ANNUAL REPORT
2016
MOBERG PHARMA

A YEAR OF TRANSFORMATIVE ACQUISITIONS

CONTENTS

CREATING A FOOTPRINT IN UNDERSERVED NICHES

Moberg Pharma develops and markets consumer health care products under well-known and respected global brands in attractive niche categories, with a focus on topical products for skin related issues/diseases and pain. We create shareholder value through profitable growth of strategic brands, value adding acquisitions and commercialization of pipeline assets. Long-term, the Group targets an EBITDA margin of 25% with healthy growth.

STRONG BRAND PORTFOLIO

Our approach and commitment to commercial and innovation excellence has resulted in rapid growth over the years. We attribute our success to high performing cross functional teams that focus on consumer needs and apply creativity, an entrepreneurial spirit and capabilities throughout the value chain. We continuously seek out acquisition candidates that fit our strategy and can benefit from our marketing, innovation and execution ability.

HIGH POTENTIAL PIPELINE ASSETS

We have developed a clinical pipeline, the magnitude of which exceeds the sales of of our current portfolio. MOB-015 is our next-generation nail fungus treatment; and BUPI, our novel oral pain treatment, already has demonstrated superior pain management properties. Each of these drug candidates has the potential to become market leaders in their respective niches.

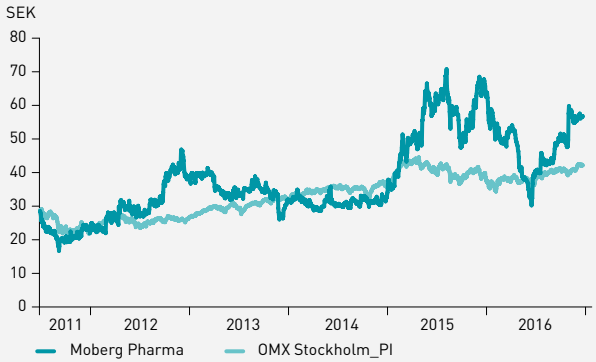
EFFECTIVE COMMERCIAL OPERATIONS

To optimize our sales potential, in the last five years we have established our own marketing & sales operation in the U.S. and developed a global distributor network that spans more than 40 countries around the world.

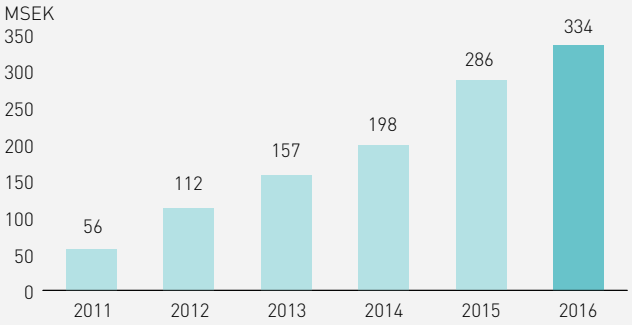
25%

LONG-TERM TARGET FOR EBITDA MARGIN

SHARE PRICE PERFORMANCE SINCE LISTING



SALES REVENUE, 2011–2016



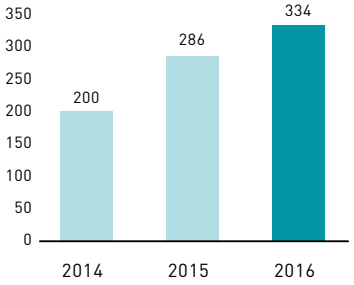
EXECUTING ON OUR STRATEGY

In 2016, our story evolved as we grew our flagship product, Kerasal Nail®, to an all-time-high market share in the U.S., broadened our Asian launch and entered the UK as our second direct-sales market. Our portfolio was expanded with strategic brands bringing significant profit contribution. We also received approval from the U.S. FDA and other health authorities for our Phase 3 program for MOB-015 and we reported excellent Phase 2 data for BUPI.

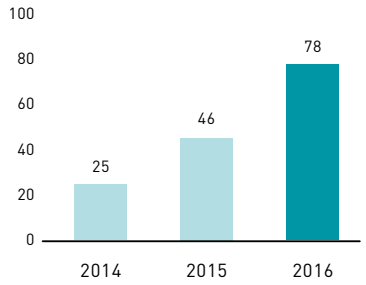
KEY FINANCIALS 2016[1]

- Revenues 334 MSEK +17% (286 MSEK)
- Gross margin 70% (75%)
- EBITDA 78 MSEK, 23% (47 MSEK, 16%)
- EBITDA - Commercial Operations 94 MSEK, 28% (68 MSEK, 24%)
- EBIT 62 MSEK (35 MSEK)
- Net Profit 33 MSEK (26 MSEK)

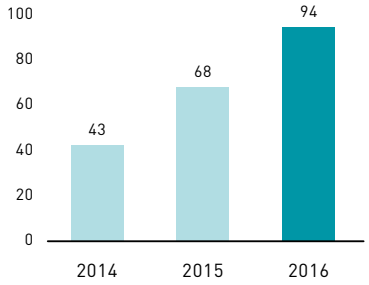
NET SALES, MSEK



EBITDA, MSEK[1]



EBITDA COMMERCIAL OPERATIONS, MSEK[1]



[1] Divestments in Q2 added a capital gain of 41,1 MSEK. For definitions of key ratios, see note 34.

SIGNIFICANT EVENTS IN 2016

COMMERCIAL OPERATIONS

- Growth of direct sales in the U.S.
- Successful re-launch of Kerasal Nail® in the U.S. - all time high market share
- Distributor sales, excluding divested brands, were up in volume but down in revenue due to volume discounts
- Continued expansion in Asia with a launch in Taiwan and a test launch initiated in Japan

PORTFOLIO – TRANSFORMATIVE ACQUISITIONS

- Acquisition of Dermoplast®, New Skin®, Fiber Choice® and PediaCare® (later divested) for 88 MUSD
- Divestment of non-core brands Jointflex®, Fergon®, Vanquish® and PediaCare® for 15 MUSD

PIPELINE – TWO ASSETS ENTERING PHASE 3

- Approvals from FDA and other health authorites and initiated Phase 3 enrolment for MOB- 015 in Europe and North America
- Patent approvals for MOB-015 in multiple territories and for BUPI in the EU
- Agreement with Cadila Pharmaceuticals for the Phase 3 development program and regional commercialization of BUPI
- Positive Phase 2 data for pain treatment BUPI

FINANCIAL

- Bond issues of in total 600 MSEK and equity issues of in total 159 MSEK to finance acquisitions

DEAR FELLOW SHAREHOLDERS

I'm pleased to see that we keep delivering on our long-term strategy, reaching an average growth of 24% over the past five years. In 2016 we strengthened our product portfolio through major acquisitions and increased market share in the U.S.; we advanced our pipeline assets to Phase 3 and drove growth in key markets. Our commercial niche strategy delivers a growing and profitable business and we aim to continue this path in 2017 and beyond.

EFFECTIVE COMMERCIAL OPERATIONS

Our growth in revenue for 2016 was driven primarily by acquired brands and Kerasal Nail® in the U.S. The positive consumer response to the re-launch of Kerasal Nail® in the spring resulted in a record 27% market share for the full year[2], an increase of 4 percentage points vs previous year, and contributed to overall sales growth in the U.S. We also continued our launch and growth in Asia, a region that represents a large long-term market opportunity. We do notice increasing pressure from our competitors in the OTC market for the treatment of nail fungus, but we meet these challenges in both the short and long term through focused branding, strengthened claims supported by clinical studies and, not least, a potentially superior product in the pipeline. Through recent acquisitions we have also substantially strengthened our total product portfolio.

A STRENGTHENED PORTFOLIO

In 2016, Moberg Pharma made transformative acquisitions totalling more than 800 MSEK (88 MUSD), including the liquid bandage New Skin and the pain relief spray Dermoplast®. Both brands are top ranked in the U.S. driving growth, improving profitability and enlarging our market footprint. We divested the non-core brands PediaCare®, Jointflex®, Fergon®, and Vanquish®, generating 15 MUSD in aggregate and allowing us to focus on our core strategic brands. We continue to explore in-licensing and acquisition opportunities that complement our existing product portfolio and create opportunities for accelerated growth.

