ANNUAL REPORT
2009
MOBERG DERMA

CONTENTS

KEY MILESTONES IN 2009

- The company entered into its first commercial licensing agreement and received its first product revenues
- Registration applications were submitted for the company's first medical device products. Registration in EU was granted in March 2010
- Strengthening of the company's product portfolio
- Completion of clinical study for Kaprolac® Skin Repair & Hydration
- A new issue of shares generating SEK 40 million strengthened the company's finances
- Quality system compliant with ISO 13485

FOCUS AREAS IN 2010

In 2010, sales of Moberg Derma's first products will commence. A top priority during the year will be to support the company's distributors and facilitate a successful launch of K101 and Kaprolac®, as well as securing distribution in additional markets. Continued investment in R&D is planned to further develop the company's project portfolio.

2009 IN FIGURES

Net sales	1,6 MSEK (0)
R&D expenditures	15,7 MSEK (26,2)
Loss after tax	-24,2 MSEK (-35,3)
Earnings per share	-8,90 SEK (-14,77)

KEY EVENTS DURING THE YEAR

FEBRUARY – Licensing agreement for sales of the company's nail disease treatment in the Nordic region was signed with a leading OTC company.

FEBRUARY – License and partnership agreement with Medpharm Ltd. (UK), under the terms of which Moberg Derma has the right to develop up to three products based on Medpharm's patented Medspray™ technology.

FEBRUARY – The company announced the acquisition of all of the assets of Zelmic Technologies AB. The acquisition comprised two pharmaceutical projects in preclinical phase, patent applications and laboratory equipment.

AUGUST – A new share issue of SEK 30 million was registered, the first tranche of the new issue during the year.

AUGUST – A new patent application was filed.

OCTOBER – Registration applications were submitted for two medical device products: K101 for the treatment of nail diseases and Kaprolac® solution for seborrheic eczema.

NOVEMBER – A clinical study involving 30 patients showed that Kaprolac® Skin Repair & Hydration (formerly K201) demonstrates positive effects in the treatment of mild to moderate atopic eczema.

NOVEMBER – Vinnova granted research funding of SEK 4.2 million, which the company will receive in 2010 and 2011.

NOVEMBER – Three cosmetic products in the Kaprolac® product range were registered with the Medical Products Agency in Sweden.

DECEMBER – The Kaprolac® dandruff solution and Kaprolac® dandruff shampoo achieved the Nordic Eco-label's stamp of approval.

DECEMBER – The second tranche of the company's new issue of shares was registered. In total, SEK 40 million before issue expenses was generated in 2009 via new share issues, with SEK 9.5 million in the second tranche.

FUTURE REPORTING AND INFORMATION DATES

ANNUAL GENERAL MEETING
April 22, 2010, 09:00 CET
Gunnar Asplunds Allé 32, Hus D, Solna
on Moberg Derma's premises

INTERIM REPORT January – March, 2010
to be reported in May, 2010

INTERIM REPORT January – June, 2010
to be reported in August, 2010

INTERIM REPORT January – September, 2010
to be reported in November

MOBERG DERMA IN BRIEF

Moberg Derma is a Swedish pharmaceutical company that develops and commercializes innovative medical products for the treatment of common skin diseases. Moberg Derma's product development is based on proven compounds, involving lower risk than traditional drug development.

LAUNCH OF THE COMPANY'S FIRST PRODUCTS IN 2010:

- K101 is a topical treatment for discoloured and damaged nails caused, for example, by nail fungus or psoriasis. Efficacy and safety were documented with strong results in a controlled clinical study involving 493 patients and in several smaller studies.
- Kaprolac® is a product line that has demonstrated good efficacy in the treatment of several common and troublesome skin conditions. The products consist of proven patented compound combinations and two of the products have been awarded the Nordic Eco-label's stamp of approval.

"Launch of Moberg Derma's first products is planned for 2010."

COMPANY GOAL

The goal is to develop Moberg Derma into a growing and profitable international pharmaceutical company with leading products in dermatology and related fields. An important milestone on this road was the company's first commercial licensing agreement and product revenues in 2009.

"The company signed its first commercial licensing agreement and generated its first revenues in 2009."

Moberg Derma was founded in 2006 at the Karolinska Institute and has ten employees. The company is owned by the Östersjöstiftelsen (the Baltic Sea Foundation), private investors, senior management and founders.

- The company has a balanced product portfolio that spans from projects in preclinical phase to registered products. Indication areas include nail diseases, seborrheic dermatitis and related problems, atopic eczema, anal fissures and actinic keratosis
- Two of the company's products recently obtained approval to be marketed and sold as medical device products
- The company is ISO 13485 quality assurance certified
- Moberg Derma holds 16 patents in five patent families and has inlicensed other patent rights

MOBERG DERMA IS ENTERING COMMERCIAL PHASE

Our goal is to develop Moberg Derma into a growing and profitable international pharmaceutical company with leading products in dermatology and related fields. Our progress in 2009 shows that we are on track.

It is very satisfying to note all that we have accomplished during the company's first four years. I have great respect for the time it takes to develop a new business in the pharmaceutical sector, but thanks to a skilled, fast-moving team, a strategic model which is continuously refined and successful collaboration with partners and owners, I am confident that we will achieve our goal.

PROGRESS DURING THE YEAR LAYS THE FOUNDATION FOR COMMERCIALIZATION

In October, we submitted registration applications for two medical device products - K101 for the treatment of nail disease and Kaprolac® solution for the treatment of seborrheic dermatitis – for which CE marking was granted in March 2010. This is the result of several years of goal-oriented development work and means that the company is now authorized to sell the products throughout the EU/EEA. We look forward with eager anticipation to work with the launch of the company's first products in 2010.

Before the year-end, we began market preparations for the K101 product in collaboration with our Nordic partner, a leading OTC company that will be marketing the product in Sweden, Norway, Denmark and Finland. We will continue this important work in 2010, which also lays the groundwork for a successful launch in other markets. We are working intensively to select new partners and distributors in markets outside the Nordics, focusing on regional and local players which fit the company's products. We expect to be able to announce several collaborations in 2010 and over the coming years.

"We expect to be able to introduce several collaborations in 2010 and over the coming years."

STRONG PORTFOLIO WITH GREAT POTENTIAL

Positive clinical results for Kaprolac® Skin Repair & Hydration among patients with atopic eczema laid the foundation for a new medical device product which we plan to register in 2010. The company's regulatory strategy encompasses pharmaceutical, medical device and cosmetic products. This allows for a balanced portfolio of products with short time to market and drugs that take longer time to develop but have an attractive return potential in the long-term.

"Balanced portfolio of products with short time to market and development projects with an attractive return potential in the long-term."

Our cooperation with Zelmic AB in Lund has progressed very well and encompasses a number of highly interesting development-stage projects, including projects that were acquired in 2008. The development team is doing a fantastic job and has made key progress during the year. New results from development work have provided a basis for a patent application that further strengthens the company's intellectual property assets. In the coming year, we will discuss planned clinical programs with the regulatory authorities and expect to begin clinical studies at the year-end.

OUR STRATEGIC MODEL IS WORKING

The cornerstones of Moberg Derma's strategic model are:

- Strong commercial focus on products rather than focus on research
- Projects with high return potential and lower risk than traditional drug development

- Using a small, fast-moving, highly-skilled team, combined with low overhead, facilitates full leverage of internal and external resources
- Working proactively with partners and world leading experts
- Reviewing our strategy and opportunities on a regular basis, focusing on the assessment of value potential, risks and feasibility

I am convinced that our way of implementing this model lays the foundation for success, although the real proof will be when we show profitability. The goals we have achieved so far, at a limited investment, indicate that our thinking and capabilities are sound. The research funding from VINNOVA was also a welcome confirmation of the quality of our product development.

"Our way of implementing the strategic model lays the foundation for success."

Generating the company's first revenues in 2009 was an important milestone. Our immediate priority is to grow revenues by selecting the right partners and working together with them to successfully launch our products and develop the market. A second strategic priority is to strike a balance between focus on near term revenues and investment in our prioritized development programs with high potential for future revenues.

Thanks to strong support from existing and new owners, the company received a cash injection of SEK 40 million through this year's double-tranche new issue of shares. Being able to attract capital despite the global financial crisis and extreme turbulence in the financial markets was an important confirmation of the company's achievements. We will need additional capital before our full potential can be realized, but first let us demonstrate how we manage to develop our operations in the near term.

I want to extend a warm thank you to employees, Board members, owners and partners for your great commitment and contributions to Moberg Derma. Building a new company is a challenge, but thanks to our joint efforts, my expectations that we will succeed are very high.

PETER WOLPERT, CEO

A FORMULA FOR COMMERCIALIZING INNOVATIVE PRODUCTS

Moberg Derma's business concept is to develop and commercialize innovative medical products for the treatment of common skin diseases. Product development is based on substances with well established use, thereby limiting the company's development risk.

A BALANCED PRODUCT PORTFOLIO

Moberg Derma strives to maintain a product portfolio with a balance between commercialized products and development projects, mainly in the dermatology sector.

The company develops pharmaceutical as well as medical device and cosmetic products. Common for all the company's products is that their benefits are evaluated and scientifically documented in clinical studies.

PATIENT NEEDS

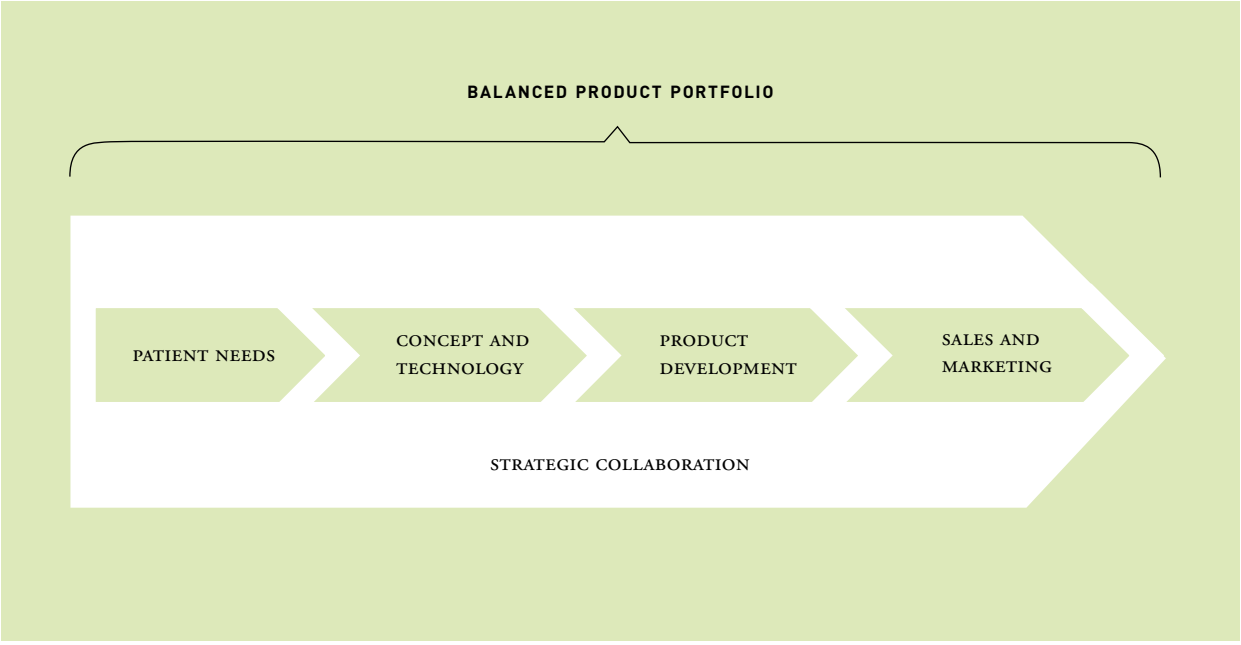
All Moberg Derma's projects are based on an explicit medical need for new treatment alternatives. Such needs may be manifested in insufficient efficacy, troublesome effects of existing preparations, or in terms of cumbersome and drawn out treatment regimes.

CONCEPT AND TECHNOLOGIES

With patient needs as a starting point, a medical and pharmaceutical concept is developed for improved products. The concept is based on unique expertise in pharmacology and formulation technology, with a special focus on topical solutions and transdermal drug delivery technology. This technological competence is combined with commercial expertise and a business focus.

"Unique expertise in pharmacology and formulation technology combined with a business focus."

The company's strategy is to actively seek out new concepts and technologies from external researchers and companies, which complement ideas generated internally at Moberg Derma.



PRODUCT DEVELOPMENT

Moberg Derma's strategy is to refrain from basic research and drug discovery projects, which involve new substances with high risk. Instead, the company focuses on innovative formulations or combinations of proven substances, reducing the company's development risks and facilitating shorter time to market.

"Innovative formulations or combinations of proven substances reduce the company's development risks and facilitate shorter time to market."

The company's expertise spans the entire development chain, from preclinical development, formulation and clinical development, to registration and sales. Moberg Derma engages external expertise and contract laboratories for product development. Manufacturing is outsourced.

SALES AND MARKETING

Moberg Derma collaborates with partners and distributors for sales and marketing. The company's revenue model comprises both revenue streams from product sales and upfront payments. The company retains certain market rights and plans to gradually establish its own sales organization in select markets.

STRATEGIC COLLABORATION AND BUSINESS DEVELOPMENT

Strategic partnerships across the entire value chain and at all stages of development are vital to Moberg Derma's operations – whether the project is at concept or product development stage or has reached commercialization.

