addition to the assignment for SEK 0.5 million and other assignments for SEK 1.1 million. 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 and other opinions in accordance with the Swedish Companies Act.

NOMINATION COMMITTEE

The nomination committee submits proposals for electing the Chairman of the Board and other Board members, as well as proposals concerning remuneration and fees for Board members. The nomination committee also submits proposals concerning the election and remuneration of Auditors. The Nomination Committee's proposal was presented in a press release on September 17, 2019, http://www.mobergpharma.com/press-releases/2019-09-17/nomination-committees-proposal-annual-general-meeting-2019.

The AGM on May 15th, 2019 resolved to entrust the Chairman of the Board to contact the three largest shareholders or groups of owners in terms of the number of voting rights (hereby referring to both directly registered shareholders and nominee registered shareholders), according to Euroclear's shareholder register on March 31st, 2019. These parties 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 shareholders declines the entitlement to appoint a representative, this entitlement transfers to that shareholder with the largest shareholdings after these shareholders until the Nomination Committee consists of four members.

If a member leaves the committee before their work is completed and if the committee considers it necessary to replace this member, the nomination committee will appoint a new member in accordance with the procedure above but based on Euroclear's shareholder register applicable as soon as possible after the member steps down. Any change in the composition of the nomination committee must be announced immediately. No fee is paid to members for their work on the committee.

The nomination committee for the 2019 AGM was announced on Moberg Pharma's website and through a press release on June 25th, 2019 and it consists of four members: Peter Wolpert, Chairman of the Board, Gillis Cullin, appointed by the Baltic Sea Foundation, Fredrik Persson, appointed by Zimbrine Holding, and Erik Lindbärg.

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 income recognition and accounting of the company's financing arrangements.

The internal control environment mainly comprises the following five components: control environment, risk assessment, control activities, information and communication, and monitoring.

Control environment

The control environment at Moberg Pharma forms the framework of the direction and culture with which the company's Board and management communicate their messages to the organization. Internal management and control in accordance with customary frameworks is assigned high priority. Moberg Pharma's Board and management define and design decision paths, authorities and responsibilities that are clearly defined and communicated throughout the organization. The company's Board also strives 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 such 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 competitors' results and price scenario, production, business partners and distributors, clinical studies, actions of public authorities, liability risks and insurance, integration risks, patent and trademarks, key individuals, cyclical sensitivity, 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 21.

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 related to financial reporting. These activities include analytical updates and comparisons of the progress in terms of profits or items, reconciliation of accounts and balances, and approval of business transactions and collaboration agreements, powers of 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 – pharmaceuticals. In addition to the high demands that NASDAQ OMX Nordic 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 for all employees, provide information on applicable procedures 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 of the company's undertaking as a listed company. These two factors, and the procedures for managing them, ensure that financial reports are received by all 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 Board reviews 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 evaluates the need for such a function annually and, in view of the company's size, with relatively few employees, and the scope of transactions, in which most significant transactions are similar in character and relatively uncomplicated, has not found it necessary to establish a formal internal audit function.

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

During fiscal year 2019, Moberg Pharma was not subject to decisions passed by the 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 September 27th , 2019

Peter Wolpert
Chairman

Fredrik Granström
Board member

Andrew B. Hochman
Board member

Mattias Klintemar
Board member

Anna Ljung
CEO

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders of Moberg Pharma AB (publ), corporate identity number 556697-7426

ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who is responsible for the corporate governance statement for the year 2019-01-01-2019-06-30 on pages 61-66 and that it has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

OPINIONS

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm September 27th , 2019

Ernst & Young AB

Andreas Troberg
Authorized Public Accountant

MANAGEMENT

ANNA LJUNG, CEO, M.Sc. Econ at Stockholm School of Economics, Stockholm. Born 1980. Active in the company since 2006. Anna Ljung has more than 15 years of experience. She previously worked as CFO of Athera Biotechnologies AB and Lipopeptide AB and as an independent consultant in technology licensing. She is also a board member of Saniona AB. Shareholding: 13,994 shares, 12,506 performance shares and 95,000 employee stock options (95,000 shares may be subscribed based on the employee stock options).

TORBJÖRN WÄRNHEIM, Head of Innovation and Development. PhD, Assoc Prof, BA. Born 1958. Active in the company since 2014. Torbjörn Wärnheim has a broad experience of pharmaceutical development of Rx and OTC products in the pharmaceutical industry, and is an associate professor at KTH with a research background in surface chemistry and lipids physical chemistry. Previously he worked as Vice President R&D at Fresenius Kabi. Previous assignments also include managerial positions in research and development, including ACO Hud and Pharmacia & Upjohn. Shareholding: 6,635 shares, 11,1136 share rights and 26,500 employee stock options (26,500 shares may be subscribed based on the employee stock options).