PIPELINE ASSETS WITH POTENTIAL TO TAKE US TO THE NEXT LEVEL

Our innovation engine made significant progress in 2016. Personally, I believe MOB-015 may be the most valuable asset in the Group today. The expected benefits, in terms of superior cure rates and rapid visible improvement, represents a several hundred million dollar opportunity for Moberg Pharma. During 2016, we met important milestones and advanced our development program. Phase 3 applications for MOB-015 were approved in the U.S., Canada, Germany and Poland. Patient enrolment started in September and is now ongoing in more than 40 study sites in all

[2] U.S. MULO, last 52 weeks ending December 25 2016, SymphonyIRI

CEO Peter Wolpert

four countries. In total, the target is to enrol 750 – 800 patients. We also made important progress with multiple additional patent approvals during the year. The main patent for MOB-015 is now granted in all major territories worldwide.

We also progressed the clinical development of BUPI (bupivacaine lozenge) to treat pain due to oral mucositis in cancer patients. In the first quarter we reported positive Phase 2 data which demonstrated that BUPI reduced pain levels with more than 30% compared to standard pain treatment. This makes a great difference to patients and was also a key component in attracting one of the largest healthcare groups in India, Cadila Pharmaceuticals Ltd, as a partner. Cadila will invest in a Phase 3 trial and has received the commercial rights in India and most of Africa. Moberg Pharma will own the Phase 3 data for use in all other territories. The Phase 3 preparations are underway.

NON-DILUTIVE FINANCING

In 2016, Moberg Pharma secured bond financing at attractive terms and raised in total 600 MSEK in debt financing in addition to 159 MSEK in equity financing. This strategy enabled us to make transformative acquisitions which significantly increases our profitability at a limited dilution to shareholders. We continue to finance our Phase 3 development program through internally generated cash flows.

POISED FOR LONG-TERM SUCCESS

Emphasis in 2017 will be on the integration of our newly acquired brands, as well as the refining and execution of our brand strategies. We will also ramp-up efforts to establish relationships with potential partners regarding the commercialization of our progressing pipeline assets. Over time we will deleverage to enable future acquisitions, but as for 2017, we expect to reinvest our main surplus of operative cash flows in our MOB-015 Phase 3 development program.

With a profitable and growing business, a compelling clinical development pipeline that offers great potential at a relatively low risk, an acquisition strategy that has delivered multiple-accretive transactions since 2012 – all led by a team with a strong track record, Moberg Pharma is poised for an exciting year and long-term success.

Sincerely,

Peter Wolpert
CEO & Founder

17%

REVENUE GROWTH IN 2016;
REVENUE WAS 334 MSEK (286)

800 MSEK

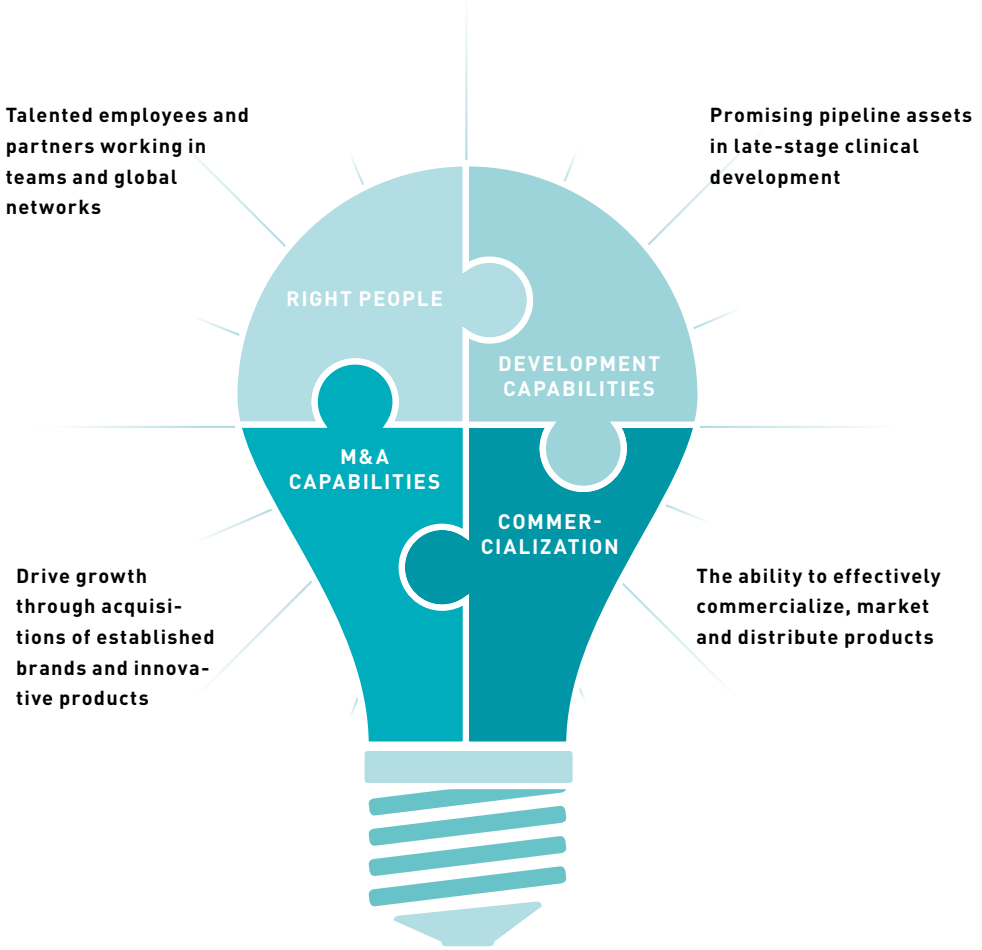
VALUE OF ACQUISITIONS
COMPLETED IN 2016

2

PIPELINE ASSETS
ENTERING PHASE 3

INNOVATION ENGINE

Moberg Pharma has an integrated view on marketing, development and M&A. We identify opportunities through in-depth understanding of consumer insights and market dynamics and drive external and internal opportunities to acquire, in-license and develop the components needed to get to a superior product profile. We are firm believers in the power of brands and the power of innovation. Having a team with the right people combining and commercializing brand and IP equity enables us to deliver outstanding results.



ATTRACTIVE PORTFOLIO OF INNOVATIONS

The product portfolio currently consists of six strong brands and we continuously explore in-licensing and acquisition opportunities that complement our existing offering and create opportunities for accelerated growth. Our strategy has delivered substantial value and five accretive acquisitions since 2012.

PROMISING PIPELINE ASSETS

Moberg Pharma has developed a pipeline with a potential magnitude greater than the sales of the current product portfolio, at lower risk compared to traditional drug development thanks to topical administration of proven compounds. Currently two pipeline assets are in Phase 3 with a combined peak sales potential estimated at 300 – 600 million dollars.

EFFECTIVE COMMERCIALIZATION

A holistic approach provides flexibility in the commercialization of projects: through direct sales, distributors or business partners - a combination of these channels. A careful analysis is conducted for each product to ensure rapid return on the Group´s investments, at acceptable risk exposure.

CREATING A WINNING TEAM

The ability to attract, motivate and retain the right people is fundamental for our growth strategy. Our integrated view on marketing, development and M&A makes each member of our team important for our success. We aspire to engage the best employees and partners globally within these areas of expertise. Moberg Pharma operates a lean organization that encourages innovation and execution and rewards individual, team and overall corporate performance. We look for experienced people with drive, commitment and integrity. We believe that a diverse workforce makes us a better Group able to think outside the box. In return, we offer a stimulating, supportive team-work environment and an entrepreneurial Group culture that emphasizes the importance of individual contribution. These concepts are also incorporated into our incentive compensation programs, which include near-term and long-term incentives for all employees.