"Strategic partnerships across the entire value chain is vital to Moberg Derma."

The company strives to strike a balance between projects developed internally from concept to commercialization and projects that are outlicensed and developed in collaboration with partners. Moberg Derma's strategy is to maintain certain market rights even in projects that are outlicensed.

Since the company's inception, the management team has placed great emphasis on developing a global network of companies and expertise in dermatology and has several ongoing collaborations.

FRAGMENTED MARKET WITH NEW OPPORTUNITIES

Dermatology market characteristics allow for specialized players to create global value

THE MARKET FOR DERMATOLOGICAL DRUGS

In 2009, turnover on the dermatological drugs market was estimated at around USD 20 billion, representing less than 3 percent of the global pharmaceutical market (IMS Health). The Nordic dermatology market was estimated at just over USD 200 million, with Sweden as the largest market. Dermatology encompasses indication areas such as acne, eczema, fungal infections, psoriasis and skin cancer. Moberg Derma's current focus is primarily on the fungal infections and eczema markets. The company also has projects in other indication areas.

The market is fragmented, both globally and in the Nordic countries. Stakeholders include niche companies, regional players and a few of the large multinational pharmaceutical companies. Few products reach blockbuster status (products with annual sales exceeding USD 1 billion) and the dermatology area is therefore less susceptible to generic competition than other indication areas.

MAJOR NEED FOR NEW PRODUCTS

The dermatology market is dominated by older products such as cortisone and antifungal drugs. Since few new products have been launched in recent years there is a great need for novel pharmaceuticals and treatment methods. Today, there are several new products under development in several indication areas, but most are at an early clinical phase.

"Since few new products have been launched in recent years there is a great need for novel pharmaceuticals and treatment methods."

SELF-CARE IS A GROWING TREND

A growing trend is that patients are becoming better informed and to a greater extent choose to self-treat less complicated symptoms. This trend creates a growing market for self-care products with a medical profile. Our assessment is that more dermatological products will be sold without subvention and that the OTC market will grow in the coming years. Moberg Derma is well positioned to capitalize on this trend as several of the company's products have strong OTC sales potential.

CONSOLIDATION

Major consolidation and restructuring is currently ongoing in the dermatology sector. Several large deals were carried out in 2009. GSK acquired Stiefel, which was formerly one of the largest pure dermatology companies. Merck acquired Schering-Plough and announced shortly after some re-prioritizing in the company's dermatology projects. Almirall and Nycomed are examples of medium-sized companies which have expanded through acquisitions in the dermatology sector in the recent years.

"Major consolidation and restructuring is ongoing in the dermatology sector."

We believe that the dermatology market offers specialists such as Moberg Derma good opportunities to create value. The need for new innovative products is considerable in a number of indication areas, for both pharmaceuticals and self-care products. Opportunities are also being created by the ongoing restructuring of the market.

FIRST PRODUCTS READY FOR LAUNCH

The company has a balanced product and project portfolio that spans from projects in preclinical development to registered products set for a 2010 launch.

The portfolio includes pharmaceuticals, medical device and cosmetic products, which are described in more detail on the following pages.

"The development projects with which we started the company are now ready for market launch. At the same time, we have complemented our portfolio with innovative projects to generate a second wave of products."

PATENT PORTFOLIO

The company has an active patent and brand strategy aimed at securing intellectual rights protection for its products. The company owns a total of 16 patents in five patent families and has in-licensed additional patent rights. In addition to internal resources, the company has engaged prominent international patent attorneys for patent application, maintenance and defence.

PRODUCT	INDICATION	STATUS
K101	Nail diseases	Planned launch in 2010. CE marked product.
KAPROLAC®	Five products for different types of skin ailments, i.e., dry skin, eczema, and common scalp conditions.	Planned launch in 2010–2011. CE marking obtained for one product. Cosmetic registration received for three products. Additional CE mark applications being prepared in 2010.
A-FIZZ	Anal fissures	Preclinical phase
LIMTOP	Actinic keratosis	Preclinical phase
MOB-015	Confidential	Preclinical phase

Products based on previous projects K201 and K301 are part of the Kaprolac® product line. The project MOB 012 is now called Limtop.

K101 – A NEW WAY TO TREAT NAIL DISEASE

K101 is a topical treatment for nails that have been discoloured or damaged by nail fungus, psoriasis or external trauma. Efficacy and safety of the product have been documented, demonstrating good results in a comparative clinical study involving 493 people and a number of other smaller studies.

Nail fungus is usually caused by dermatophytes, in particular Trichophyton rubrum. Both toe and fingernails can become infected, causing a thickening and discoloration of the infected nail. The fungus can spread to other nails and skin, and in some cases can lead to serious complications for people with weaker immune systems such as diabetics. Nail fungus is a common ailment, afflicting 8 to 14 percent of the population. The disease is even more common among the elderly, with an estimated prevalence of around 25 percent.

"75 % of patients treated with K101 experienced an improvement."

Nail fungus is a difficult disorder to treat and treatment is often slow because it takes many months for a healthy nail to grow out. Today, the most common way to treat nail fungus is with terbinafine in tablet form or a topical treatment using amorolfine or ciclopirox, in a nail lacquer form. Tablet treatment is relatively effective, but involves the risk of severe adverse reactions, such as liver problems or negative interaction with other drugs. Topical treatments have previously been considered to have little effect and to be cumbersome to use. A substantial proportion of patients therefore remain untreated. The market for nail fungus products is deemed to exceed USD 1 billion and there is a major need for a new effective topical treatment with a favourable side-effect profile.

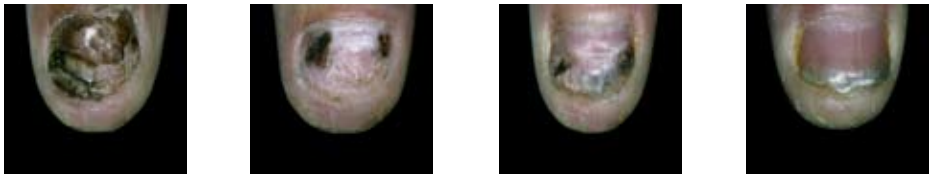
"Fast-acting – visible improvements in 2 – 4 weeks."

K101 has a unique mode of action with rapid onset, demonstrating highly competitive results after six-months of treatment. Clinical evaluation also shows that the preparation is well-tolerated by patients, causing no serious side-effects.

"85 % of the patients found K101 easy or very easy to apply."

K101 is registered as a medical device product and the company therefore is authorized to market the product in the EU/EEA. The product is licensed to a leading Nordic player in non-prescription drugs, who is planning a market launch in 2010. Moberg Derma is in process to select distributors in other markets.

EFFECT OF K101 TREATMENT AFTER 2, 8 AND 12 WEEKS



BEFORE TREATMENT | **AFTER TWO WEEKS TREATMENT** | **AFTER TWO MONTHS TREATMENT** | **AFTER THREE MONTHS TREATMENT**

KAPROLAC® – MEDICAL SKIN CARE FOR PATIENTS AND THE ENVIRONMENT

Kaprolac® is a range of medical skin care products including treatments for eczema, dandruff, cracked and dry skin.

Moberg Derma has developed Kaprolac® based on many years of research by Swedish dermatologists. The products contain a combination of proven compounds in a patented formula that has demonstrated a high level of efficacy in the treatment of several common and troublesome skin conditions.

The special composition of active ingredients in Kaprolac® has demonstrated good efficacy and a favourable side-effect profile in six clinical studies involving more than 400 patients. Kaprolac® has better cosmetic properties than many competing products. For example the Kaprolac® dandruff treatment softens and moisturizes the hair, rather than leaving it dry and brittle which may occur after use of shampoo containing ketoconazole, the most widely used substance in medical treatments for dandruff.

"In clinical studies the Kaprolac® dandruff treatment demonstrated significant effects in just two weeks."

During 2009, Kaprolac® Skin Repair and Hydration was tested in a clinical study on 30 patients, which demonstrated that the product was better at strengthening the skin barrier and hydrating the skin than the comparator which was a pharmaceutical cream. These results were obtained using objective and well-established endpoints. Kaprolac® products are free from preservatives, perfume and colour.

"Kaprolac® Skin Repair and Hydration showed superiority compared to a pharmaceutical cream in rehydrating and restoring the skin barrier, demonstrating proven efficacy in the treatment of dry and cracked skin within one week."

Sales of products in the Kaprolac® range are planned to start in 2010. In addition to normal approval, the first Kaprolac® products have also been granted the Nordic Eco-label, the official eco-label of the Nordic countries. The unique Kaprolac® formula employs a self-preserving technology keeping the products free from parabens and other preservatives.

"In clinical studies, 3 of 4 patients improved following treatment with the Kaprolac® anti-dandruff formula."


KAPROLAC®
SWEDISH CLINICALLY TESTED DERMATOLOGY
MJÄLLSCHAMPO
MOTVERKAR UPPKOMSTEN AV MJÄLL. ÅTERFUKTANDE.
FRI FRÅN KONSERVERINGSMEDEL
KAPROLAC®
SWEDISH CLINICALLY TESTED DERMATOLOGY
MJÄLLÖSNING
INTENSIVBEHANDLING FÖR FJÄLLANDE HÅRBOTTEN
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FRI FRÅN KONSERVERINGSMEDEL

A-FIZZ HAS THE POTENTIAL TO CURE PAINFUL ANAL FISSURES

A-Fizz is a topical treatment for the treatment of anal fissures based on an innovative formula and a novel use of calcium antagonists.

Calcium antagonists, also called calcium channel blockers, have been used in tablet form since the 1970s, primarily in conjunction the treatment of heart disease, in particular high blood pressure, and work by relaxing the smooth musculature. In the case of heart disease, the aim is to relax the vascular smooth musculature, thereby widening the blood vessels and lowering the blood pressure. A-Fizz uses the same mechanism for the treatment of anal fissures. The drug, administered locally as an ointment, relaxes the smooth musculature of the anal sphincter which has been shown to play a key role in the treatment of anal fissures.

An anal fissure is a crack or tear in the skin of the anal canal. The underlying causes for anal fissures are not fully understood, however the problem is often associated with constipation and may arise for example in conjunction with childbirth or the repeated use of laxatives.

A cause of the condition is reduced blood flow to the skin in the anus due to cramps in the sphincter muscle. Muscle tenseness reduces the blood flow to the skin, preventing the damage from healing. Anal fissures that do not heal within six weeks are considered chronic.

Anal fissures are often very painful, which distinguishes them from haemorrhoids. The disease is common and occurs at all ages, in particular afflicting young or middle aged people. Current treatment focuses on reducing pain and relaxing the tense sphincter muscle. Treatment alternatives are however limited. Surgery is often used in serious cases to expand the tense musculature, resulting in a risk of incontinence. Treatment with Botox that temporarily numbs the muscle has shown promising results but is an expensive procedure only performed at a small number of specialist centres. Topical nitrate preparations provide pain relief but have been shown to cause side effects – some 50 percent of patients experience headaches. There is a clear need for a simple topical treatment that patients can apply themselves and relieve pain without any palpable side effects. The company estimates that the market potential for anal fissure products exceeds USD 100 million.

A-Fizz's mode of action is well-documented in other disease areas and has the potential to provide rapid pain relief and facilitate the healing of fissures, without troublesome side effects. As the ointment is applied locally, only small quantities of the drug are absorbed systemically in the body, and the product is not expected to affect blood pressure. Previous studies with calcium antagonists has been reported and some doctors have even mixed crushed tablets in ointment, with some but not optimal effect. A-Fizz is based on a selected calcium antagonist, with a longer half-life and better selectivity for the peripheral blood vessels relevant to this application. The patented formula ensures that a sufficient dose of the drug penetrates the skin and enters the muscle. The formula's strong penetration capacity has been demonstrated in preclinical studies. The company is currently preparing for clinical studies aiming to demonstrate pain relief in patients.

"A-Fizz has the potential to provide fast pain relief and facilitate the healing of fissures without troublesome side-effects."

LIMTOP – THE CARCINOGENIC EFFECTS OF SUNBURN ARE BECOMING MORE COMMON

Limtop is an innovative formula based on imiquimod, with significant advantages over existing preparations

Limtop is a topical treatment for actinic keratosis (solar keratosis) and may also be developed for the treatment of genital warts and basal cell carcinoma. Actinic means "caused by the sun" and keratosis comes from the word keratos, which means horn. Actinic keratosis is thus a thickening of the stratum corneum of the epidermis. This type of sun damage is becoming more common due to changing lifestyles over the past decades, with more travel and increased exposure to strong sunlight for both children and adults. Actinic keratosis can develop into squamous cell carcinoma and should therefore be treated. Treatment options include mechanical procedures such as scraping or freezing, photodynamic therapy and most of all, topical creams with active substances that activate the immune system and repel the damaged skin layers.

Imiquimod is the market leading substance in the treatment area, with product sales in 2009 of USD 360 million. Current products have obvious drawbacks including very low bioavailability, meaning that only a small percentage of the active ingredient is absorbed into the skin, which reduces the precision of the actual dose.

"Limtop has demonstrated significantly better bioavailability than existing products, enabling a product with better efficacy, decreased side effects and shorter treatment times"

In preclinical studies, the patented Limtop formula has demonstrated significantly better bioavailability than existing products, enabling a product with better efficacy, decreased side effects and shorter treatment times. The project is currently at a preclinical stage.

A FEW WORDS FROM CLINICAL DEVELOPMENT AND MARKETING

KJELL RENSFELDT, MEDICAL DIRECTOR

In many ways, Moberg Derma is a special company. Our development projects and market preparation work span a broad spectrum – from work on advanced drug delivery solutions and registration of medical device products for topical use – to launch plans for cosmeceuticals with a clear medical profile.