ANNICA MAGNUSSON, Senior Director of Regulatory Affairs. Born in 1963. Has worked for the company since 2013. Annica Magnusson is a pharmacist with more than 20 years of experience in international work within the pharmaceutical industry and Regulatory Affairs at AstraZeneca. Annica Mangusson has worked with the development and registration of pharmaceuticals, vaccines and medical devices in the EU, USA, Japan with several markets. Shareholding: 4 030 shares and 7 805 performance shares and 28 500 employee stock options (28 500 shares may be subscribed based on employee stock options).

SARAH HELLERFELT, Cheif Financial Officer. Born 1982. Active in the company since 2017. Sarah Hellerfelt has 10 years of experience from various finance positions and has previously worked as an auditor at PwC and as a group controller and finance manager within the Bonnier Group. Shareholding: 2 916 shares and 3 579 performance share units.

BOARD OF DIRECTORS

PETER WOLPERT, Executive Chairman and founder, M.Sc. Eng., M.Sc. Econ. Born 1969. Co-founder of the company and active as CEO from 2006 to May 15, 2019. Master degrees from Royal Institute of Technology, Stockholm and from Stockholm School of Economics, Stockholm. Peter Wolpert has more than 20 years of experience as CEO, strategy consultant and entrepreneur and is a board member of MedUniverse AB. He was co-founder of Ibility AB and previously held positions as CEO of Athera Biotechnologies AB and strategy consultant at McKinsey & Co.
Shareholding: 435 399 shares through Wolco Invest AB and 22 380 employee stock options (22 380 shares may be subscribed to, based on the employee stock options).

MATTIAS KLINTEMAR Born 1967. Member since 2015. Mattias Klintemar represents Östersjöstiftelsen and has extensive experiences from leadership roles within the finance and technology sector, e.g.as CEO at Morphic Technologies AB, CFO at Hexaformer and senior corporate finance associate at ABG Sundal Collier and auditor at Arthur Andersen. He is Chairman of the board at Dilafor ad a board member at Oatly, Phoniro and Axelar as well as chairman of the nomination committee of Lightlab, Pharmanest and Cellimpact. Shareholdin: 7 000 shares. Independent in relation to the company.

ANDREW B. HOCHMAN Born 1979. Member since 2019. Andrew B. Hochman represents RoundTable Healthcare Partners and has over 18 years of experience in investments in pharmaceutical and consumer health care. He is currently a senior partner at RoundTable Healthcare Partners, where he is involved in all parts of the transaction process, including deal sourcing, transaction structuring, valuation, due diligence, negotiations, financing and business strategy implementation. He joined RoundTable in 2007 from Graceway Pharmaceuticals, where he worked as Vice President of Business Development, and before that he was an associate at GTCR Golder Rauner and an analyst at William Blair & Company. He holds a Bachelor of Science degree in economics from Wharton School and a Bachelor of Arts in Psychology from the University of Pennsylvania. He is a board member of Santa Cruz Nutritionals, Revision Skincare / Goodier Cosmetics, Deerland Probiotics & Enzymes and Advantice Health, and has previously been a board member of Aqua Pharmaceuticals. Shareholdin: 0 shares. Independent in relation to the company.

FREDRIK GRANSTRÖM Born 1968. Member since 2019. Fredrik Granström is an attorney at law and partner with Hansen Advokatbyrå. Fredrik has been Moberg Pharma's legal advisor since the company was founded 2006. Fredrik has more than 20 years' experience as advisor, entrepreneur and corporate counsel for clients in the life science and tech industry. He has amongst other previously held positions as corporate counsel at AstraZeneca, Sendit AB, Microsoft Corporation and as chairman of the board of Soundtrap AB. Shareholding: 0 shares. Independent in relation to the company and the owners.

AUDITORS At the Annual General Meeting on April 18, 2011, the auditing firm Ernst & Young AB (Jakobsbergsgatan 24, Box 7850, 103 99 Stockholm) was appointed auditor of the company. Authorized public accountant Andreas Troberg has been appointed cheif auditor since autumn 2016. Andreas Troberg was born in 1976 and is a member of FAR.

SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on October 30th , 2019, at 16.00 CET at Moberg Pharma's premises on Gustavslundsvägen 42, 5th floor, Bromma, Stockholm. Shareholders who wish to have an issue addressed by the Annual General Meeting must submit their request by September 11th , 2019 by post to the company's address or e-mail to arsstamma@mobergpharma.se.

To be eligible to participate in the Meeting, shareholders should be registered in the shareholder register maintained by Euroclear Sweden on Otcober 24th, 2019. Shareholders whose shares are registered in the name of a nominee must, via the nominee and in good time before this date, temporarily register their shares in their own name in order to be entitled to attend the Meeting.