SUSTAINABILITY AND ETHICAL OPERATIONS

We work with our partners and consultants to find the best solutions for developing, producing and distributing our products that make the smallest impact on the environment and adhere to the highest ethical standards. We adhere to the ISO 13485 international quality control standard, as well as international laws and regulations that govern our operations, including our clinical trials.

37

NUMBER OF EMPLOYEES AT YEAR END (33)

40

COUNTRIES, IN WHICH WE CURRENTLY WORK WITH PARTNERS TO COMMERCIALIZE OUR PRODUCTS

EFFECTIVE COMMERCIAL OPERATIONS

We increase the value of brands by delivering products with unique properties that solve patients´ problems. We demonstrate the benefits from our treatments through clinical trials. This enables us to establish strong brand reputation with patients, physicians and retailers. We are successfully building strong, well-known niche-brands; creating brand awareness and enabling line extensions. In 2016 we grew our flagship product, Kerasal Nail®, to an all-time-high market share in the U.S. and broadened our Asian launch.

SALES MODEL

Moberg Pharma has established its own marketing & sales operation in the U.S. and UK, and developed a global network of distributors that spans more than 40 countries around the world. We sell our OTC nail fungus products under the brand names Emtrix®, Kerasal Nail®, Nalox™/Naloc™ and Zanmira Nail®. Our three largest partners, Meda (Mylan), Menarini and Paladin (Endo) are all among the world's 50 largest pharmaceutical companies.

Percentages refer to share of Group total sales in the region, 2016

AMERICA

Direct sales through subsidiary Moberg Pharma North America; in Canada, our lead partner and distributor is Paladin Labs.

EUROPE

In Europe we have a distributor model with Meda (Mylan) as our lead partner, in combination with a direct sales strategy in the UK.

REST OF WORLD

In Asia-Pacific (APAC) and all regions categorized as "rest of world" we sell through distributors with Menarini serving as our lead partner in APAC.

NORTH AMERICA

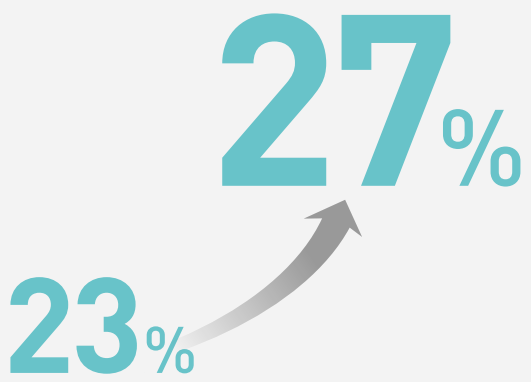
The Kerasal Nail® re-branding program in 2016 encompassed an in-depth research study, concept testing and subsequent design and production of new packaging; followed by the development of advertising campaigns, TV commercials and promotional materials. The re-launch was a success and Kerasal Nail® delivered record market share in the U.S., driving overall growth in the Group. During the year Moberg Pharma added significant scale to its U.S. business and further diversified its portfolio with the acquisitions of New Skin® and Dermoplast®. Both of these brands will be sold through our existing U.S. sales channels, primarily chain drugstores and mass retailers, which supports a smooth integration process and economies of scale. The integration of New Skin® has been completed and as for Dermoplast®, we expect to complete the integration in the first half of 2017.

EUROPE

Moberg Pharma works with distributors in most European markets. In 2016, our team launched Emtrix® in the UK, making it our second direct sales market after the U.S. The nail product has a top three position in most markets launched in the region, including the Nordics, France, the Netherlands and Austria.

ASIA-PACIFIC

Currently, Asia-Pacific (reported in rest of world) constitutes the majority of the Group´s sales to distributors. The OTC nail fungus markets in Asia-Pacific are in the early stages of their lifecycle. The region is highly dynamic and represents a significant long-term growth opportunity. A "glocal" strategy, accounting for the different market conditions within the region, is key for success. Emtrix® and Kerasal Nail® have reached market-leading positions in many of the markets launched in Asia-Pacific. In 2016, Emtrix®/ Kerasal Nail® was introduced in Taiwan and reached a market leading position during the year. A national launch has recently been initiated in Japan.



MARKET SHARE FOR KERASAL NAIL® IN THE U.S, DEVELOPMENT 2015 - 2016

BUILDING A STRONG BRAND PORTFOLIO

We attribute our success to high performing cross functional teams that focus on consumer needs and apply creativity, an entrepreneurial spirit and excellent capabilities throughout the value chain. We continuously seek out acquisition candidates that fit our strategy and can benefit from our strong marketing, innovation and execution ability.

A COMMERCIAL MIND-SET

We harvest a continuous stream of ideas for new products from our customers, partners and scientific advisors and then we do our homework – what is required of an ideal product, how competitive is the market niche, is there a willingness to pay, how high is the development risk and how quickly can we get to market? We can often develop new products with in-house expertise in drug delivery. In other cases, we license or acquire external technologies/projects that have already made progress towards a launch. We also actively seek products already marketed that can be revitalized or launched in additional markets.

STRENGTHENING OUR PORTFOLIO

With the acquisitions of New Skin® and Dermoplast® in 2016, we drive growth, improve profitability and increase the footprint of our strategic brands. New Skin® is the #1 OTC liquid bandage brand in the U.S. and Dermoplast® ranks #2 in retail market for pain relief sprays in the U.S. Dermoplast® also has substantial sales directly to hospitals.

We divested the non-core brands PediaCare®, Jointflex®, Fergon® and Vanquish®, allowing us to focus on our core strategic brands. We continue to explore in-licensing and acquisition opportunities that complement our existing product portfolio and create opportunities for accelerated growth.

"Combining brand equity and IP equity creates a strong portfolio"

"Every five seconds, a Moberg product is sold to a patient"

- 7 MILLION UNITS SOLD IN TOTAL 2016

OUR CURRENT BRAND PORTFOLIO

FIBER CHOICE®

Prebiotic fiber supplement

DOMEBORO®

Effective treatment for skin irritations and rashes

BALMEX®

Complete Protection to treat and prevent diaper rash

NEW SKIN®

Waterproof liquid bandage

DERMOPLAST®

Fast relief of pain and itch

KERASAL®, EMTRIX® AND ZANMIRA®

Clinically proven formulas providing a Visible Difference in Foot Care. Note that the trademark Naloc™/Nalox™ is owned by the Group´s partner

#1 KERASAL NAIL®
Ranks #1 in the U.S. OTC nail fungus market

#1 NEW SKIN®
Ranks #1 in the U.S. OTC liquid bandage market

#2 DERMOPLAST®
Ranks #2 in the retail market for pain releif sprays in the U.S

HIGH POTENTIAL PIPELINE ASSETS

Our innovation engine made significant progress in 2016. Phase 3 enrolment for MOB-015, our topical terbinafine to treat nail fungus, is progressing. Our goal is to deliver superior Phase 3 data in the second half of 2018. We also advanced the clinical development of BUPI where we signed a regional partner agreement with Cadila Pharmaceuticals Ltd, in line with our de-risked strategy for generating Phase 3 data with limited expenditure.

BUILDING ON OUR TOPICAL DRUG DELIVERY KNOW-HOW

Moberg Pharma has developed a pipeline with a sales potential magnitude greater than the sales of the current portfolio. Our approach has a lower inherent risk than traditional drug development of new substances. We work with proven substances and focus on projects that can reach the market in a relatively short time and at a limited cost and risk level.

MOB-015

MOB-015 is a next generation nail fungus (onychomycosis) treatment. It builds on the know-how and formulation of Kerasal Nail®, which brings rapid visible improvement to the appearance of fungal nails, and adds the antifungal power of terbinafine, the leading antifungal for oral treatment. Moberg Pharma´s patent protected technology deliveres terbinafine into and through the nail. Since the product is topically applied the risk for severe side effects associated with oral treatment is avoided.