Our small, effective project groups are characterized by a high level of motivation and qualified input from a highly skilled staff with extensive experience. Working interdisciplinary in a project always presents certain challenges. But the model we strive for – characterized by a clear market focus – is a recipe for success in my opinion. Another key success factor for us is the manner in which we have built up fruitful collaboration with a number of experienced and competent qualified professionals, whom we engage when needed on a consultancy basis. One example is the close working relationship we initiated a few years ago with Zelmic AB in Lund, specializing in formulation development and drug delivery solutions for topical preparations.

Another strong incentive for us is the number of exciting product candidates in our pipeline. They provide that important feeling that if we succeed with our intentions, our work will lead to significant improvement for many patients. One of several examples is A-Fizz. Here, I see a very good chance that we will – in a short time and with limited investment – be able to get a drug to market, which may provide relief and a cure for a large group of people in considerable discomfort. Another example, with similar implications is MOB-015 which without doubt could represent a breakthrough in an area that lacks an effective top-ical alternative.

"A strong incentive is that we have a number of exciting product candidates in the pipeline that may lead to significant improvement for many patients."

For my own part, it is satisfying to be able to say that this work is both inspiring and challenging and therefore a privilege to be a part of.

Kjell Rensfeldt, medical director

MARTIN INGMAN, SALES AND MARKETING DIRECTOR

Our goal is clear – our aim is to create a leading Swedish Life Science company. The difference between Moberg Derma and many other companies in the sector is that we are not research-driven – we have a clear commercial focus based on customer value. Patient needs are our starting point and we are constantly on the lookout for opportunities where these needs can be transformed into niche-leading products. Our philosophy is that research should result in real products to provide real benefit to patients. We are therefore confident that our strong business, customer and product focus is a winning concept for both patients and shareholders.

On the marketing side, we are working very hard to build a global network of partners and distributors. Our first priority is to secure distribution for our products in key markets. These contacts also open up opportunities for an influx of products for our future sales organization.

I have spent a large part of my working life in the sales and marketing of medical products. My previous experience includes working with blockbuster drugs such as Losec and I have also been responsible for building and managing a global marketing organization for dermatological products. Moberg Derma is now in an extremely exciting phase and has the potential to establish a global presence over the next few years – in close collaboration with distributors and partners. One of the most important and enjoyable tasks in the near future will be, together with our partners, to prepare for the launch of our first products in various markets around the world.

"We are working very hard to build a global network of partners and distributors."

Personally, it is a privilege to work with such a highly skilled team and to have the opportunity to build a new company from the ground up. In addition to the internal team we have managed to secure ties with top-notch expertise in several disciplines, making it possible for us to deliver a level of quality that paves the way to global success. Let the journey begin!

Martin Ingman, sales and marketing director

MANAGEMENT

PETER WOLPERT

CEO, Board member and founder, MSc, MScBA

Mr. Wolpert has worked as CEO, strategy consultant and entrepreneur in the life science sector since 1999 and before that was a strategy consultant at McKinsey & Co. He serves as a Board member of Viscogel and Lipopeptide. Shareholding: 300,000 Series A shares through Wolco Invest AB.

KJELL RENSFELDT

Medical Director, MD, BscBA

Dr. Rensfeldt has ten years of industrial experience from senior management positions at Biogen Idec and Q-Med. He also has ten years of clinical experience during which he specialized in urology. Shareholding: 2,500 Series B shares, 60,000 warrants and 25,000 employee stock options.

PETER KAUFMANN

Director Pharmaceutical Development, PhD, Assoc. Prof. Chemistry

Dr. Peter Kaufmann has more than 15 years of experience of pharmaceutical development, including senior management positions in LipoCore and Scotia Lipidteknik. Shareholding: 60,000 Series B shares.

ANNA LJUNG

Chief Financial Officer, MScBA

Ms. Ljung previously worked as CFO for several of Karolinska Development's portfolio companies and as an independent consultant in technology licensing. Shareholding: 5,000 Series B shares, 14,300 warrants and 5,000 employee stock options.

MARTIN INGMAN

Sales & Marketing Director, MscBA

Mr. Ingman has 15 years experience from international marketing and sales positions at Astra, Q-Med and Carema. Shareholding: 24,000 warrants and 10,000 employee stock options.

FREDRIK GRANSTRÖM

Corporate Lawyer (part-time, on a consulting basis), LL.M.

Mr. Granström has ten years experience as corporate counsel to companies such as AstraZeneca, Sendit/Microsoft. He is one of the founders and partner in Streamson. Shareholding: 45,314 Series B shares owned by the company Streamson AB.

BOARD OF DIRECTORS

INGEMAR ALDÉN

Chairman, M Pol.Sc.& Ec.

Mr. Aldén has more than 25 years experience in senior management positions in multinational pharmaceutical companies such as Astra, Merck & Co, Hoechst and HMR. Mr. Aldén serves as chairman in Akinion Pharmaceuticals, Axelar, Clanotech, IsiFer, Lipopeptide, SoftCure Pharmaceuticals and XSpray Microparticles. Shareholding: 15,000 Series B shares.

BERTIL KARLMARK

Board member, MD PhD, Associate professor

Dr. Karlmark has more than 25 years of experience in clinical studies in different positions at both large and small pharmaceutical companies. He is a university professor in Clinical Drug Development at Uppsala University and for the past 15 years has run his own consultancy company in the same field. Shareholding: 15,000 Series B shares and 14,700 warrants.

GUSTAF LINDEWALD

Board member, Licensed Pharmacist

Mr. Lindewald has more than 30 years experience from the pharmaceutical and nutritional industries. His experience includes several senior management positions, such as Marketing Director for ACO, V.P. for Procordia Health Food, Head of Clinical Nutrition and Supply Director for Semper AB. Shareholding: 21,667 Series B shares.

TORBJÖRN KOIVISTO

Board member, LL.M.

Mr. Koivisto is a corporate lawyer specialized in corporate finance and commercialization. He has previous work experience from Mannheimer Swartling, Lindahl and Bird & Bird. In 2006, he started his own company IARU. Shareholding: 803 Series B shares, through IARU, Institutet för Affärsjuridisk Rådgivning i Uppsala AB.

PETER WOLPERT

CEO, Board member and founder

See page 20, Management, for description.

AUDITORS

At the Annual General Meeting on April 10, 2007, Ernst & Young AB was appointed as the company's accounting firm with the Authorized Public Accountant, Magnus Fagerstedt, as the Chief Auditor, with a mandate period in accordance with the principal rule of the Swedish Companies Act, for the period until 2011.

SCIENTIFIC ADVISORS

PROFESSOR MONA STÅHLE

Dr. Ståhle is a professor and senior physician at the Department of Dermatology at Karolinska University Hospital. She is one of Sweden's foremost experts in dermatology, with a focus on cellular and molecular biology research, including psoriasis and antimicrobial peptides. Dr. Ståhle is coordinating investigator for several national clinical studies.

PROFESSOR JAN FAERGEMANN

Dr. Faergemann is a professor and senior physician at the Department of Dermatology at Sahlgrenska University Hospital. Dr. Faergemann is a specialist in dermatology and venereology with many years of clinical and research experience and is a leading expert in mycology. Dr. Faergemann has published more than 140 articles in medical journals.

CONNY BOGENTOFT

Dr. Bogentoft is CEO of the Karolinska Development private equity firm and has 30 years of experience from senior positions in the pharmaceutical industry, including as vice president of Astra Arcus, CEO of Kabi Invent, research manager at ACO Pharmaceuticals and chairman of the Swedish Pharmaceutical Society. Dr. Bogentoft is associate professor of pharmaceutical chemistry at Uppsala University.

PROFESSOR HOWARD MAIBACH

Dr. Maibach is a professor at the University of California in San Francisco and a leading expert in dermatology with a focus on dermapharmacology and dermatoxicology. Dr. Maibach has published more than 1,700 scientific articles in the field of dermatology, has been editor for 30 journals and is often engaged as a lecturer.

PROFESSOR LENNART EMTESTAM

Dr. Emtestam is a professor and senior physician at the Department of Dermatology at Karolinska University Hospital. Dr. Emtestam is a specialist in dermatology and venereology with more than 25 years of experience of both clinical and research operations. His research area includes contact dermatitis and atopic eczema. Dr. Emtestam has published more than 80 articles in medical journals.

JOHAN HEILBORN

Dr. Heilborn is senior physician and a specialist in dermatology and venereology at the Department of Dermatology at the Karolinska University Hospital. He divides his time between clinical work and research. Since 1999, he has worked with experimental skin research, "skin innate immunity", inflammation and wound healing.


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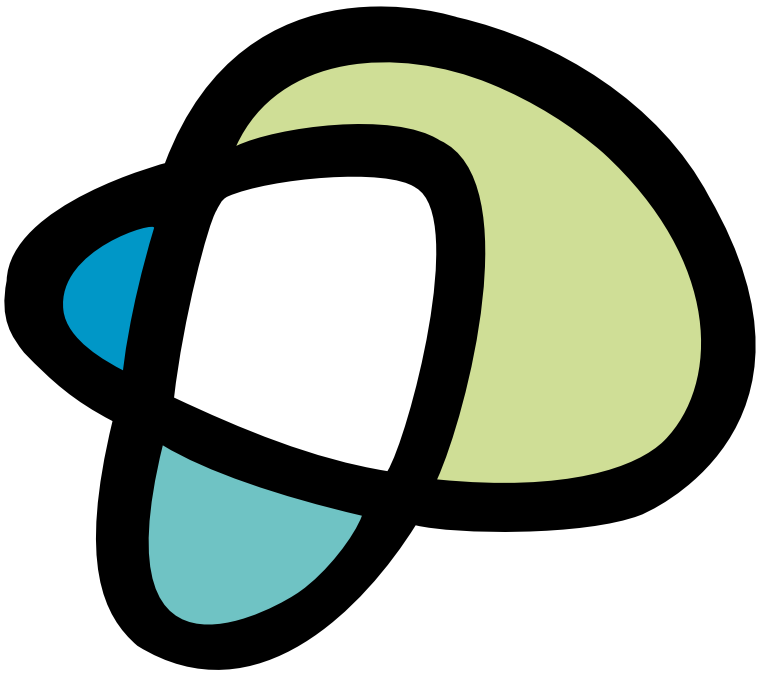


FINANCIAL INFORMATION

FINANCIAL OVERVIEW 2006–2009

A financial overview of the company's operations since it was established in 2006 is presented below. Amounts are expressed in SEK (Swedish krona) unless otherwise stated. Amounts and figures in parentheses refer to comparative figures for the corresponding period of the preceding year. As Moberg Derma was not a group in the 2006–2007, comparative information in the consolidated accounts for the parent company has been converted to IFRS.

FROM THE INCOME STATEMENT (SEK thousand)	2009	2008	2007	2006
Net sales	1 616	0	0	0
Gross profit/loss	1 616	0	0	0
Operating profit/loss	-24 276	-36 701	-21 924	-2 811
Net profit/loss for the year	-24 235	-35 341	-21 382	-2 793
FROM THE BALANCE SHEET (SEK thousand)				
Non-current assets	669	779	415	100
Current receivables	1 550	1 604	1 639	314
Cash and bank balance	33 078	20 203	35 083	4 229
Total assets	35 297	22 586	37 137	4 642
Equity	30 209	15 230	29 808	3 361
Long-term liabilities	303	678	240	400
Current liabilities	4 785	6 679	7 088	881
Total equity and liabilities	35 297	22 586	37 137	4 642
FROM THE CASH-FLOW STATEMENT (SEK thousand)				
Cash flow from operating activities	-25 258	-34 891	-16 633	-2 225
Cash flow from investing activities	-23	-446	-343	-100
Cash flow from financing activities	38 156	20 457	47 829	6 554
Cash flow for the period	12 875	-14 880	30 854	4 229
KEY FIGURES				
Net receivables (SEK thousand)	32 466	19 393	34 843	3 829
Debt/equity ratio	2%	5%	1%	12%
Equity/assets ratio	86%	67%	80%	72%
Return on equity	-80%	-232%	-72%	-83%
R&D costs (SEK thousand)	-15 706	-26 186	-15 716	-1 993
Personnel expenses (SEK thousand)	-13 315	-10 639	-7 128	-355
Average number of employees	10	9	8	0
SHARE DATA				
Basic/diluted earnings per share (SEK)	-8,90	-14,77	-12,54	-2,53
Operating cash flow per share (SEK)	-8,29	-14,28	-7,78	-1,83
Equity per share (SEK)	9,91	6,23	13,94	2,76
Dividend per share (SEK)	0	0	0	0
Number of shares at end of period	3 047 099	2 443 884	2 138 427	1 219 104
Average number of shares	2 723 398	2 392 975	1 704 958	1 105 847

Definitions of key figures

Net receivables	Cash and cash equivalents less interest-bearing liabilities
Debt/equity ratio	Interest-bearing liabilities in relation to shareholders' equity
Equity/assets ratio	Shareholders' equity at year-end in relation to total assets
Return on equity	Loss for the year divided by equity
Earnings per share	Results after tax divided by the average number of shares outstanding
Operating cash flow per share	Cash flow from operating activities divided by the number of shares outstanding at the end of the period
Equity per share	Shareholders' equity divided by the number of outstanding shares at the end of the period

OPERATIONS

The Board of Director's and CEO of Moberg Derma AB, corporate registration number 556697-7426, hereby submit the annual report for the January 1, 2009 to December 31, 2009 financial year.