SHORTENED FINANCIAL YEAR AND DIVIDEND

In March 2019, the OTC-business was divested for a cash consideration of USD 155 million (corresponding to SEK 1.43 billion) adjusted for working capital. The company intends to use the cash consideration to, among other things, redeem its outstanding bonds and distribute approximately SEK 43–45 per ordinary share to its shareholders in 2019. Payment of the OTC dividend presupposes that the company has established the annual report for the current financial year in order for Moberg Pharma to be able to present sufficient distributable funds. In order to be able to pay the OTC dividend during 2019, the extraordinary general meeting in March 2019 decided to shorten the current financial year to the period 1 January – 30 June 2019. The payment of the OTC dividend will be subject to a decision at the Annual General Meeting for the abbreviated financial year 1 January – 30 June 2019.

Consequently, the Board of Directors intends to propose that the Annual General Meeting for the abbreviated financial year 1 January – 30 June 2019 be held on 30 October 2019, and to resolve on an extraordinary distribution to the shareholders of Moberg Pharma in the form of an automatic share redemption procedure. The purchaser of the OTC-business will not be entitled to the distribution.

By way of the automatic share redemption procedure, each ordinary share will be split into an ordinary share and a redemption share. The redemption share will thereafter be automatically redeemed at an amount between tentatively SEK 43 and 45 per share. The redemption shares will also be admitted to trading on Nasdaq Stockholm. Accordingly, shareholders may choose to either (a) keep their redemption shares and receive the redemption payment, or (b) sell their redemption shares on Nasdaq Stockholm, which for shareholders resident outside of Sweden may be favorable from a tax perspective. Payment for the redemption shares is expected to be disbursed by the end of November 2019.

The Board of Directors' complete proposal, as well as an information document further describing the automatic share redemption procedure, will be presented well in advance of the Annual General Meeting.

According to Moberg Pharma's current assessment, the OTC dividend is expected to amount to approximately SEK 43–45 per ordinary share in the company. However, the actual and final amount of the OTC dividend may change and depend on several factors, such as transaction costs, the receipt of expected milestone payments, anticipated investments in R&D, business development, and administrative costs to complete the MOB-015 development program, exchange rate fluctuations and other factors affecting Moberg Pharma's financial situation at the actual time of disbursement of the OTC dividend.