Approximately 10% of the general population suffers from onychomycosis. The untapped potential is significant since the majority of patients today go untreated.

In the U.S., MOB-015 targets the highly attractive prescription market and has an estimated peak sales potential of 250-500 MUSD.

Patient enrolment to the Phase 3 trials for MOB-015 in North America and Europe was initiated in September of 2016.

BUPI

BUPI seeks to address the pain due to inflammation and ulceration of the mucous membranes lining the mouth (oral mucositis, or OM), as a complication of cancer treatment. Patients suffering from OM are less likely to comply with their cancer treatment, resulting in increased mortality and morbidity and contributing to rising healthcare costs.

BUPI meets a large, unmet medical need as OM affects 80 percent of patients with head and neck cancer receiving radiotherapy, almost all patients undergoing bone marrow transplantations, and a wide range of patients undergoing chemotherapy.

BUPI is a novel lozenge formulation of the well-known local anaesthetic, bupivacaine, which is currently available for other indications in an injectable form.

"Our goal for MOB-015 is to deliver superior Phase 3 data in H2 2018."

MOB-015	BUPI
ONYCHOMYCOSIS	**PAIN MANAGEMENT OF ORAL MUCOSITIS**
• Topical terbinafine • Target profile: Rapid visible improvement and superior cure rates	• Lozenge formulation of bupivacaine • Target profile: Better and longer pain relief than current standard of care
PEAK SALES POTENTIAL ESTIMATED TO 250-500 MUSD	**PEAK SALES POTENTIAL ESTIMATED TO 50-100 MUSD**
PHASE 3 INITIATED	**PHASE 3 PREPARATIONS UNDERWAY**
• Status: Phase 3 initiated Q316; Target to complete enrolment in H2 2017 • Primary endpoint: complete cure after 52 weeks	• Status: Phase 3 preparations underway • Goal: Submit Phase 3 application in mid 2017
PATENT TERM TO 2032	**PATENTS THROUGH 2031**
• Patents granted in major territories, including U.S., EU and Japan	• Patent granted through 2031 for EU • Patents pending in US and Canada
SUPERIOR PHASE 2 DATA IN SEVERELY AFFECTED NAILS	**PHASE 2 DATA DEMONSTRATED SUPERIOR PAIN RELIEF VS STANDARD OF CARE**
• 54% Mycological Cure at 60 weeks • 100% culture negative at 60 weeks • 1000x more terbinafine in nail vs. oral • 40x more terbinafine in nail bed vs. oral	• Primary endpoint: 31% less pain in BUPI group (Highest VAS score in mouth/pharynx, p=0,0032) • In mouth only: 50% less pain in BUPI group (p=0,0002)

"Each of MOB-015 and BUPI has the potential to become market leaders in their respective niches"

FINANCIAL INFORMATION

DIRECTORS' REPORT

The Board of Directors and Chief Executive Officer of Moberg Pharma AB (publ), Corp. Reg. No. 556697-7426, hereby present the Annual Report and the Consolidated Financial Statements for the fiscal year January 1, 2016 to December 31, 2016.

FINANCIAL OVERVIEW 2012–2016

FROM STATEMENT OF COMPREHENSIVE INCOME (TSEK)	**2016**	**2015**	**2014**	**2013**	**2012**
Net sales	334,304	285,566	200,180	157,389	112,469
Gross profit/loss	232,949	213,646	151,116	117,422	87,592
Operating profit/loss	62,172	35,184	17,227	-14,055	12,594
Profit/loss for the year	32,668	25,537	12,268	-11,358	35,813
Comprehensive income	*52,252*	*38,582*	*45,312*	*-12,083*	*32,984*
FROM STATEMENT OF FINANCIAL POSITION (TSEK)	**2016**	**2015**	**2014**	**2013**	**2012**
Non-current assets	1,011,303	278,341	242,275	212,390	179,507
Inventories	42,224	22,200	13,135	6,968	9,739
Current receivables	92,545	51,557	41,847	25,113	38,093
Cash and cash equivalents	86,104	45,356	62,463	27,138	53,423
Total assets	*1,232,176*	*397,454*	*359,720*	*271,609*	*280,762*
Equity	561,625	352,823	303,749	201,494	178,234
Non-current liabilities	596,011	0	3,333	18,527	42,270
Current liabilities	74,540	44,631	52,638	51,588	60,258
Total equity and liabilities	*1,232,176*	*397,454*	*359,720*	*271,609*	*280,762*
FROM CASH FLOW STATEMENT (TSEK)	**2016**	**2015**	**2014**	**2013**	**2012**
Cash flow from operating activities	-17,941	30,719	16,162	-3,150	9,476
Cash flow from investing activities	-680,656	-43,883	-24,497	-47,158	-97,696
Cash flow from financing activities	737,952	-4,211	42,604	24,049	67,590
Cash flow for the period	*39,355*	*-17,375*	*34,269*	*-26,259*	*-20,629*

KEY RATIOS	**2016**	**2015**	**2014**	**2013**	**2012**
Growth in net sales	17%	43%	27%	40%	101%
EBITDA (TSEK)	77,907	46,399	25,295	-7,950	13,307
EBITDA margin	23%	16%	13%	-5%	12%
EBITDA Commercial Operations (TSEK)	93,531	68,493	43,387	17,406	E/T
Net receivables (TSEK)	-502,936	42,023	45,797	-2,862	13,423
Debt/equity ratio	105%	1%	5%	15%	22%
Equity/assets ratio	46%	89%	84%	74%	63%
Return on equity	6%	7%	4%	-6%	20%
Research and development costs (TSEK)	-12,442	-23,255	-19,930	-29,039	-30,782
Personnel expenses (TSEK)	-50,799	-43,685	-38,551	-37,014	-27,952
Number of employees at end of period	37	33	29	29	29
Share data					
Earnings/loss per share before dilution (SEK)	2.27	1.80	0.96	-1.01	3.85
Earnings/loss per share after dilution (SEK)[3]	2.25	1.78	0.95	-1.01	3.68
Equity per share (SEK)	32.26	24.82	21.75	16.94	16.48
Dividend per share	–	–	–	–	–
Number of shares at the end of the period	17,411,842	14,217,522	13,962,537	11,893,572	10,812,572
Average number of shares before dilution	14,413,627	14,172,130	12,719,642	11,265,704	9,300,650
Average number of shares after dilution	14,503,738	14,386,605	12,859,499	11,735,821	9,742,044

[3] For the periods during which the Group reports a loss, no dilutive effect occurs. The reason for this is that a dilutive effect is recognized only when a potential conversion to ordinary shares would result in lower earnings per share.

For definitions of key ratios, see Note 34.

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

OPERATIONS

Moberg Pharma AB (publ) is a rapidly growing Swedish pharmaceutical Group that develops and markets consumer health care products products for relieving skin conditions and pain. The product portfolio comprises established global brands in attractive niche categories, focusing on topical therapy. In the long term, the Group is aiming for an EBITDA margin of 25 percent with healthy growth. This is achieved through profitable growth from strategic brands, value-adding acquisitions and commercialization of pipeline assets.

Moberg Pharma's consistent commitment to commercial and innovative excellence has resulted in rapid growth and profitability over the years. We attribute our success to a unique approach, great commitment, a high level of creativity and entrepreneurial spirit. The business is managed through high performing cross functional teams and excellent capabilities throughout the value chain. We continuously seek out potential acquisition or in-licensing candidates that fit our strategy, then successfully introduce and drive growth for our niche products. To optimize our sales potential, we have established our own marketing & sales operation in the U.S., developed a global distributor network that spans more than 40 countries around the world and recently started direct sales in the UK.