OPERATIONS

Moberg Derma AB was established in 2006 and is a Swedish pharmaceutical company that develops and commercializes medical products for the treatment of common skin diseases. Moberg Derma focuses on innovative products based on proven compounds, which limits the company's development risk.

GROUP INFORMATION

Moberg Derma is a limited liability company registered in Solna, Sweden. The group´s operations are conducted primarily in Sweden. The office's address is Gunnar Asplunds Allé 32, Hus D, SE-171 63 Solna, Sweden. The group comprises of the parent company Moberg Derma AB, corp. reg. no. 556697-7426, and its wholly owned subsidiary Moberg Derma Incentives AB, corp. reg. no. 556750-1589. The sole business conducted by the subsidiary is administration of Moberg Derma´s employee stock option program. Consolidated financial statements have been submitted from 2008 and onwards.

RESULTS AND FINANCIAL POSITION

Results

Moberg Derma received its first licensing revenues in 2009 and generated net sales of SEK 1.6 million. Operating expenses were SEK 26.1 million for the year 2009, compared to SEK 36.9 million the preceding year. The difference from last year is primarily due to that ongoing clinical studies were less extensive. The company's lead projects are now at registration stage and preparations for market launch are ongoing. The Group's R&D costs amounted to SEK 15.7 million (26.2), of which external researchers and subcontractors accounted for SEK 9.5 million (20.6). Consolidated loss after financial items amounted to SEK 24.2 million for 2009 compared to a consolidated loss of SEK 35.3 million in 2008.

Investments

Only minor investments in equipment, amounting to less than SEK 0.1 million, were made in 2009. In 2008, gross investment in tangible and intangible assets amounted to SEK 0.4 million, mainly related to the acquisition of patents and laboratory equipment from Zelmic Technologies AB.

Liquidity and Financial Position

To date, Moberg Derma operations have largely been funded by equity. The equity/assets ratio was 86 % in 2009 compared to 67 % in 2008. The company had a negative cash flow from operations of SEK 25.3 million in 2009 compared to a negative cash flow of SEK 34.9 million in 2008. Cash and cash equivalents amounted to SEK 33.1 million at the year end 2009, compared to SEK 20.2 million at the end of 2008.

KEY EVENTS IN 2009

Financing

The new issue of shares in 2009 generated SEK 30.0 million in June and SEK 9.5 million in December, before issue costs of SEK 1.2 million. Vinnova granted the company research funds of SEK 4.2 million, which the company will receive in 2010 and 2011.

Personnel and incentive programs

Moberg Derma´s incentive program in 2009 consisted of a variable salary component linked to fulfilment of individual and company goals for the year and a long-term incentive program in the form of stock options.

PROJECT AND PRODUCT PORTFOLIO

K101 for the treatment of nail diseases

A licensing agreement covering sales of the company's nail treatment K101 in the Nordic region was entered into with a leading OTC company. Under the terms of the agreement Moberg Derma is entitled to milestone payments and royalties. Registration documentation to acquire CE marking has been filed.

Kaprolac® product line

Three cosmetics in the Kaprolac® product line have been registered with the Swedish Medical Products Agency. A clinical study involving 30 patients showed that Kaprolac® Skin Repair & Hydration (formerly K201) shows a positive effect in the treatment of mild to moderate atopic eczema. Registration documentation to obtain CE marking has been filed for one Kaprolac® product.

Ongoing development projects

The acquired projects from Zelmic Technologies AB developed positively during the year. The cooperation was expanded to include three development projects, all of which are at a preclinical phase. A new patent application was submitted during the year. A license and partnership agreement was entered into with Medpharm Ltd (UK). Under the terms of the agreement Moberg Derma is entitled to develop up to three products based on Medpharm's Medspray™ patented technology.

For more information about the company's R&D programs, see page 11.

SUBSEQUENT EVENTS

On March 22, 2010, CE marking was issued for the company's K101 product for the treatment of nail diseases and Kaprolac® solution for the treatment of seborrheic eczema, authorizing the company to market and sell these products in the EU.

A licensing agreement was entered into with Medical Futures Inc. for marketing K101 in Canada. The agreement entitles Moberg Derma to milestone payments and royalties from product sales.

INSURANCE

In addition to corporate insurance, Moberg Derma's insurance coverage includes special insurance for patients who participate in clinical studies. Insurance coverage is subject to continuous review. The Board is of the opinion that the corporate insurance is suited to the current scope of the business.

ENVIRONMENT

Moberg Derma conducts no operations that require permits or registration pursuant to Chapter 9, Section 6 of the Environmental Code (1998:808). Several of Moberg Derma products stand out from an environmental perspective as they are biodegradable and free of preservatives, dyes and perfumes. This enabled Kaprolac® Dandruff Shampoo and Dandruff Solution to be granted the Nordic eco-label stamp of approval.

DISPUTES

Moberg Derma is not, and has never been, a party to any legal proceedings or arbitration proceedings, which at any time have or have had significant effects on Moberg Derma's financial position or profitability. Nor is the Board of Directors of Moberg Derma aware of any circumstances that could lead to such legal or arbitration proceedings.

WORK OF THE BOARD IN 2009

Shareholders at the 2009 Annual General Meeting elected seven members for the period until the next AGM. Two members resigned early due to other commitments. For a large part of the year the Board therefore consisted of five members with expertise in drug development, medical research as well as marketing, financial and strategic issues. The Board held nine minuted Board meetings during the year, of which two were held per capsulam. In general, the CEO reported at the Board meetings, however other members of the management group also reported on specific matters. The company's CFO acted as Board secretary.

The main focus of Board work in 2009 has been on strategic issues, particularly matters relating to product development, business development and financing, and the further development of the company's business plan.

The Board's work follows established rules of procedure, which regulate areas such as the division of responsibility, the number of compulsory meetings, the form of convening notices, fundamental documentation and minutes, conflicts of interest, obligatory matters that the CEO should submit to the Board and authorized company signatories. The Board handles on an ongoing basis matters such as the current business situation, closing of accounts for each period, budget, strategies and external information.

In 2009, the Board formed a remuneration committee that prepared proposals regarding compensation. Apart from this all matters were discussed by the Board in its entirety.

For detailed information about Board members, see page 21.

NOMINATION COMMITTEE

The nomination committee for the 2010 AGM consisted of three members; Ingemar Aldén, Per-Olof Edin and Fredrik Granström, where the latter served as chairman of the committee. The nomination committee held three meetings that resulted in a proposal of: appointment of Board members, Board fees and the appointment of and fees to auditors. Nomination committee proposals were presented in the 2010 AGM convene notice.

CORPORATE GOVERNANCE

Moberg Derma is not required to apply the Swedish Code of Corporate Governance. Nor does Moberg Derma currently apply the Code on a voluntary basis.

OUTLOOK FOR 2010

2010 marks the start of the sales of Moberg Derma first products. A top priority during 2010 is to support the Group's distributors to enable the successful launch of K101 and Kaprolac® products, and to secure distribution to additional markets. Continued investments in R&D are planned to further develop Moberg Derma's project portfolio. Furthermore, the Group plans to raise additional capital to finance continued development of Moberg Derma´s operations.

The Board estimates that available resources are sufficient to finance operations for the next 12 months.

PARENT COMPANY

Moberg Derma AB, corp. reg. no. 556697-7426 is the parent company of the group. Operations in the group are conducted primarily in the parent company and consist of research and development and administrative functions. The parent company had net sales of SEK 1.6 million (0.0). Operating expenses amounted to SEK 26.1 million (36.9) and loss after financial items amounted to SEK 24.2 million (-35.3). Cash and cash equivalents amounted to SEK 33.0 million (20.1).

PROPOSAL ON THE APPROPRIATION OF PROFIT

At the disposal of the Annual General Meeting:

Share premium reserve	113 655 043
Accumulated loss	-59 507 069
Loss for the year	-24 235 367
	29 912 607

The Board and the CEO propose that the accumulated loss and the share premium reserve will be carried forward.

RISK FACTORS

Moberg Derma's business is exposed to risk. Risk factors deemed to be of particular significance to the company's future development are presented below. The account does not purport to be comprehensive and the risk factors are not listed in any order of significance. It cannot be guaranteed that the company can successfully manage the risks listed below or other risks.

CLINICAL STUDIES

Moberg Derma conducts development of new pharmaceuticals and other medical products. To obtain permits from authorities to commence sales, the company – or potential partners – must prove the efficacy and safety of potential pharmaceuticals on each given indication. It cannot be guaranteed that current or future clinical studies can prove sufficient efficacy and safety to obtain requisite authoritative approval, or that these will lead to products that can be sold in the market.

MEASURES UNDERTAKEN BY AUTHORITIES

Moberg Derma develops and commercializes medical products and, like other companies in the industry, is dependent on assessments and decisions of authorities. Such assessments include permits to conduct clinical studies, permits to market and sell pharmaceuticals, conditions for the prescription of pharmaceuticals, the pricing of pharmaceuticals covered by subvention systems and the discount of pharmaceuticals. It cannot be guaranteed that Moberg Derma will obtain the authoritative decisions necessary to generate commercially and financially valuable products in the market.

COMPETITION AND PRICING

The pharmaceutical industry is a highly competitive industry. In the majority of indications, a number of companies compete in the development of new and improved products to achieve a high market share and a favourable price. It cannot be guaranteed that Moberg Derma's products will be preferred in the market over existing or other new products. The price pressure on medical products in Moberg Derma's indication areas is considerable and is expected to remain so in the future. Future products under development by other companies may entail a further increase in competition and diminished opportunity for Moberg Derma to achieve or retain an attractive market share and price for its products.

PARTNERS AND DISTRIBUTORS

Moberg Derma currently does not have its own marketing organization. The group is therefore reliant on cooperation and distribution agreements with companies for the marketing and sale of its products. It cannot be guaranteed that such agreements can be entered into on favourable conditions or that counterparties meet their obligations as contracted.

PRODUCT LIABILITY AND INSURANCE

Moberg Derma conducts clinical studies and plans the sales of medical products, which entails risks associated with product liability. Moberg Derma has insurance coverage customary to the industry for clinical trial activities and will maintain product liability insurance for products under development and in the market. Despite this protection, it cannot be guaranteed that Moberg Derma will avoid liability claims in the event of injuries caused by the group's products or product candidates.

PATENTS AND TRADEMARKS

In the type of operations that Moberg Derma conducts, risk always exists that the group's patents or other intellectual property rights do not sufficiently protect Moberg Derma or that the group's rights cannot be asserted. Furthermore, patent infringement may occur, which may lead to costly disputes. The outcome of such disputes cannot be guaranteed in advance. Negative dispute outcomes regarding intellectual property rights can lead to a loss of protection for the losing party, a ban on continued use of the right in question or an obligation to pay damages.

KEY INDIVIDUALS

Moberg Derma's success depends on attracting and retaining key individuals. Potential loss of key people can negatively affect the group's commercial opportunities.

FINANCING AND FINANCIAL RISK FACTORS

Moberg Derma's projects are in development phase, and the group will on one or more occasions turn to the capital market for additional external financing. It cannot be guaranteed that Moberg Derma will succeed in attracting investors or that such financing can take place on attractive terms. For information about financial risk factors, please refer to Note 25.

THE SHARE AND SHAREHOLDERS

SHAREHOLDERS WITH OWNERSHIP STAKES OR VOTING RIGHTS EXCEEDING 10%

	No. Series A shares	No. Series B shares	Share of voting rights	Ownership stake
Östersjöstiftelsen (Baltic Sea Foundation)	150 000	814 676	22,1%	31,7%
Skandifinanz AG	75 000	688 585	13,7%	25,1%
Mobederm AB	300 000	134 400	29,9%	14,3%
Wolco Invest AB	300 000	0	28,6%	9,8%

At December 31, 2009, Moberg Derma's share capital amounted to SEK 304,709.90. The total number of shares at year end was 3,047,099 shares. The total was comprised of 825,000 Series A shares and 2,222,099 Series B shares. Key people (management, Board members and advisors) hold a total of 300,000 Series A shares and 293,948 Series B shares, corresponding to 31.5% of votes and 19.5% of the total number of shares outstanding.

The share's par value is SEK 0.10. Each Series A share entitles the shareholder to ten votes and each Series B share to one vote. All shares carry equal rights to share in Moberg Derma's assets, profits and potential liquidation surplus. To date, Moberg Derma has never distributed dividends. The Board proposes that no dividend will be paid for the 2009 fiscal year.

SHARE PERFORMANCE

Date	Transaction	Change in no. of shares	Change in share capital	No. Series A shares	No. Series B shares	Totalt share capital SEK	Par value, SEK	Subscription price, SEK	Invested capital
Jan. 2006	Company founded	1 000 000	100 000	-	-	100 000,00	0,10	0,10	100 000
March 2006	Conversion to A and B shares	0	0	600 000	400 000	100 000,00	0,10	0,10	-
March 2006	Directed new issue	47 984	4 798	600 000	447 984	104 798,40	0,10	15,00	719 760
Sept. 2006	Directed new issue	171 120	17 112	683 910	535 194	121 910,40	0,10	33,10	5 334 072[1]
April 2007	New share issue	613 866	61 387	750 000	1 082 970	183 297,00	0,10	45,12	27 697 634
Dec. 2007	New share issue	305 457	30 546	825 000	1 313 427	213 842,70	0,10	65,50	20 007 434
March 2008	New share issue	305 457	30 546	825 000	1 618 884	244 388,40	0,10	65,50	20 007 434
June 2009	New share issue	458 492	45 849	825 000	2 077 376	290 237,60	0,10	65,50	30 031 226
Dec. 2009	New share issue	144 723	14 472	825 000	2 222 099	304 709,90	0,10	65,50	9 479 357

NEW ISSUES OF SHARES DURING THE YEAR

Shareholders at the Annual General Meeting on April 20, 2009 resolved to give the Board the mandate to implement new issues. The Board decided to implement a new issue of shares in two tranches during the year. The issue price per share was SEK 65.50, whereby the company received SEK 30.0 million in June 2009 in tranche I and SEK 9.5 million in December 2009 in tranche II.