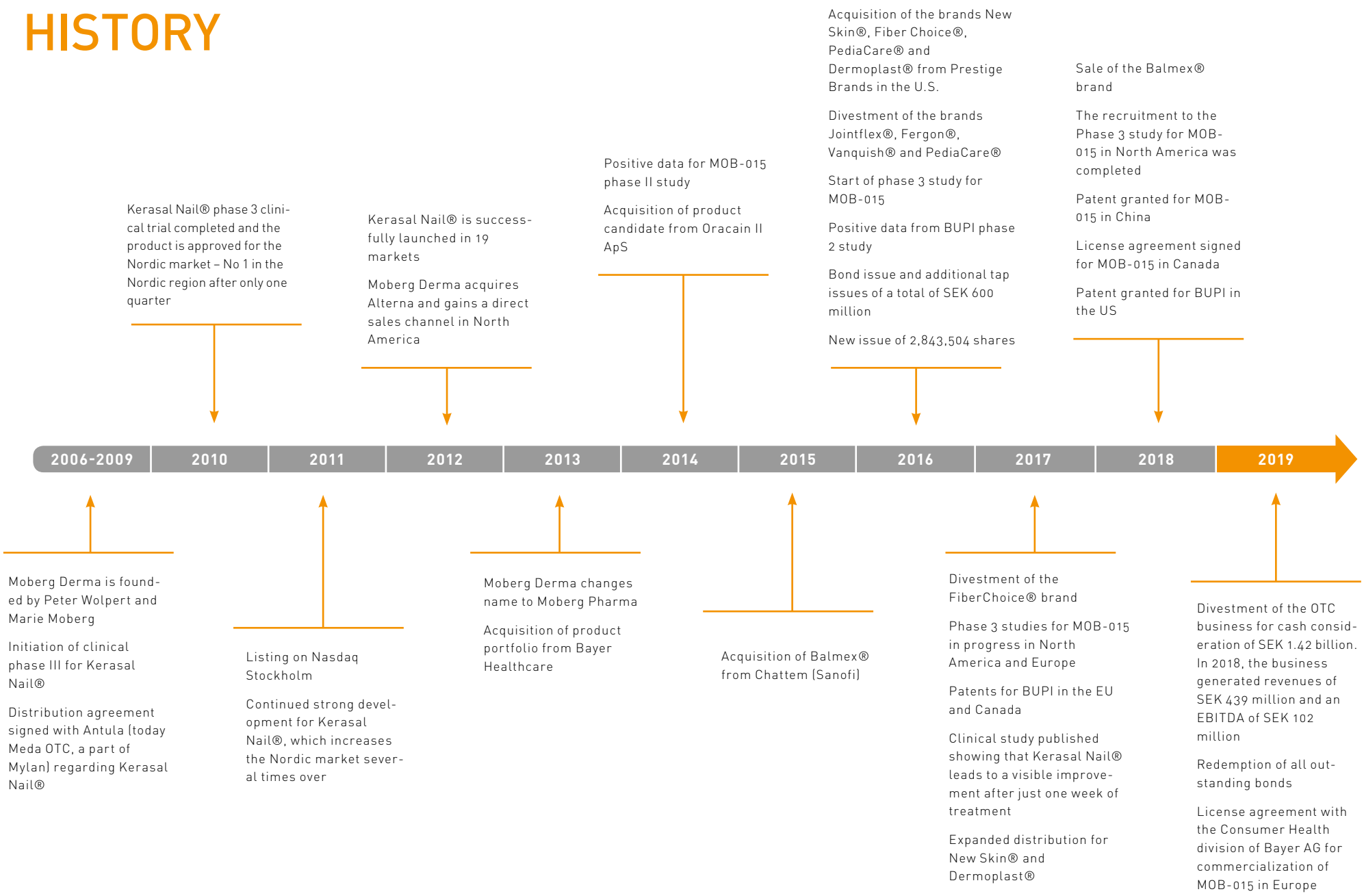
REPORT DATES 2019

Interim report for July–September 2019	November 19th, 2019

FINANCIAL INFORMATION

The reports are available in Swedish and English at www.mobergpharma.se. Contact Investor Relations, Anna Ljung, +46 8 522 807 01, e-mail: anna.ljung@mobergpharma.se

HISTORY


2006-2009
Moberg Derma is founded by Peter Wolpert and Marie Moberg
Initiation of clinical phase III for Kerasal Nail®
Distribution agreement signed with Antula (today Meda OTC, a part of Mylan) regarding Kerasal Nail®
2010
Kerasal Nail® phase 3 clinical trial completed and the product is approved for the Nordic market – No 1 in the Nordic region after only one quarter
2011
Listing on Nasdaq Stockholm
Continued strong development for Kerasal Nail®, which increases the Nordic market several times over
2012
Kerasal Nail® is successfully launched in 19 markets
Moberg Derma acquires Alterna and gains a direct sales channel in North America
2013
Moberg Derma changes name to Moberg Pharma
Acquisition of product portfolio from Bayer Healthcare
2014
Positive data for MOB-015 phase II study
Acquisition of product candidate from Oracain II ApS
2015
Acquisition of Balmex® from Chattem (Sanofi)
2016
Acquisition of the brands New Skin®, Fiber Choice®, PediaCare® and Dermoplast® from Prestige Brands in the U.S.
Divestment of the brands Jointflex®, Fergon®, Vanquish® and PediaCare®
Start of phase 3 study for MOB-015
Positive data from BUPI phase 2 study
Bond issue and additional tap issues of a total of SEK 600 million
New issue of 2,843,504 shares
2017
Divestment of the FiberChoice® brand
Phase 3 studies for MOB-015 in progress in North America and Europe
Patents for BUPI in the EU and Canada
Clinical study published showing that Kerasal Nail® leads to a visible improvement after just one week of treatment
Expanded distribution for New Skin® and Dermoplast®
2018
Sale of the Balmex® brand
The recruitment to the Phase 3 study for MOB-015 in North America was completed
Patent granted for MOB-015 in China
License agreement signed for MOB-015 in Canada
Patent granted for BUPI in the US
2019
Divestment of the OTC business for cash consideration of SEK 1.42 billion. In 2018, the business generated revenues of SEK 439 million and an EBITDA of SEK 102 million
Redemption of all outstanding bonds
License agreement with the Consumer Health division of Bayer AG for commercialization of MOB-015 in Europe

GLOSSARY

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

BUPIVACAINE
A long-term locally administered oral anesthetic of the amid type that had previous only been injected.

CLINICAL STUDIES
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 substances 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 the release or absorption of pharmaceuticals in the body, for example, with the aim of achieving more effective and simpler treatment and/or reduced side effects.

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

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

MICROSCOPY
Studies on 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 dermatophytes.

ORAL MUCOSITIS
Oral mucositis is defined as damage and inflammation of the mucosa and adjacent underlying tissue in the oral cavity and the throat. This condition frequently affects patients receiving chemo-therapy and/or with radiation therapy during their cancer treatment. The condition causes redness and ulceration, which can be very painful. In severe cases, cancer therapy has to be terminated or delayed due to the patient not being able to eat or drink, thus requiring nutrition to be provided in some other way and perhaps hospitalization.

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

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