Our main commercial product is Kerasal Nail®/Nalox™, an OTC product with clinically proven efficacy for the treatment of nails affected by nail fungus. This product is sold under the names Nalox™/Naloc™, Emtrix®, Zanmira® and Kerasal Nail® (U.S.), and distributed via a direct sales organization in the U.S., and by ten partners with the agreed rights in over 60 markets including the major EU markets, Canada, China, Japan and Southeast Asia. Other products include Dermoplast® a pain relief spray, Domoboro®, a drug to alleviate pain or itching from cracked or damaged skin, NewSkin®, the leading brand for liquid dressings in the United States, Kerasal®, for treating dry feet and cracked heels, Domeboro®, a topical drug for treating itching and irritated skin, Balmex® for diaper rash, and the fiber supplement FiberChoice®.

We have developed a pipeline of drug candidates in a late clinical phase with a market potential that exceeds the value of our current portfolio. The products are based on proven substances, which reduces time to market, development costs and risk. MOB-015 is our next-generation nail fungus treatment targeting the highly attractive prescription market in the U.S. and some other countries, as well as the OTC market in many countries. Nail fungus (onychomycosis) is very common with a prevalence of ca 10% of the general population. There is a significant unmet need for improved topical therapy without the safety risks associated with oral treatment. BUPI seeks to address the pain due to inflammation and ulceration of the mucous membranes lining the mouth (oral mucositis, or OM), which is a severe complication of cancer treatment, affecting in total approximately 400,000 patients in the U.S., and may prevent some patients completing their cancer treatment or result in a need for costly hospitalization. Each of these drug candidates are in Phase 3 and have the potential to become market leaders in their respective niches.

GROUP INFORMATION

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

WORKFORCE

As of December 31, 2016, the Moberg Pharma Group had 37 employees, of whom 68% were women. 27 people were employed in the Parent Company, of whom 70% were women. Of all employees, 16% had doctorates, 59% had other academic qualifications and 24% had other qualifications.

The corresponding figures for 2015 were 33 employees in the Group, of whom 64% were women. 24 people were employed in the Parent Company, of whom 67% were women. Of all employees, 18% had doctorates, 64% had other academic qualifications and 18% had other qualifications. See Note 7 for more information on employees and personnel costs.

PROFIT/LOSS AND FINANCIAL POSITION

Sales

During 2016, net sales totaled SEK 334.3 million (285.6 million), up 17%. The majority, SEK 151.3 million (154.5), is derived from product sales of Nalox™/Kerasal Nail®. The product Balmex® was acquired on April 27, 2015 and Balmex® sales are included in the income statement from that date. The products New Skin®, PediaCare® and Fiber Choice® were acquired on July 7, 2016 and sales of these products are included in the income statement from that date. The product Dermoplast® was acquired on December 30, 2016 and therefore did not contribute to income for 2016. Product sales revenue for the products that were divested on April 1 (JointFlex®, Vanquish® and Fergon®) amounted to SEK 16.3 million (51.9), while product sales revenue for PediaCare® (acquired July 7, 2016 and divested December 19) totaled SEK 16.2 million (0), product sales revenue for New Skin® and Fiber Choice® (acquired July 7, 2016) totaled SEK 68.4 million (0), and revenue for other products totaled SEK 82.1 million (76.6).

Total revenue, adjusted for acquisitions and divestments during the year 2016, amounted to SEK 233.3 million (233.7). The corresponding adjusted revenue from direct sales increased by 4% (from SEK 166.7 million in 2015 to SEK 172.8 million in 2016), while adjusted revenue from product sales to distributors fell by 6% (from SEK 64.4 million in 2015 to SEK 60.6 million in 2016). No milestone payments were received during 2016 (SEK 2.6 million received in 2015). All brands that are included in adjusted direct sales reported growth during the year, apart from Kerasal® Ointment. The direct sales activities also benefited from the strengthening US dollar exchange rate in 2016, which rose by an average of 1.5% against the Swedish krona compared to 2015. The distributor sales increased in terms of volume, but revenue fell as a result of the introduction of volume discounts.

Sales amounted to SEK 19.4 million (32.2) in Europe, SEK 274.8 million (211.3) in America, and SEK 40.1 million (42.0) in the rest of the world. Adjusted for products acquired and/or divested

during 2016, sales in Europe amounted to SEK 19.4 million (31.7), a decrease of 39%, in America to SEK 180.4 million (171.4), an increase of 5%, and in the rest of the world to SEK 33.5 million (30.5), an increase of 10%.

Other operating income primarily comprised a capital gain of SEK 41.1 million resulting from the sale of the JointFlex®, Fergon® and Vanquish® brands, but also included exchange rate fluctuations on operating receivables and a research grant from Eurostars of SEK 2.1 million (0.8).

PROFIT/LOSS

Operating profit for 2016 was SEK 62.2 million (35.2). The cost of goods sold was SEK 101.4 million (71.9). Operating expenses, excluding the cost of goods sold, amounted to SEK 220.0 million (185.2).

The profit after net financial items amounted to SEK 46.5 million compared with SEK 34.6 million in 2015, with sales revenue increasing by 17% in 2016 and the cost of goods sold rising by 41%, while operating expenses in 2016 rose by 19% compared with 2015. The profit was strengthened by a capital gain in connection with the divestment of JointFlex®, Fergon®, and Vanquish®. The profit was also affected by higher sales (due to the acquisition of New Skin®, PediaCare®, and Fiber Choice®, though partly offset by the divestment of JointFlex®, Fergon®, and Vanquish®), lower gross margins due to a change in the product mix, and higher marketing expenses since a higher portion of the Group's revenue than in the past is now derived from its direct sales operations in the U.S.

Profit for the year after tax was SEK 32.7 million (25.5) and comprehensive income was SEK 52.3 million (38.6). The improvement in comprehensive income includes currency translation gains of SEK 19.6 million due to the stronger USD in December 2016 than at the end of 2015.

The EBITDA margin for 2016 amounted to 23% (16%). Excluding the capital gain in connection with the divestment in April, the EBITDA margin totaled 11%. Adjusted for R&D and business development costs for future products, the EBITDA margin for Commercial Operations were 28% (24%).

INVESTMENTS

Net investments in intangible assets during 2016 mainly consist of:

- the acquisition of New Skin®, Fiber Choice®, and PediaCare® in July for USD 40 million plus inventory value,
- the acquisition of Dermoplast® in December for USD 47.6 million plus inventory value,
- the sale of the brands JointFlex®, Fergon®, and Vanquish® in April (sold for a total of USD 10 million plus inventory value, and sales resulted in a capital gain of SEK 41.1 million), and
- the sale of PediaCare® in December (sold for a total of USD 5 million plus inventory value).

Other items include capitalized expenditure for research and development work of SEK 50.7 million (8.5) and computer systems of SEK 0.2 million (1.8). Phase 3 preparations for BUPI were initiated in Q1 2016, meaning that direct development expenditure for BUPI is capitalized. The Group already has two ongoing development projects, the next generation of Kerasal Nail®/Nalox™, and MOB-015, which are capitalized. All development work directly attributable to the next generation of Kerasal Nail®/Nalox™ was capitalized in both 2016 and 2015. Phase 3 preparations for MOB-015 were initiated in Q2 2015, meaning that direct development expenditure for MOB-015 is capitalized from this quarter. See Note 13 for further details of intangible assets.

In addition to capitalized R&D expenditure, Moberg Pharma also had R&D expenses of SEK 12.4 million (23.3) that were expensed directly in the statement of comprehensive income, of which SEK 6.1 million (16.0) was related to future products.

In 2016, the Group invested SEK 0.1 million in property, plant and equipment, compared with SEK 0.4 million the previous year.

LIABILITIES

Interest-bearing liabilities initially consisted of a bond loan of SEK 300 million which matures on January 29, 2021. In July 2016, the Group completed a tap issue of SEK 85 million (at a price of 100.50% of the nominal amount). In December, the Group completed a further tap issue of SEK 215 million (at a price of 102.75% of the nominal amount). At year-end, the total outstanding amount of the Group's bond loan was SEK 600 million, which equals the total framework amount of the bond loan.