WARRANTS OUTSTANDING

During the year it was decided to issue 21,849 warrants to the company's wholly owned subsidiary Moberg Derma Incentives AB and to implement employee stock option program 2009:1. From previous years, there are 174,573 outstanding warrants in Moberg Derma. No warrants have been converted or expired during the period. If all 196,422 outstanding warrants were converted into shares, this would increase the total number of shares from 3,047,099 to 3,243,521. For further information on employee incentive programmes, see Note 7 and Note 18.

SHAREHOLDER AGREEMENTS AND OTHER SIGNIFICANT AGREEMENTS CONCERNING SHARE TRANSACTIONS

There is a partnership agreement between the founders Mobederm AB and Wolco Invest AB as well as a minority shareholders' agreement with several minority shareholders. 12 minority shareholders, corresponding to 5.3% of capital and 1.6% of the votes are not covered by minority shareholders' agreements. Moberg Derma has no other significant agreements that would be affected if control of the company changed, e.g. through a take-over bid.

[1] Also includes a directed issue for strategic reasons of 10,000 Series B shares to Karolinska Institutet Holding at an issue price of SEK 0.10

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(SEK)	Note	**Jan – dec 2009**	**Jan – dec 2008**
Net sales	2	1 616 359	0
Gross profit/loss		**1 616 359**	**0**
Administrative expenses		-10 298 337	-10 625 095
Research and development costs		-15 706 124	-26 185 542
Other operating income	4	179 529	150 000
Other operating expenses		-67 660	-40 631
Operating loss	5 – 9	**-24 276 233**	**-36 701 268**
Interest income		83 562	1 417 437
Interest expense		-42 180	-57 043
Results before tax		**-24 234 851**	**-35 340 874**
Taxes	10	0	0
NET LOSS FOR THE YEAR		**-24 234 851**	**-35 340 874**
Other comprehensive income		**0**	**0**
COMPREHENSIVE INCOME FOR THE YEAR		**-24 234 851**	**-35 340 874**
Profit/Loss attributable to parent company shareholders		-24 234 851	-35 340 874
Profit/Loss attributable to minority interests		0	0
Comprehensive income attributable to equity/shareholders of the parent		-24 234 851	-35 340 874
Comprehensive income attributable to minority interests		0	0
Basic earnings per share	11	**-8,90**	**-14,77**
Diluted earnings per share	11	**-8,90**	**-14,77**
Average number of shares		2 723 398	2 392 975
Number of shares at end of period		3 047 099	2 443 884

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(SEK)	Note	Dec. 31, 2009	Dec. 31, 2008
ASSETS			
Non-current assets			
Intangible assets			
Patents, licenses and similar rights	12	285 714	300 000
Tangible assets			
Equipment and tools	13	382 777	477 670
Financial assets			
Other financial assets		1 000	1 000
Total non-current assets		**669 491**	**778 670**
Current assets			
Current receivables			
Trade accounts receivable	14	369 083	0
Other receivables	15	443 466	1 305 416
Prepaid expenses and accrued income	16	737 070	298 819
Total current receivables		1 549 619	1 604 235
Cash and bank balances	17	33 078 062	20 203 043
Total current assets		**34 627 681**	**21 807 278**
TOTAL ASSETS		**35 297 172**	**22 585 948**
EQUITY AND LIABILITIES			
Equity	18		
Equity to equity holders of the parent (100%)			
Share capital		304 710	244 388
Other contributed capital		113 655 043	74 501 128
Loss brought forward including loss for the year		-83 750 537	-59 515 686
Total equity		**30 209 216**	**15 229 830**
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	19	302 500	677 500
Total non-current liabilities		302 500	677 500
Current liabilities			
Accounts payable		673 917	1 565 682
Other current liabilities	19,20	1 228 848	781 610
Accrued expenses and prepaid income	21	2 882 691	4 331 326
Total current liabilities		4 785 456	6 678 618
Total liabilities		***5 087 956***	***7 356 118***
TOTAL EQUITY AND LIABILITIES		**35 297 172**	**22 585 948**
Pledged assets	22	69 240	69 240
Contingent liabilities	22	0	0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity pertaining to parent company shareholders			
(SEK)	**Share capital**	**Other Contributed capital**	**Loss carried forward incl. loss for the year**	**Total equity**
Opening balance at January 1, 2008	**213 843**	**53 769 357**	**-24 174 812**	**29 808 388**
New share issues	30 545	19 976 888		20 007 433
Transaction costs, new share issues[2]		0		0
Employee stock option program		754 883		754 883
Total reported income and expenses	*30 545*	*20 731 771*	*0*	*20 762 316*
Appropriation of profits as per AGM 2008:				
Comprehensive Income for 2008			-35 340 874	-35 340 874
Closing balance at December 31, 2008	**244 388**	**74 501 128**	**-59 515 686**	**15 229 830**
Opening balance at January 1, 2009	**244 388**	**74 501 128**	**-59 515 686**	**15 229 830**
New share issues	60 322	39 450 261		39 510 583
Transaction costs, new share issues		-1 157 431		-1 157 431
Employee stock option expense		861 085		861 085
Total reported income and expenses	*60 322*	*39 153 915*	*0*	*39 214 237*
Proposed appropriation of the unappreciated loss for 2009:				
Comprehensive Income for 2009			-24 234 851	-24 234 851
Closing balance at December 31, 2009	**304 710**	**113 655 043**	**-83 750 537**	**30 209 216**

See page 29 for more information about the share and share performance.

[2] No transaction costs were associated with the new issues.

CONSOLIDATED STATEMENT OF CASH FLOWS

(SEK)	Note	**Jan–dec 2009**	**Jan–dec 2008**
OPERATING ACTIVITIES			
Operating profit/loss before financial items		-24 276 233	-36 701 268
Received and paid financial items		41 382	1 360 394
Adjustments for items not included in the cash flow			
Depreciation/amortization	9	132 259	82 183
Employee stock option expenses		861 085	754 883
Cash flow before changes in working capital		***-23 241 507***	***-34 503 808***
Changes in working capital			
Increase (-)/decrease (+) of operating receivables		54 616	34 545
Increase (-)/decrease (+) of operating liabilities		-2 070 662	-422 026
Cash flow from operating activities		**-25 257 553**	**-34 891 289**
INVESTING ACTIVITIES			
Net investments in patents	12	0	-200 000
Net investments in equipment and tools	13	-23 080	-244 653
Net investments in financial assets		0	-1 000
Cash flow from investing activities		**-23 080**	**-445 653**
FINANCING ACTIVITIES			
Borrowings	19	0	450 000
Repayment of loans	19	-197 500	0
Issue of shares		38 353 152	20 007 434
Cash flow from financing activities		**38 155 652**	**20 457 434**
Changes in cash and cash equivalents		**12 875 019**	**-14 879 508**
Cash and cash equivalents at beginning of period		20 203 043	35 082 551
Cash and cash equivalents at end of period	17	33 078 062	20 203 043
Supplemental disclosures to cash-flow statement			
Interest			
Interest received		83 562	1 417 437
Interest paid		-42 180	-57 043

PARENT COMPANY INCOME STATEMENT

(SEK)	Note	**Jan–dec 2009**	**Jan–dec 2008**
Net sales	2	1 616 359	0
Gross profit/loss		**1 616 359**	**0**
Administrative expenses		-10 298 337	-10 614 245
Research and development costs		-15 706 124	-26 185 542
Other operating income	4	179 529	150 000
Other operating expenses		-67 660	-40 631
Operating loss	5–9	**-24 276 233**	**-36 690 418**
Interest income		83 046	1 415 204
Interest expense		-42 180	-57 043
Results before tax		**-24 235 367**	**-35 332 257**
Tax on loss for the year	10	0	0
NET LOSS FOR THE YEAR		**-24 235 367**	**-35 332 257**

PARENT COMPANY BALANCE SHEET

(SEK)	Note	Dec. 31, 2009	Dec. 31, 2008
ASSETS			
Non-current assets			
Intangible assets			
Patents, licenses and similar rights	12	285 714	300 000
Tangible assets			
Equipment and tools	13	382 777	477 670
Financial assets			
Participations in group companies	23	100 000	100 000
Other financial assets		1 000	1 000
Total financial assets		101 000	101 000
Total non-current assets		***769 491***	***878 670***
Current assets			
Current receivables			
Trade accounts receivable	14	369 083	0
Other receivables	15	443 466	1 305 416
Prepaid expenses and accrued income	16	737 070	298 819
Total current receivables		1 549 619	1 604 235
Cash and bank balances	17	32 986 163	20 111 660
Total current assets		***34 535 782***	***21 715 895***
TOTAL ASSETS		**35 305 273**	**22 594 565**
EQUITY AND LIABILITIES			
Equity	18		
Restricted equity			
Share capital		304 710	244 388
Total restricted equity		304 710	244 388
Non-restricted equity			
Share premium reserve		113 655 043	74 501 128
Loss brought forward		-59 507 069	-24 174 812
Loss for the year		-24 235 367	-35 332 257
Total non-restricted equity		29 912 607	14 994 059
Total equity		***30 217 317***	***15 238 447***
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	19	302 500	677 500
Total non-current liabilities		302 500	677 500
Current liabilities			
Accounts payable		673 917	1 565 682
Other current liabilities	19,20	1 228 848	781 610
Accrued expenses and prepaid income	21	2 882 691	4 331 326
Total current liabilities		4 785 456	6 678 618
Total liabilities		***5 087 956***	***7 356 118***
TOTAL EQUITY AND LIABILITIES		**35 305 273**	**22 594 565**
Pledged assets	22	69 240	69 240
Contingent liabilities	22	0	0

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

(SEK)	Share capital	Share premium reserve	Loss carry-forward	Profit/loss for the year	Total equity
Opening balance at January 1, 2008	**213 843**	**53 769 357**	**-2 792 823**	**-21 381 989**	**29 808 388**
New share issues	30 545	19 976 888			20 007 433
Transaction costs, new share issue[3]		0			0
Employee stock option program		754 883			754 883
Total reported income and expenses	*30 545*	*20 731 771*	*0*	*0*	*20 762 316*
Appropriation of profits as per AGM 2008:					
Transfer of previous year's results			-21 381 989	21 381 989	0
Loss for the year 2008				-35 332 257	-35 332 257
Closing balance at December 31, 2008	**244 388**	**74 501 128**	**-24 174 812**	**-35 332 257**	**15 238 447**
Opening balance at January 1, 2009	**244 388**	**74 501 128**	**-24 174 812**	**-35 332 257**	**15 238 447**
New share issues	60 322	39 450 261			39 510 583
Transaction costs, new share issue		-1 157 431			-1 157 431
Employee stock option		861 085			861 085
Total income and expenses	*60 322*	*39 153 915*	*0*	*0*	*39 214 237*
Proposed appropriation of the unappreciated loss for 2009:					
Transfer of previous year's results			-35 332 257	35 332 257	0
Loss for the year 2009				-24 235 367	-24 235 367
Closing balance at December 31, 2009	**304 710**	**113 655 043**	**-59 507 069**	**-24 235 367**	**30 217 317**

[3] No transaction costs were associated with the new share issues.

PARENT COMPANY CASH FLOW STATEMENT

(SEK)	Note	Jan–dec 2009	Jan–dec 2008
OPERATING ACTIVITIES			
Operating results before financial items		-24 276 233	-36 690 418
Received and paid financial items		40 866	1 358 161
Adjustments for items not included in the cash flow			
Depreciation/amortization	9	132 259	82 183
Employee stock option expenses		861 085	754 883
Cash flow before changes in working capital		***-23 242 023***	***-34 495 191***
Changes in working capital			
Increase (-)/decrease (+) of operating receivables		54 616	34 545
Increase (-)/decrease (+) of operating liabilities		-2 070 662	-422 026
Cash flow from operating activities		**-25 258 069**	**-34 882 672**
INVESTING ACTIVITIES			
Net investments in patents	12	0	-200 000
Net investments in equipment and tools	13	-23 080	-244 653
Net investments in the subsidiary	24	0	-100 000
Net investments in other financial assets		0	-1 000
Cash flow from investing activities		**-23 080**	**-545 653**
FINANCING ACTIVITIES			
Borrowings	19	0	450 000
Repayment of loans	19	-197 500	0
Issue of shares		38 353 152	20 007 434
Cash flow from financing activities		**38 155 652**	**20 457 434**
Changes in cash and cash equivalents		**12 874 503**	**-14 970 891**
Cash and cash equivalents at beginning of period		20 111 660	35 082 551
Cash and cash equivalents at end of period	17	32 986 163	20 111 660
Supplemental disclosures to cash-flow statement			
Interest			
Interest received		83 046	1 415 204
Interest paid		-42 180	-57 043

NOTES

The information in the notes pertains to both the parent company and the group unless otherwise stated. If only one set of values is disclosed in a note, without reference to the group or parent company, this means that the values for the group and parent company are identical in that note.

NOTE 1. ACCOUNTING PRINCIPLES

COMPANY INFORMATION

The Annual Report for Moberg Derma AB for 2009 was approved for publication in accordance with a Board decision on March 31, 2010. The Annual Report will be submitted to the Annual General Meeting for adoption on April 22, 2010. Moberg Derma AB, corporate registration number 556697-7426, is a limited liability company registered in Solna, Sweden. The company's main business is described in the Board of Directors' Report.

BASIS OF THE REPORT'S PREPARATION AND IFRS

The following accounting and valuation principles pertain to both the consolidated financial statements and parent company's financial statements unless otherwise specified.

The consolidated financial statements have been prepared in accordance with international accounting standards, International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations from International Financial Reporting Interpretations Committee (IFRIC) as approved by the Commission for application within the EU. IFRS has been applied without deviation. The consolidated financial statements are also prepared in accordance with Swedish law (Annual Accounts Act) pursuant to The Swedish Financial Reporting Board's recommendation RFR 1.2.

The parent company financial statements are prepared in accordance with the Annual Accounts Act and with application of the Swedish Financial Reporting Board's Recommendation RFR 2.2. This means that as a general rule the IFRS valuation and disclosure rules, as applied in the consolidated financial statements, also apply to the parent company.

NEW ACCOUNTING PRINCIPLES

A number of new or updated accounting recommendations and interpretations are effective for the fiscal year beginning January 1, 2009. During the year, the group has implemented the following new and amended standards from IASB and recommendations from IFRIC from January 1, 2009.

- IFRS 8 Operating Segments (Approved by the EU on November 21, 2007). The new standard requires presentation of segment information based on a management perspective, meaning that it is presented same manner as used for internal reporting. Furthermore, some geographical information and information about the transactions with customers accounting for more than 10% of the Group's net sales is required. For Moberg Derma, IFRS 8 does not entail any change in segmentation.

- Revised IAS 1 Presentation of Financial Statements (Approved by the EU on December 17, 2008). The revised standard more clearly separates transactions with owner from transactions with non-owners. The standard entails that the statement of shareholders' equity only represents transactions with owners. Other transactions that were previously included in the statement of shareholders' equity are presented as other comprehensive income in the statement of comprehensive income. Comprehensive income for the period is to be presented as either a separate report immediately after the income statement or as an extension of the former income statement. Moberg Derma has chosen to present only one statement, the statement of comprehensive income. For Moberg Derma the revised IAS 1 has not entailed any significant changes and this year's comprehensive results are the same as net results for the year.

The application of these standards and interpretations has had no effect on the Group's financial performance or position. However, they did give rise to changes in the financial statements and additional disclosures in the notes.

Standards, amendments and interpretations that entered into force in 2009 and approved by the EU, but that are not relevant for the group include:

- IFRS 2, Share-bases Payment. Amendment pertaining to vesting conditions
- IFRS 7, Financial Instruments: Disclosures. Amendment.
- Revised IAS 23, Borrowing Costs
- IAS 27, Consolidated and Separate Financial Statements. Amendment pertaining to recognition of dividends received
- IAS 32, Financial Instruments: Classification and IAS 1, Presentation of Financial Statements. Amendment pertaining to classification as shareholders' equity/liabilities for cer tain puttable instruments.
- IFRIC 9, Reassessment of Embedded Derivatives and IAS 39, Financial instruments: Recognition and Measurement. Amendment.
- IFRIC 13, Customer Loyalty Programs
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation
- IFRIC 18, Transfers of Assets from Customers

A number of new or amended standards and interpretations of such standards come into effect on January 1, 2010 or later. None have been applied in advance by the group. These recommendations and interpretations are not deemed to have any significant effect on Moberg Derma's accounting practices.

FUNCTIONAL CURRENCY AND REPORTING CURRENCY

Moberg Derma's functional currency is the Swedish krona (SEK), which also is the reporting currency for the parent company and group. Consequently, the company's financial reports are presented in Swedish krona (SEK)

VALUATION BASIS

Moberg Derma uses historical costs for balance sheet items, unless otherwise stated.

BASIS OF CONSOLIDATION

All acquisitions of companies are reported in accordance with the purchase method. The method means that the acquisition of subsidiaries is considered a transaction through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities. From the date of acquisition the acquired company's income and expenses, identifiable assets and liabilities as well as any goodwill are included in the consolidated accounts.

REVENUE RECOGNITION

Three types of revenues are included in net sales: product sales, milestone payments and royalties. All revenues are reported at the fair value of the consideration received or that will be received, after deduction of discounts and recorded per invoice date occurring as follows: Product Sales are billed upon dispatch and reported in the income statement when significant risks and benefits associated with ownership of the goods have been transferred to the buyer. Milestone payments are recognized when all conditions of eligibility for the contract have been met. Royalties, based on sales revenue of the partner, are recognized when they are reported by the partner.

ASSETS

Assets are reported at cost less depreciation/amortization according to plan and potential impairment losses. 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 depreciation and amortization periods are applied to the different classes of assets:

Patents	10 years
Machines and equipment	5 years

Amortization of patents commences from the time of commercialization. Once commercialization has commenced, the patent is amortized in a straight-line basis over 10 years or on a straight-line basis over the expected useful life if it is less than 10 years.

RESEARCH AND DEVELOPMENT EXPENDITURES

Research costs are expensed as incurred.
Expenses related to internal development projects are capitalized as intangible assets to the extent that these expenses are anticipated to a high degree of certainty to generate future financial benefits. The acquisition value of such intangible assets is amortized over their estimated useful life. Other development costs are expensed as they arise. Moberg Derma's assessment is that the development projects under way do not yet meet all requirements for capitalization pursuant to IAS 38, which is why no development costs were reported as assets. Costs pertaining to acquired development projects are capitalized as intangible assets.

IMPAIRMENT

On each reporting date, the reported values of intangible and tangible non-current assets are tested to assess if there are indications of impairment. If such an indication exists, the asset's recoverable amount is calculated. The recoverable amount is calculated as the greater of the asset's fair value after deductions for selling expenses and the asset's value in use.

The value in use is calculated by estimating and discounting the future payments recieved and paid that the asset will give rise to. If the recoverable amount of an asset is lower than the reported amount, the asset is written down to the recoverable amount. This impairment loss is reported directly in the income statement.

RECEIVABLES

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

LEASING

Leasing in which a significant part of the risks and benefits of ownership are kept by the lessor qualifies as an operational lease. All lease agreements have been qualified as operational. The leasing fee for operational leases is expensed in a straight-line over the leasing period unless another systematic approach better reflects the user's financial utility over time.

FINANCIAL INSTRUMENTS

Financial instruments reported in the balance sheet include cash and bank balances, trade accounts payable, certain accrued costs

and liabilities to credit institutions. The company has no derivative instruments.

Trade accounts receivable
Trade accounts receivables are reported in the balance sheet when billed. Trade accounts receivable are reported at cost less potential provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not collect all the amounts that are due in accordance with the original conditions of the receivable.

Cash and cash equivalents
Cash and cash equivalents consist of bank balances.

Trade accounts payable
The anticipated duration of accounts payable is short, which is why the liability is carried at its nominal amount without discount as per the method for amortized cost.

Interest-bearing liabilities
All loans are initially reported at cost, corresponding to the actual value received. Subsequently, the loans are reported at amortized cost. Interest expenses are reported as a financial expense in the period in which they belong. Non-current liabilities have an anticipated duration of more than one year, while current liabilities have duration of less than one year.

LIABILITIES IN FOREIGN CURRENCIES

Transactions in foreign currencies are reported in accordance with IAS 21. The company has current liabilities in foreign currencies. Translation was conducted at the reporting date rate. The exchange rate differences are included in operating profit/loss.

PROVISIONS

Provisions are reported in the balance sheet when the company has an obligation (legal or informal) due to an occurred event and when it is likely that an outflow of resources associated with the economic benefits will be required to fulfil the obligation and the amount can be reliably calculated.

PENSIONS AND OTHER COMMITMENTS REGARDING BENEFITS AFTER CONCLUDED EMPLOYMENT

Moberg Derma's provides defined-contribution pension plans for all group employees. Defined-contribution plans and other short-term benefits for employees are reported as Personnel expenses during the period that the employee performed the service associated with the compensation. Prepaid fees are reported as an asset to the extent that cash repayment or a reduction of future payments may benefit Moberg Derma.

INCENTIVE PROGRAMS

Share-based incentive programs are reported in accordance with IFRS 2. Existing share-based incentive programs comprise the warrant program 2007:1 and the employee stock option programs 2008:1, 2008:2 and 2009:1.

According to IFRS 2 *Share-based Payments*, the cost of share-related transactions with employees is measured by reference to the fair value at the date on which they are allocated. The cost is recognized, together with a corresponding increase in equity, over the period in which the performance and service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognized at each reporting date until the vesting date reflects the extent to which the vesting period has expired and Moberg Derma's best estimate of the number of equity instruments that will ultimately vest.

For the warrant program 2007:1, the subscription price was set to the market price upon subscription, whereby warrants were subscribed that did not contain any employee benefit and the warrant program therefore entails no personnel expenses for the company.

Program 2008:1, 2008:2 and 2009:1 are considered equity-settled transactions under IFRS2, where the fair value of the options granted is recognized in the income statement as a personnel expense over the vesting period. The Black-Scholes model for option pricing was used for the valuation, establishing the fair value of the employee stock options. Vesting conditions are included in assumptions about the number of options that are expected to become exercisable. These estimates are revised regularly. Moberg Derma recognizes the impact of the revision of original estimate, if any, in the income statement, and a corresponding entry to equity over the remaining vesting period. The proceeds received from exercise of employee stock options, net of any directly attributable transaction costs, are credited to equity when options are exercised.

TRANSACTIONS WITH RELATED PARTIES

Moberg Derma reports compensation and benefits to senior executives in accordance with IAS 19 Employee benefits and IFRS Share-related benefits. Furthermore, other disclosures regarding related party circumstances are provided in accordance with IAS 24 Related Party Disclosures and the Annual Accounts Act, refer to Note 27.

TAX

Current tax and changes in deferred tax are reported as Moberg Derma's tax expense or tax income. Current tax is calculated on the taxable profit/loss for the period 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 reported and tax values of assets and liabilities.

At present, Moberg Derma has no tax expense due to losses. A deferred tax asset is reported to the extent that it is assessed as likely that the loss carry-forward will entail lower tax payments in the future.

SIGNIFICANT ESTIMATES AND JUDGEMENTS

Estimates and judgements are evaluated on a running basis, based on historical experience and other factors as well as expectations of future events that are considered reasonable based on current circumstances. Estimates and judgements are made of the future. The estimates applied for accounting purposes by definition will seldom correspond to the actual outcome. The estimates and judgements that entail significant risk of substantial adjustments in carried values in the next fiscal year are discussed below.

Impairment test of capitalization of internal development costs

Development costs are capitalized as intangible assets when projects are likely to succeed. Each research project is unique and must be judged individually on its own conditions. The earliest assessed timing for capitalization is after phase III studies have been conducted or equivalent final development steps for other types of products than pharmaceuticals. But even after the completion of such completion 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 would fail and that the costs offset could not be justified, but would have to be expensed directly. In turn, this would imply that previous and current year profits/losses would be misleading because of an excessively optimistic assessment of the likelihood of success. The Board is of the opinion that the ongoing development projects in the company today do not fulfil all criteria for capitalization.

Taxes

The Board of Directors is of the opinion that it is not likely that the deferred tax asset will be able to be used in the next few years, which is why it has not been reported. Current tax loss carry-forwards can be utilized for an unlimited period of time.

NOTE 2. SALES

Net sales in 2009 consisted of licensing revenues of SEK 1.6 million. All license income is related to the company's K101 product. Moberg Derma had no turnover in 2008. In 2009, the company had two customers, which accounted for 62% (customer based in Sweden) and 38% (customer based outside Sweden) of group sales respectively.

NOTE 3. SEGMENT INFORMATION

Moberg Derma's operations consist of developing and commercializing medical products. Operations are pursued in one business segment and in one geographical area, Sweden, which is why no separate segment information is reported.

NOTE 4. OTHER OPERATING INCOME

	2009	**2008**
Grants received	0	150 000
Other	179 529	0
	179 529	150 000

NOTE 5. EXPENSES BY TYPE OF COST

OPERATING EXPENSES

	Parent company		Group	
	2009	**2008**	**2009**	**2008**
Personnel expenses	13 314 909	10 638 923	13 314 909	10 638 923
Depreciation/amortization	132 259	82 183	132 259	82 183
External R&D costs	9 510 971	20 632 180	9 510 971	20 632 180
Other external expenses	3 156 162	5 487 132	3 156 162	5 497 982
Total	26 114 301	36 840 418	26 114 301	36 851 268

DEPRECIATION/AMORTIZATION BY FUNCTION

	2009	**2008**
R&D costs	78 111	34 168
Administrative expenses	54 147	48 015
	132 259	82 183

NOTE 6. LEASING

Moberg Derma has no financial leasing commitments. The company's operational leasing commitments are presented below. Leasing fees for operational leases are expensed in a straight-line over the leasing period. The total amount as of the balance sheet date of future minimum leasing fees pertaining to irrevocable operational leases is as follows:

OPERATIONAL LEASING

	Rental agreement, premises	**Machines and equipment**
Due for payment within one year	87 244	32 360
Due for payment between one and five years	0	43 147
Due for payment after five years	0	0
	87 244	75 507

During the year the costs for operational leasing amounted to:

OPERATIONAL LEASING EXPENSES

	2009	**2008**
Rent for premises	229 962	296 394
Rent, parking	4 800	19 200
Cleaning contract	33 583	32 937
Rent, machines	27 586	23 942
	295 931	372 473

NOTE 7. PERSONNEL

NUMBER OF EMPLOYEES

	Average number of employees			Number of employees at Dec. 31, 2009
	Women	Men	Total	Total
2009	5	5	10	10
2008	5	4	9	11

All personnel are employed in Sweden.