The loan carries a variable interest rate of STIBOR 3M + 6%. The bond loan has no covenants in terms of operating activities except where the Group wishes to increase the loan within the framework amount. The bond loan is recognized less transaction costs allocated over the term of the loan, which explains the difference between SEK 600 million and the amount of SEK 589.0 million included in the statement of financial position.

The full terms and conditions of the bond loan are available on the Group's website www.moberg-pharma.se.

A loan to Swedbank was repaid in its entire amount of SEK 3.3 million during the first quarter of 2016. Repayments in 2015 totaled SEK 13.3 million.

Non-current non-interest-bearing liabilities consist of contingent considerations to Prestige in connection with the acquisition of New Skin®, Fiber Choice®, and PediaCare®. In total, contingent consideration of up to USD 2.5 million may be payable, for which the Group has made provisions for non-current liabilities of USD 2.25 million. The contingent considerations limit Moberg Pharma's risk exposure related to returns and certain expenses for Fiber Choice® and PediaCare®, as both brands show negative sales trends and are going through a rationalization of their ranges.

LIQUIDITY AND FINANCIAL POSITION

Moberg Pharma's strategy means that the Group will continue to invest significant resources in research and development and in business development. At present, these efforts are covered by available cash and cash equivalents and commercial revenue, and Moberg Pharma is in a good financial position. Moberg Pharma is in an expansion phase and conducts development-intense activities with investments aimed at generating future income. These activities consume cash and cash equivalents. The Group's operations are financed by revenues from product sales, shareholder contributions through new issues and the bond loan of SEK 600 million issued by the Group in 2016. Future investments are expected to be financed through income from cash flow from operating activities. Should the opportunity arise for faster growth, for example through acquisitions, Moberg Pharma may raise additional capital through issuing new shares or further loans.

The equity/assets ratio at year-end amounted to 46% (89%). Operating cash flow before changes in working capital amounted to SEK 26.5 million (47.3). Tied-up capital increased as a result of growth in direct sales operations following acquisitions in July and December, which generated higher marketing investments and inventories. This effect was offset partly by reductions in tied-up capital for products divested in April and December. Cash flow from operations amounted to SEK -17.9 million for 2016, compared with SEK 30.7 million in the preceding year. Cash flow from investing activities amounted to SEK -680.7 million (-43.9) and consists mainly of acquisitions and divestments of product rights; see the section "Investments" below.

Cash flow from financing activities amounted to SEK 738.0 million (-4.2) and consists of cash of SEK 587.6 million (SEK 293.4 million initially and tap issues of SEK 83.6 million in July and SEK 210.6 million in December) received from the bond loan, loan repayments of SEK 3.3 million, share issue proceeds of SEK 142.9 million after transaction costs, and a total of SEK 10.8 million received on the exercise of stock options in Moberg Pharma within the framework of the Group's share-based incentive schemes (SEK 1.5 million in July and SEK 9.3 million in December).

Cash and cash equivalents amounted to SEK 86.1 million at the end of the year compared with SEK 45.4 million at the end of 2015.

KEY EVENTS IN 2016

We set four goals for 2016: to carry out a major acquisition, to begin Phase 3 studies for MOB-015, to broaden our distribution, and to increase our market share for Kerasal Nail®. As we summarize our performance this year, we can confirm that we achieved all our objectives and more. We completed two exciting acquisitions which we expect to double our US franchise, we advanced our Phase 3 projects, we achieved a record high market share for Kerasal Nail®, and we entered into agreements on new distribution in the U.S. and several other markets. During the year, our sales increased by 17% and EBITDA by 68%.

Commercial operations – significant growth and increased market shares

Direct sales – Growth fueled by acquired brands and a new all-time high market share for Kerasal Nail®

The re-launch of Kerasal Nail® initiated in the spring was successful and resulted in a 27% market share for the full year of 2016, an increase from 23 % the previous year[4].

The integration of the brands acquired in July progressed according to plan and was finalized during Q4. In January 2017, we secured additional distribution for New Skin® Spray at Walmart as well as Walgreens. The product will be sold in 3,900 Walmart stores and in over 1,500 Walgreens stores. Opening orders are expected to ship in mid-March. Dermoplast®, which was acquired on December 30, is expected to become our second largest brand and will begin contributing to sales and profitability from January 1, 2017.

During 2016 we entered the UK as our second direct sales market with the launch of Emtrix®. Our stepwise launch is progressing according to plan. We expect short-term revenues and marketing investments in the UK to be limited.

Distributor sales increased in volume but not in value in 2016

In 2016, sales volumes increased driven by the launches in Asia-Pacific, however total distributor revenues declined somewhat due to volume discounts. The Asia-Pacific region represents a long-term growth opportunity and some of our markets have already performed very well. However, there are other markets that need more time and may require refined strategies. We continue to deepen the launch and lifecycle management strategy in these markets in close interaction with our partner Menarini APAC. During the year a successful launch was carried out in Taiwan as well as a test launch in Japan; both of which we expect to become key markets going forward.

Pipeline assets – two products in Phase 3 clinical development

MOB-015 – granting of patents in more countries and two Phase 3 studies underway in the U.S. and Europe

In July 2016, an IND application was submitted to the FDA for starting Phase 3 for MOB-015. Following approval, the Group began recruitment for the Phase 3 trial in September. The Group then received a "60-day letter" from the FDA, with recommendations regarding the study and the IND application in the U.S. Essentially, we have adhered to all the FDA's recommendations, including an increase in the number of patients for the Phase 3 study in North America. The plan is to include 750–800 patients for the Phase 3 program as a whole (in North America and Europe), and according to our revised timeline, we expect to complete patient recruitment before the end of 2017. The increase in the total number of patients, as well as a rigorous screening procedure, are important components to ensure quality and reduce the risk of the Phase 3 program. We estimate that the total costs will remain at the previous estimate of USD 20 million, as some other study costs have been lower than expected.

The Group also obtained approval of corresponding applications for Phase 3 studies from the authorities in Germany, Poland and Canada, which enabled the Group to start enrollment of patients during the fall. MOB-015 is to be evaluated in Phase 3 trials for 52 weeks in two randomized, controlled multi-center studies. The primary endpoint in both studies is the proportion of subjects who achieve complete cure of the designated big toe nail, defined as complete clinical cure and negative mycology (fungal culture and microscopy).

During the year, patents for MOB-015 were granted in additional markets and are expected to remain in force through 2032. The patent comprises new topical formulations of allylamines (including terbinafine), and treatment methods for onychomycosis (nail fungus) using the new formulations. Since February 2015, corresponding patents have been granted in the United States, Australia, Canada, EU, Japan, Mexico, Singapore, South Africa and Russia. Notification of future granting of patent has been issued in Israel. Active applications are underway in several other areas, including Brazil, China, Hong Kong, Indonesia, India and South Korea.

[4] U.S. MULO, last 52 weeks ending December 25 2016, SymphonyIRI

BUPI – Preparing Phase 3, European patent granted

In January 2016, the Group reported positive results from a phase 2 clinical trial of BUPI for pain relief for oral mucositis in patients with cancer in the head and neck area. The Board of Directors subsequently approved a risk-minimizing strategy for further development and commercialization. Preparations for Phase 3 are underway in collaboration with Moberg's partner Cadila Pharmaceuticals.

In October, the European Patent Office (EPO) issued Patent No. 2701681 for BUPI, an important milestone which also facilitates discussions with future commercialization partners. At the turn of the year, we requested advisory meetings (Scientific Advice meetings) with medical products agencies in Sweden and Germany. The new BUPI patent is expected to be valid through 2031 and it covers lozenges and other formulations containing a local anesthetic, including bupivacaine, for local administration in the mouth or throat. The patent also covers use of the product for oral mucositis in cancer patients. Patents applications are pending in the U.S. and Canada.

Acquisitions and divestments

Acquisitions

During the year, Moberg Pharma acquired the three over-the-counter brands New Skin®, Fiber Choice® and PediaCare®, followed by Dermoplast®, from America's Prestige Brands for a total of USD 87.6 million, which was financed via a directed new share issue of a total of SEK 148 million, a bond issue worth a total of SEK 600 million and existing cash and cash equivalents.