REPORT ON GENDER DISTRIBUTION WITHIN CORPORATE MANAGEMENT

	2009-12-31			2008-12-31		
	Women	Men	Total	Women	Men	Total
Board of Directors	0	5	5	2	5	7
Other Senior Executives	1	4	5	1	4	5

ABSENCE DUE TO ILLNESS

The average number of employees during the last two fiscal years is less than 10 people, which according to the Annual Accounts Act, Chapter 5, §18a means that absence due to illness is not to be reported.

TOTAL SALARIES, SOCIAL SECURITY EXPENSES AND PENSIONS

	2009	2008
Salaries and other benefits including pension expenses	9 108 587	7 070 683
Expenses for employee stock options[4]	861 085	754 883
Social security expenses	3 036 354	2 453 618
Training	42 642	65 484
Recruitment	42 600	136 123
Other expenses	223 641	158 132
Total	13 314 909	10 638 923
Of which pension expenses	1 048 304	817 525

[4] These expenses entail no payment and do not affect the company's cash flow.

Variable compensation in 2009 amounted to a total of SEK 944,960 for the entire workforce, corresponding to approximately 13% of the company's total payroll. All employees have a variable salary component, which is linked to the fulfilment of individual and company goals for the year.

BENEFITS FOR SENIOR EXECUTIVES

Board and committees

Remuneration is paid to the chairman of the Board and Board members in accordance with a resolution passed at the Annual General Meeting. Besides Board fees, a separate compensation of SEK 40,300 has been expensed for consultancy work carried out by Board members that extend beyond Board assignments. The company's founder Marie Moberg and Peter Wolpert received no Board fees in 2009.

CEO

In 2009, the company paid SEK 1,066,765 in basic salary to the CEO, Peter Wolpert as well SEK 337,809 in variable salary. The CEO's pension is a defined-contribution plan, whereby the company does not have any other pension obligations beyond that stated here. Annual premium payments of 25% of the basic salary are made.

Other senior executives

Remuneration to other senior executives comprises a basic salary, variable remuneration, other benefits and pensions. Other senior executives are the four people who comprise the management team together with the CEO. Besides the CEO, the management team consists of the following people:

- Director Pharmaceutical Development
- CFO
- Sales & Marketing Director
- Medical Director

The distribution between basic salary and variable remuneration is proportionate to the senior executive's responsibility and authority. In those cases that variable remuneration is applied, it is based in part on the company's results and in part on individual qualitative parameters. Pension premiums are payable at a maximum of 25% of basic salary. Pensionable income comprises only basic salary. Severance pay upon termination on the part of the company amounts to between three and six months of salary.

REMUNERATION AND OTHER BENEFITS DURING THE YEAR FOR SENIOR EXECUTIVES

	Basic salary Board fees	**Variable salary**	**Other benefits**	**Pension-expenses**	**Other compensation**	**Total**
Chairman of the Board, *Ingemar Aldén*	80 000	-	-	-	-	80 000
Board member, *Gustaf Lindewald*	36 000	-	-	-	40 300[5]	76 300
Board member, *Bertil Karlmark*	36 000	-	-	-	-	36 000
Board member, *Torbjörn Koivisto* (joined April 20, 2009)	30 000	-	-	-	-	30 000
Board member, *Marie Moberg* (left April 20, 2009)	189 651	-	-	4 050	-	193 701
Board member, *Birgit Stattin Norinder* (left June 15, 2009)	12 000	-	-	-	-	12 000
Board member, *Hans Svartholm* (left June 16, 2009)	18 000	-	-	-	-	18 000
CEO, *Peter Wolpert*	1 066 765	337 809	-	243 012	-	1 647 586
Other senior executives (4 people)	3 192 000	490 560	-	566 470	-	4 249 030
	4 660 416	828 369	0	813 532	40 300	6 342 617

[5] Consultancy fees have been paid to Gustaf Lindewald Konsult for work performed by Gustaf Lindewald.

Drafting and decision-making processes
The salary and terms of employment for the CEO are decided upon by the Board. The CEO drafts the salaries and terms of employment for other senior executives and decisions are made in consultation with the Chairman of the Board.

Incentive program
Moberg Derma has introduced share-based incentive program consisting of warrants and employee stock options which are intended to promote the company's long term interests by motivating and rewarding certain Board members, senior executives and other employees. All permanent employees at December 31, 2009 were either shareholders or included in the company's incentive program. The number of shares and options held by Board members, the CEO and other senior executives is provided in the information on Board members on page 21 and management on page 20. For further information on share-based compensation, refer to Note 18.

NOTE 8. INFORMATION ON REMUNERATION TO AUDITORS

Ernst & Young AB	**2009**	**2008**
Audit assignment	103 900	74 000
Other assignments	6 300	85 500
	110 200	159 500

The audit assignment refers to the audit of the Annual Report and accounting as well as the Board's and CEO's management, other work incumbent on the company's auditor and consultations or other assistance brought about by observations in such an audit or in the performance of other such work. Everything else falls under 'Other assignments'.

NOTE 9. DEPRECIATION OF TANGIBLE AND AMORTIZATION OF INTANGIBLE ASSETS

	2009	**2008**
Machinery and equipment	117 973	82 183
Intangible assets	14 286	0
	132 259	82 183

NOTE 10. TAXES

TAX REPORTED IN THE INCOME STATEMENT

	2009	2008
Current tax	0	0
Deferred tax	0	0
Current tax rate in Sweden	26,3%	28,0%

DIFFERENCE BETWEEN TAX REPORTED IN THE INCOME STATEMENT AND TAX BASED ON CURRENT TAX RATE

	Parent company		Group	
	2009	2008	2009	2008
Results before tax	-24 235 367	-35 332 257	-24 234 851	-35 340 874
Tax according to current tax rate	6 373 902	9 893 032	6 373 766	9 895 445
Non-taxable income	-36	-633	-36	-633
Non-deductible expenses	301 818	285 657	301 818	285 657
Other	-104 839	-223 232	-104 839	-223 232
Tax effects of unrecognized tax losses	6 570 845	9 954 824	6 570 709	9 957 237
Reported effective tax	0	0	0	0

DEFERRED TAX

	Parent company		Group	
	2009	2008	2009	2008
Opening loss carry-forward	-56 477 405	-22 960 350	-56 486 022	-22 960 350
Loss carry-forward for the year	-22 689 277	-33 517 055	-22 688 761	-33 525 672
Closing loss carry-forward	-79 166 682	-56 477 405	-79 174 783	-56 486 022

The Board is of the opinion that it is unlikely that losses will be able to be utilized over the next few years, which is why they have not been assigned any value. Current tax loss carry-forwards may be utilized for an unlimited period of time.

Temporary differences between book value and tax value amount to SEK 398,629 for 2009 (SEK 797,258 for 2008). The temporary difference does not give rise to a deferred tax asset in the balance sheet because, as per above, Moberg Derma does not capitalize the entire tax deficit.

NOTE 11. EARNINGS PER SHARE

Calculations have been made in accordance with IAS 33, Earnings per share. Basic earnings per share are calculated by earnings for the period divided by a weighted average number of shares outstanding during the year.

	2009	2008
Consolidated net loss	-24 234 851	-35 340 874
Weighted average number of basic shares	2 723 398	2 392 975
Dilution effect of the options program	-	-
Weighted average number of diluted shares	2 723 398	2 392 975
Basic earnings per share	-8,90	-14,77
Diluted earnings per share	-8,90	-14,77

Since the group reported negative results no dilution effect of the outstanding warrants occurred. This is because the dilution effect is only reported when a potential conversion to ordinary shares would mean that earnings per share will be lower. In total there are 196,422 stock options that may be converted to an equal number of shares, generating a dilution effect.

NOTE 12. PATENTS, LICENSES AND SIMILAR RIGHTS

	2009	2008
Opening accumulated acquisition cost	300 000	100 000
Acquisitions during the year	0	200 000
Closing accumulated cost	300 000	300 000
Opening amortization	0	0
Amortization for the year	-14 286	0
Closing amortization	-14 286	0
Reported value at end of the period	285 714	300 000

If the intellectual property rights acquired in 2006 generate income in excess of SEK 10,000,000, a supplemental purchase amount shall be paid to Mobederm AB, which in its role as a major shareholder constitutes a related party. The supplemental purchase amount is maximized to SEK 5,000,000.

Amortization of externally acquired patents will commence from the point in time that commercialization takes place. After commenced commercialization, the patents will be amortized in a straight-line over 10 years, or in a straight-line over their anticipated useful life if the anticipated useful life is less than 10 years.

NOTE 13. TANGIBLE ASSETS

	2009	2008
Opening acquisition value	587 166	342 513
Investments	23 080	244 653
Sales/disposals	0	0
Closing acquisition value	610 246	587 166
Opening depreciation	-109 496	-27 313
Depreciation for the year	-117 973	-82 183
Closing depreciation	-227 469	-109 496
Carrying amount at end of the period	382 777	477 670

NOTE 14. TRADE ACCOUNT RECEIVABLES

	2009	2008
Trade account receivables	369 083	0
of which past due	113 297	0

All past due trade accounts receivable were less than one month overdue from the balance sheet date. No provisions have been made for possible bad debt losses.

NOTE 15. OTHER RECEIVABLES

	2009	2008
Value added tax claim	432 176	794 192
Foreign value added tax claim	0	383 248
Tax claim	0	120 405
Other receivables	11 290	7 571
	443 466	1 305 416

NOTE 16. PREPAID EXPENSES

	2009	2008
Rent for premises	69 240	145 561
Other property expenses	6 472	14 946
Insurance	124 977	55 484
Pension expenses	111 228	82 828
Other prepaid expenses	425 153	0
	737 070	298 819

NOTE 17. CASH AND CASH EQUIVALENTS

Moberg Derma receives interest on cash and cash equivalents based on banks' daily investment rate. Cash and cash equivalents are as follows in the cash flow statement:

	Parent company		Group	
	2009	2008	2009	2008
Cash and bank balances	32 986 163	20 111 660	33 078 062	20 203 043
Reported value	32 986 163	20 111 660	33 078 062	20 203 043

NOTE 18. SHARE-RELATED REMUNERATION

WARRANTS

	Employees	Board members	Subsidiary	Total
Subscription deadline: Dec 31, 2010 Issue price: SEK 100.00	98 300	14 700	0	113 000
Subscription deadline: Dec 31, 2018 Issue price: SEK 0.10	0	0	61 573	61 573
Subscription deadline: Dec 31, 2019 Issue price: SEK 0.10	0	0	21 849	21 849
	98 300	14 700	83 422	196 422

EMPLOYEE STOCK OPTIONS

	2008:1	2008:2	2009:1
Start date	2008-06-30	2008-06-30	2009-04-20
End date	2018-12-31	2018-12-31	2019-12-31
Vesting date	Directly and 2009-12-31	2009-12-31	2010-12-31
Issue price, SEK	33,10	65,50	65,50
Number allocated	30 000	16 498	13 833
Number outstanding at the start of the period	30 000	16 498	0
Allocated during the period	0	0	13 833
Forfeited in earlier periods	0	0	0
Forfeited during period	0	2 666	0
Exercised during the period	0	0	0
Expired during the period	0	0	0
Number of outstanding options at the end of the period	30 000	13 832	13 833
Number of vested options at the end of the period	30 000	13 832	0

During the 2007 fiscal year the company's incentive program consisted of share-based warrants that were issued directly to employees, Board members and other people. During fiscal year 2008–2009, the incentive program was changed to allow the company to award employee stock options structured as call options on such warrants.

Warrants issued directly to employees and others carry no other expenses for Moberg Derma other than the indirect cost resulting from future dilution.

For employee stock options which entitle holders to acquire warrants that can automatically and simultaneously be used to subscribe for new shares, Moberg Derma must pay social security contributions on the difference between the share market value when the option is exercised and the exercise price paid by the employee. Expected social security expenses have been calculated and the provisions have been made in the accounts.

In total 113,000 warrants were issued directly to employees, Board members and others through the 2007 incentive program. The exercise price is SEK 100 per share and the last day to exercise these warrants is December 31, 2010. No change has occurred in 2009 in the number of outstanding warrants from this incentive program.

Overall, 83,422 warrants were issued to the subsidiary Moberg Derma AB Incentives. These options are intended to be transferred and used for subscription of new shares upon exercise of the same number of employee stock options and to cover any social security contributions that arise from the exercise of employee stock options.

At December 31, 2009, a total of 57,665 allocated employee stock options were outstanding (of which 43,832 vested), corresponding to the same number of potential shares (warrants), while 18,188 are reserved to cover future social security contributions for these employees stock options.

The decision to award stock options is made by the Board on an annual basis. If employment is terminated then non-vested stock options are forfeited. The fair value of options granted during the period was calculated using the Black-Scholes valuation model with SEK 19.89 per stock option in the 2009:1 program. Key model inputs were: market value per share of SEK 65.50, exercise price of SEK 65.50, volatility of 25%, expected term of about 6.1 years, employee turnover 0% and no dividend.