New Skin® is the leading over-the-counter liquid bandage brand in the U.S. while Dermoplast® is a topical spray for alleviating pain and irritation from skin injuries. Dermoplast® is expected to become the Group's second-largest brand and to have an immediate positive impact on earnings and cash flow per share, even after financing costs are taken into account. Both are primarily sold through Moberg's current sales channels in the U.S, in chain drugstores and mass retailers, which facilitates smooth integration, an improved position overall in US retail, and economies of scale in the existing sales infrastructure. Dermoplast® also gives Moberg access to direct sales to hospitals, adding an interesting channel for the Group to develop further. The hospital sales are primarily focused on women, for use on chapped skin and for vaginal injuries and surgery in connection with, or after, childbirth.

Divestments

Divestments worth a total of USD 15 million, plus inventory value of USD 1.0 million, were made during the year, releasing financial and personnel resources for the Group's core business. In March, Moberg Pharma sold the brands Jointflex®, Fergon® and Vanquish® to Strides Pharma Inc. for a total consideration of USD 10 million plus inventory value of USD 0.4 million. The divestment resulted in a capital gain of SEK 41.4 million. PediaCare® was sold in December to Strides Arcolab International Limited, UK for a total purchase price of USD 5 million plus inventory value of USD 0.6 million. The divestment gave rise to neither a capital gain nor a loss.

FINANCIAL EVENTS AND CORPORATE EVENTS

Bond loan issue on the Nordic bond market

In January 2016, Moberg Pharma announced that the Group had decided to issue a five-year unsecured bond loan (ISIN: SE0007953989) of SEK 300 million maturing on January 29, 2021. The bond loan carries a variable interest rate of STIBOR 3M + 6.00% and was listed on Nasdaq Stockholm in February 2016. In July, the Group completed a further tap issue of SEK 85 million (at a price of 100.50% of the nominal amount). In December, the Group completed a further tap issue of SEK 215 million (at a price of 102.75% of the nominal amount), supported by the dispensation obtained from the bond holders before the tap issue. A dispensation fee was paid at 0.5% of the outstanding nominal amount of the bonds before the tap issue. At year-end, the total outstanding amount of the Group's bond loan was SEK 600 million, which equals the total framework amount of the bond loan.

Private placements of in total SEK 159 million

In December 2016 the Board, supported by an authorization from Moberg Pharma's Annual General Meeting on May 18, 2016, decided to complete a placement of shares by means of a private cash placement of 2,843,504 shares at a subscription price of SEK 52 per share. The subscription price of the new share issue was determined by means of an accelerated book-building procedure led by Carnegie Investment Bank. The subscribers to the new share issue comprise a large number of Swedish and international institutional investors. The new issue, which was announced on December 6, 2016, injected approximately SEK 148 million into Moberg Pharma before issue costs. The subscription price of the new share issue of SEK 52 per share means a discount of around 8% based on Moberg Pharma's closing price on Nasdaq Stockholm on December 6, 2016, and the new share issue produces a dilutive effect of around 16.6%. The reason for the deviation from shareholders' preferential rights is that it was deemed possible for the Group to raise capital through the new share issue in conjunction with the acquisition of Dermoplast® on more favorable terms for the Group, in less time and at a lower cost than if the shares had been offered to existing shareholders through a preferential rights issue. In addition, proceeds from share-based incentive schemes amounted to SEK 11 million.

Higher number of shares

The number of shares and votes increased by 71,666 in June 2016 to 14,289,188. The change is due to the fact that warrants in Moberg Pharma were exercised within the framework of the Group's share-based incentive schemes. The number of shares and votes increased by 3,122,654 in December 2016 to 17,411,842. This was due partly to the private placement of a total of 2,843,504 shares announced by Moberg Pharma AB (publ) on December 7, 2016, and partly to 279,150 new shares from the exercise of warrants within the framework of the Group's share-based incentive schemes.

New Chairman of the Board

As Mats Pettersson, after six years as Chairman of the Board, chose not to seek re-election as Board Member and Chairman, the Annual General Meeting decided to appoint the Board Member Thomas Eklund as Chairman of the Board.

EVENTS AFTER THE YEAR-END

Expanded distribution for NewSkin® Spray

In January 2017, the Group announced that New Skin® Spray would be sold in 3,900 Walmart stores and in over 1,500 Walgreens stores. The first delivery of New Skin® Spray took place in mid-March 2017.

National launch in Japan

Following the successful test launch in 2016 conducted by Menarini´s local partner CMIC Group, in March 2017 CMIC Group initiated the national launch in Japan of Zanmira Nail® (local brand for Kerasal Nail®) with distribution in more than 8000 pharmacies.

INSURANCE

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

ENVIRONMENT AND LIABILITY

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

DISPUTES

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

WORK OF THE BOARD IN 2016

At the Annual General Meeting (AGM) in 2016, six Board Members were elected for the period until the next AGM. The Board of Director's expertise encompass the fields of drug development, medical research, marketing, financial and strategic issues. The Board held 22-minuted meetings during the year, of which ten were via conference calls and five were held by correspondence. Reports at the meetings were presented mainly by the CEO but also by other members of the management team.

The focus of the Board's work in 2016 was on strategic issues, particularly matters relating to acquisitions, product development, business development and capital procurement, as well as the further development of the Group'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 must submit to the Board, and authorized Group 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.

The Board has a remuneration committee which has prepared proposals on remuneration issues, and a finance committee which has prepared proposals on financing issues. Other than this, all issues have been addressed by the Board as a whole.

For detailed information about the Board of Directors, see page 70.

NOMINATION COMMITTEE

The nomination committee for the 2017 Annual General Meeting consists of four members: Thomas Eklund, Chairman of the Board, Gillis Cullin appointed by the Baltic Sea Foundation, Anders Rodebjer appointed by Wolco Invest, and Helen Fasth Gillstedt appointed by Handelsbanken Fonder. The nomination committee submits proposals for electing the Chairman of the Board and other Board members, as well as proposals concerning remuneration and fees for Board members. The nomination committee also submits proposals concerning the election and remuneration of Auditors. The nomination committee's proposals will be presented in the official notice convening the 2017 AGM.

CORPORATE GOVERNANCE

Moberg Pharma has applied the Swedish Corporate Governance Code since May 26, 2011, the date when Moberg Pharma's shares were listed on NASDAQ OMX Nordic Exchange Stockholm. See page 63 for the Corporate governance report.

INFORMATION DISCLOSURE

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

PROPOSAL TO THE 2017 AGM – BOARD'S PROPOSAL FOR RESOLUTION ON GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

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

In case of termination, the notice period is to be three months if this is on the initiative of the senior executive and between three and 12 months if the Group takes the initiative. No agreement on severence pay shall exist. Any share and share-price-related programs must be adopted by a Shareholders' Meeting. Allocation from such programs must comply with a resolution from a Shareholders' Meeting. With the exception of the employee stock options that have been allocated and vested, and what is provided for under employment contracts as referred to above, senior executives are not entitled to any post-employment/assignment benefits. The Board of Directors is to be entitled to disapply the aforementioned guidelines for remuneration of senior executives if there are special reasons for so doing.

OUTLOOK FOR 2017

Moberg Pharma aims to create value and generate a solid return to shareholders through profitable growth, with a long-term EBITDA margin of at least 25%. The Group's growth strategy includes organic sales growth, acquisitions/in-licensing of new products, and commercialization of development projects.

During 2017, focus will be placed on integrating acquired brands, advancing the Group's Phase 3 development programs and supporting the Group's distributors and retailers. To enable future growth, Moberg Pharma will utilize its operative cash surplus to invest mainly in the ongoing Phase 3 studies for MOB-015. The Group will also further refine the commercialization plans for its pipeline assets, including deepening relations with potential commercialization partners in multiple territories.