NOTE 19. INTEREST BEARING LIABILITIES

Moberg Derma's interest bearing liabilities consist of two conditional loans[6] from ALMI Företagspartner. One at SEK 200,000 for the company's product candidate K101 and one at SEK 412,500 for the development of a hand-disinfection product. The loans are reported at fair value. SEK 310,000 of the total loan amount is due for amortization within one year and is reported as a current liability, while SEK 302,500 is reported as a non-current liability. No part of the loan is due for payment later than five years from the balance sheet date. Variable interest applies, which at December 31, 2009 amounted to 9% and 8% respectively. No collateral is pledged for the loans.

NOTE 20. OTHER CURRENT LIABILITIES

	2009	2008
Current portion of conditional loan from ALMI	310 000	132 500
Personnel source tax	258 326	234 471
Adjustment of social security contributions	192 718	193 852
Provisions for social security contributions for the employee stock option program	467 698	220 787
Other current liabilities	106	0
	1 228 848	781 610

NOTE 21. ACCRUED EXPENSES

	2009	2008
Accrued R&D costs	518 996	2 683 250
Accrued personnel expenses	2 188 256	1 212 110
Accrued Board expenses	57 296	52 968
Audit	48 500	70 000
Other accrued expenses	69 643	312 998
	2 882 691	4 331 326

[6] Conditional loans are described in the Ordinance regarding government financing through regional development grants (SFS 1994:1100). If the project cannot be utilized commercially, ALMI may grant exemption from payment of the loan and interest.

ACCRUED PERSONNEL EXPENSES

	2009	2008
Of which accrued salaries	985 231	293 785
Of which accrued vacation pay liability	466 849	418 193
Of which accrued social security contributions	309 560	95 244
Of which accrued pension expenses	65 035	73 202
Of which other accrued personnel expenses	361 581	331 686
	2 188 256	1 212 110

NOTE 22. PLEDGED ASSETS AND CONTINGENT LIABILITIES

Moberg Derma has no contingent liabilities. Pledged assets consist of a rental agreement deposit of SEK 69,240.

NOTE 23.PARTICIPATIONS IN GROUP COMPANIES

OWNERSHIP STAKE IN SUBSIDIARY

	Corp. reg. no.	Registered	Ownership stake	Nom. value	Book value
Moberg Derma Incentives AB	556750-1589	Solna	1 000 000/100%	100 000	100 000

CHANGES IN BOOK VALUE, SHARES IN SUBSIDIARY

	2009	2008
Opening acquisition value	100 000	0
Acquisition	0	100 000
Closing accumulated acquisition value	100 000	100 000
Closing book value	100 000	100 000

NOTE 24. CASH FLOW IMPACT OF INVESTMENT IN SUBSIDIARY

	2009	2008
Acquisition of shares in subsidiary	0	100 000
Existing financial position in acquired company	0	100 000
Cash flow impact on group	0	0

NOTE 25. FINANCIAL RISKS AND FINANCE POLICY

Financial risk management

Financing and the management of financial risks is handled in the company under the guidance and supervision of the Board. The company applies a cautious investment policy. Through its business, Moberg Derma is exposed to various types of financial risks such as fluctuations in the company's earnings and cash flow caused by changes in exchange rates and interest rates as well as refinancing risk. At present, the company's policy is to not cover itself against financial risks pertaining to loans, transaction and translation exposures. This decision was made considering the company's current exposure level and the cost of the protection against potential risks.

Refinancing risk

Moberg Derma conducts development-intensive operations and makes investments that aim to generate revenues in the future. Cash and cash equivalents are thereby consumed. The company's operations are largely financed through shareholder contributions via new share issues.

Refinancing risk is the risk that Moberg Derma cannot manage its commitments and continue to further develop operations due to difficulties in finding financiers or creditors that are prepared to invest in the company, or the risk that existing loans are cancelled.

The group's liabilities consist of conditional loans. The group has no short-term loan financing in the form of overdraft facilities. Moberg Derma secures short-term access to funds by maintaining good access to liquidity in the form of cash and cash equivalents.

Overall, the Board is of the opinion that Moberg Derma's refinancing risk is low due to the group's limited overhead costs and the fact that Moberg Derma is currently entering commercial phase and is expected to generate revenues.

Interest risk and liquidity risk

Liquidity risk is defined as the risk that the company is not able to pay foreseen or unforeseen expenses. Excess liquidity is placed in bank accounts or in interest-based instruments with a low interest risk issued by established banks or credit institutions.

Outstanding interest-bearing liabilities are reported in Note 19. The company's financing costs may be affected by changes in the market interest rate, although this impact is very limited since the company's sources of financing primarily comprise of shareholders' equity.

Currency risk

Currency risk comprises the risk that exchange rate changes will have a negative effect on Moberg Derma's income statement, balance sheet and/or cash flow. Currency risks exist in the form of transaction and translation risks. The company currently has a relatively limited currency exposure since operations are conducted primarily in Sweden and the company's revenues in foreign currencies are limited.

Licensing agreements entered into with counterparties outside Sweden are mostly in currencies other than the Swedish krona. As revenues generated through such agreements grow, Moberg Derma's currency exposure will increase gradually. Earnings are also exposed to changes in exchange-rates when purchasing clinical studies, research services and clinical material. The majority of the company's procurement takes place in Swedish krona (SEK). Some consulting services are acquired in euro (EUR), British pounds (GBP) or US dollars (USD).

No currency hedging was performed in 2009 but management will assess the need of performing hedging on a regular basis as the group's operations develop. Operating expenses amounted to SEK 26.1 million for the fiscal year, of which approximately 14 % comprised expenses in foreign currencies. Net sales for

CURRENCY EXCHANGE EFFECT

Effect of the company's income and operating profit if the Swedish krona strengthens by 10 %

Currency	Revenues	Operating expenses	Operating profit/loss
Euro	-61 636	186 457	124 821
GBP	0	153 454	153 454
USD	0	15 883	15 883
Other	0	0	0
Total	-61 636	355 794	294 158

2009 comprised licensing revenues of SEK 1.6 million, of which around 38 % was made up of revenues in a foreign currency (EUR). Operating results were negatively affected during the fiscal year by a net loss of SEK 67,660 in exchange-rate changes. Future income and expenses will be affected by fluctuations in exchange rates.

Price decline risk
Price decline risk is the risk that the value of financial instruments fluctuates due to changes in market prices (other than that attributable to interest or currency risk). Moberg Derma has never had any investments in share-based instruments.

Counterparty risk
Counterparty risk is the risk that a party in a transaction with financial instruments cannot fulfil its commitments and thereby inflicts a loss on the other party. Moberg Derma is exposed to counterparty risk primarily in connection with licensing agreements and financial investments. The group always carries out an assessment of potential counterparties, before entering into licensing agreements. Moberg Derma limits its current financial-placement counterparty risk by placing excess liquidity with counterparties with very high credit ratings.

NOTE 26. EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred after the end of the period, beyond that reported in the Board of Directors' Report, refer to page 26.

NOTE 27. TRANSACTIONS WITH RELATED PARTIES

During the year, Moberg Derma carried out the following transactions with related parties pursuant to the definition in IAS 24 Related Party Disclosures:

As stated in Note 7 regarding remuneration to the Board and senior executives, Moberg Derma engaged the consultancy company, Gustaf Lindewald Konsult, which is related to Board member Gustaf Lindewald.

As stated in Note 12, an agreement has been in place since 2006 with Mobederm AB, related to Board member Marie Moberg (who left the Board on April 20, 2009), regarding acquired patent rights.

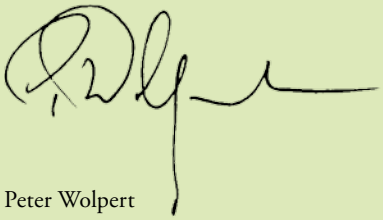
No other Board members or senior executives, or parties related to them, have or had any direct or indirect participation in any business transactions with Moberg Derma, which are or were unusual in nature or in their contractual terms, and which occurred during the current year. Nor did the group provide loans, pledge guarantees or enter into guarantee agreements with or on behalf of any of the Board members, senior executives or auditors in the company.

BOARD OF DIRECTORS' STATEMENT

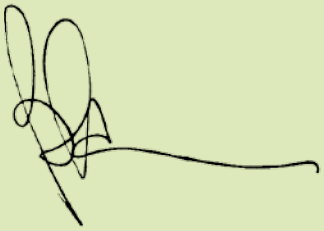
The Board of Directors' and the CEO assure that the Annual Report has been prepared in accordance with generally accepted accounting principles, that it provides a true and fair view of the Moberg Derma's position and performance and that the Board of Directors' Report provides a true and fair overview of the development of Moberg Derma's operations, position and performance as well as a description of significant risks and uncertainty factors faced by Moberg Derma.

Solna, 31 March, 2010

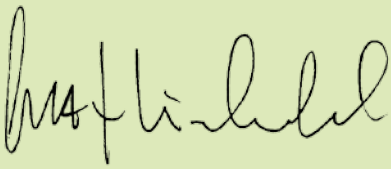
Ingemar Aldén
Chairman of the Board



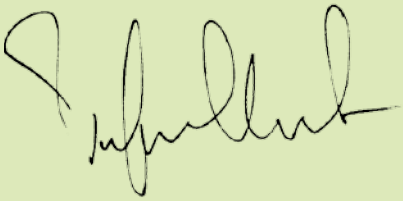
Peter Wolpert
CEO and Board member



Bertil Karlmark
Board member



Gustav Lindewald
Board member



Torbjörn Koivisto
Board member

Our audit report was issued on March 31, 2010
Ernst & Young AB

Magnus Fagerstedt,
Authorized public accountant

AUDITORS REPORT

TO THE ANNUAL MEETING OF THE SHAREHOLDERS OF MOBERG DERMA AB CORPORATE REGISTRATION NUMBER 556697-7426

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Moberg Derma AB for the year 2009. The annual and consolidated financial statements are included in the printed version of this document on pages 25–54. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with the international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the statement of financial position for the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, March 31, 2010
Ernst & Young AB

Magnus Fagerstedt
Authorized Public Accountant

HISTORY

1985–2001
Dr. Sven Moberg worked on developing and improving dermatologic compositions of common but troublesome skin diseases such as seborrheic eczema, nail fungus and atopic eczema. Dr. Moberg's work resulted in two patents and a portfolio of developed products and product candidates.

2006
Moberg Derma AB was founded at the Karolinska Institute with the objective of developing innovative medical products from proven compounds, based on Dr. Moberg's research.

2007
A clinical study was conducted on K301 for the treatment of seborrheic eczema (seborrheic dermatitis) of the scalp. 98 patients participated in a study, which showed that K301 was significantly better than a placebo at reducing redness and peeling after four weeks of treatment.

2008
A clinical study of K101 for the treatment of nail fungus (onykomykos) was implemented with positive results. This study was conducted at 36 clinics in Sweden and Poland. A total of 493 patients with nail fungus were treated for 6 months with K101 or a placebo.

A clinical study was conducted on K301 for the treatment of seborrheic eczema of the scalp. 201 patients were included in the study, which was completed with promising results.

Moberg Derma acquired all assets of Zelmic Technologies AB, comprising two pharmaceutical projects in the preclinical phase, patent and laboratory equipment.

2009
A licensing agreement was entered into for Nordic sales of the company's K101 nail treatment with a leading OTC marketing player and the company received its first product revenues.

A clinical study involving 30 patients showed that Kaprolac® Skin Repair & Hydration has a positive effect in the treatment of mild to moderate atopic eczema.

VINNOVA granted Moberg Derma SEK 4.2 million in research funding.

Registration applications were submitted for two of the company's medical device products. The company implemented a quality system in accordance with ISO 13485.

GLOSSARY

ACTINIC KERATOSIS
Sun damage that causes a thickening of the stratum corneum of the epidermis. This type of sun damage can turn into squamous cell carcinoma and should therefore be treated.

ANAL FISSURE
An anal fissure is a natural crack or tear in the skin of the anal canal.

ATOPIC ECZEMA
Chronic, itching inflammatory skin disease that is genetically determined.

BIOAVAILABILITY
A measure of how much of a given dose of a drug is absorbed into the body's blood circulation.

CLINICAL STUDY
An investigation of a pharmaceutical's effects on humans.

DERMATOLOGY
The science of the skin and its diseases.

ECZEMA
Eczema is a non-contagious skin disease caused by an inflammation of the epidermis. The term eczema is used for multiple skin rashes characterized by redness, swelling, itching, dryness and scaling.

IAS (IAS ACCOUNTING STANDARDS) AND IFRS (INTERNATIONAL FINANCIAL REPORTING STANDARDS)
New accounting regulations adopted by the European Union. The regulations shall facilitate the comparability of annual reports in Europe.

NAIL FUNGUS
A fungal infection of the nail that often leads to the nail plate thickening, splintering and loosening from the nail bed. Nail fungus is usually caused by dermatophytes.

NEW SHARE ISSUE
The issuance of new shares to raise capital.

ONYCHOMYCOSIS
See nail fungus.

PHOTODYNAMIC THERAPY
Treatment of superficial skin tumours in which a chemical reaction is activated by light energy to selectively destroy tissue. First, a photosensitizer is administered to tissue, followed by targeting the area to be treated with a light source which emits a wavelength that can be absorbed by the photosensitive substance.

SEBORRHEIC ECZEMA
Seborrheic eczema is a common, recurring inflammatory skin condition that causes flaky, white to yellowish scales to form on certain areas, such as the scalp. The yeast fungus Malassezia furfur is considered to be a contributing cause.

WARRANT
See option. Pertains to a future right to buy newly issued shares.

GRAPHIC DESIGN Dolhem Design AB

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