PARENT GROUP MOBERG PHARMA AB (PUBL)

Moberg Pharma AB (Publ), Corp. Reg. No. 556697-7426, is the Parent Group of the Group. Group operations are conducted primarily in the Parent Group (in addition to the sales organization in the US) and comprise research and development, sales and marketing, and administrative functions. Parent Group revenue in 2016 was SEK 103.3 million (106.5). Operating expenses, excluding the cost of goods sold, amounted to SEK 64.3 million (61.9), while profit after financial items was SEK 18.1 million (20.1). Cash and cash equivalents totaled SEK 72.4 million (21.5) at the end of the period.

PROPOSED DISTRIBUTION OF APPROPRIATED PROFIT (TSEK)

On January 1, 2016, a change was made to the Swedish Annual Accounts Act meaning that an amount corresponding to capitalized internally generated expenditure for development work for the year is reported in a restricted reserve within equity, "Reserve for development expenditure." Moberg Pharma recognized capitalized internally generated development expenditure of SEK 50.0 million in 2016 and is therefore recognizing restricted equity of SEK 50.0 million.

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

Share premium reserve	402,844
Profit carried forward	25,960
Profit/loss for the year	14,432
	443,236

The Board of Directors proposes that profit for the year be carried forward. Following appropriation, unrestricted equity amounts to:

Share premium reserve	402,844
Profit carried forward	40,392
	443,236

RISK FACTORS

Moberg Pharma's business is exposed to risks. Risks are understood by Moberg Pharma to mean events that could lead to business interruption, damage or loss with a substantial adverse impact on the prospect of achieving the Group's objectives. How risks are managed is of fundamental significance for Moberg Pharma's success. In order to manage risk in a well-balanced way, the risks must be identified and assessed. Moberg Pharma engages in risk management that entails evaluating risks in a systematic manner. Risk factors considered to be of particular importance to Moberg Pharma's future development are described below. The list does not purport to be exhaustive, and risks are not listed in any order of significance. There is no guarantee that Moberg Pharma can successfully address the following or other risks.

RISK MANAGEMENT AND CONTROL STRATEGIES

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

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

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

RISKS RELATED TO OPERATIONS				RISKS RELATED TO THE GROUP'S SHARES
Development of new products	**Marketing and sales**	**Organization**	**Financial risks**	
• Preclinical and clinical studies • Official decisions • Commercial potential of product candidates • Healthcare reforms	• Competition and pricing • Parallel imports • Proprietary sales • Cooperation partners • Disputes • Side-effects • Product liability • Patents and trademarks • Manufacturing • Inventories • Acquisitions • Economic trends	• Dependence on key individuals • Recruitment needs • Trade secrets and know-how • Security leaks • Incentive program	• Refinancing risk and future capital requirements • Currency risk • Interest rate risk and liquidity risk • Credit and counterparty risk • Tax • Loss carry-forwards • Non-sustainable sources of income • Goodwill and other intangible assets • Financial obligations	• Share performance and liquidity • Dividends • Shareholders with significant influence • Shareholders in other jurisdictions prevented from participating in any future preferential rights issues

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

DEVELOPMENT OF NEW PRODUCTS

Preclinical and clinical studies

Moberg Pharma engages in the development of new pharmaceuticals and other medical products. To obtain permits from authorities to commence sales, Moberg Pharma – or potential partners – must demonstrate the efficacy and safety of potential pharmaceuticals for each indication given. The scope of the preclinical and clinical studies needed varies depending on the product candidate's classification, indication, and previously published data, as well as the regulatory requirements that apply to the specific product candidate. However, there is a risk that ongoing or future clinical trials may not be able to demonstrate a sufficient degree of effectiveness and safety to obtain the necessary regulatory approvals, or that they may not lead to products that can be sold on the market.

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

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

The development of medicines and medical products is subject to uncertainty. Typically, a large number of product candidates are lost during preclinical and clinical development due to scientific feasibility, safety, efficacy, changes in medical standards or other factors. The risk of failure is greater for product candidates that are based on new technologies.

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

Official decisions

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

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

Moberg Pharma's commercialized medical devices have been approved by an independent regulatory body, allowing the products to be marketed on the relevant markets. However, there is a risk that national authorities may take a contrary view or act to stop the product being sold in their country, which could lead to delays or a withdrawal of or failure to grant market approval.

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

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

Commercial potential of product candidates

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

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

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

Healthcare reforms

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

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

MARKETING AND SALES

Competition and pricing

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

Parallel imports

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

Proprietary sales

The commercialization and marketing of Moberg Pharma's products in the US market is carried out by the Group's subsidiary Moberg Pharma North America. In 2016, Moberg Pharma also started its own sales in the UK, but not through a subsidiary. Moberg Pharma therefore sells its products directly to retailers. Reduced demand, increased competition, and a deterioration in the capacity of Moberg Pharma and its suppliers to supply or manufacture the product in the required quantities or to successfully market the product may adversely affect Moberg Pharma.

Should one of the Group's retailers decide to no longer offer any of Moberg Pharma's products, the Group is obligated to repurchase and destroy unsold products, a factor that – in addition to reduced sales and the fact that such a repurchase could potentially reach significant amounts – could have an adverse impact on Moberg Pharma.

Moberg Pharma maintains inventories for proprietary sales, which entails exposure to the risk of obsolescence (the risk of a need for impairment of the value of inventories in their entirety or in part), and increased tied-up capital due, for example, to changes in the contractual relationships with the Group's distributors and retailers or to new regulations. There is also a risk that the Group's products may cease to be offered in retailers' product ranges, particularly for the Group's more mature products and inventory products, which are sold in relatively low volumes.

Moberg Pharma produces and distributes marketing material. There is a risk that competitors or regulatory authorities may demand damages or amendments to such marketing material in the event that, for example, it is deemed to contravene applicable marketing legislation.

Partners and distributors

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

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

Disputes

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

Side-effects

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

Product liability and insurance

Moberg Pharma sells medical products and conducts clinical trials of medical products, which entails risks associated with product liability. Moberg Pharma has the insurance cover customary to the industry for its clinical trial activities and holds product liability insurance policies for products under development and in the market. The Group's current product liability insurance provides protection up to SEK 75 million per claim and a maximum of SEK 75 million annually and is valid worldwide. However, there is a risk that the insurance may not provide sufficient protection against claims for damages caused by the Group's products or product candidates. In the future, Moberg Pharma may also fail to obtain or maintain insurance cover on acceptable terms.

Moberg Pharma operates in the U.S., where lawsuits and judicial proceedings are much more common than in Europe, for example, and often involve significant amounts, which may result in considerable costs and affect the Group's profits and financial position. Consequently, it may be more difficult to obtain adequate insurance cover in the U.S., and there are also higher costs involved in obtaining such cover.

Patents and trademarks

In the type of operations conducted by Moberg Pharma there is always a risk that the Group's patents, trademarks or other intellectual property rights will not sufficiently protect the Group, that applications will not be granted or that the Group's rights cannot be asserted. Furthermore, patent or trademark infringement could occur, which could lead to costly disputes. For the losing party, a negative outcome to a dispute over intellectual property rights could result in the loss of protection, a ban on continuing to use the right concerned or an obligation to pay damages. Patent applications have been submitted for the Group's products under development, and have been granted in some but not all markets. There is a risk that the outstanding patent applications may not be granted. For the Group's current products in the market, future patent outcomes and the advent of duplicates in the market could have an adverse impact on the Group's sales.

Moberg Pharma's operations include the acquisition of new products and trademarks. There can be no guarantee that acquired trademarks will not be questioned by competing companies that appeal against Moberg Pharma's entitlement to these trademarks. Moberg Pharma is also exposed to the risk that the value of its trademarks could diminish due to unforeseen events.

Manufacturing

Because Moberg Pharma uses contract manufacturers for production, the Group is dependent on external deliveries meeting agreed requirements for example for quantity, quality and time of delivery. There is a risk that Moberg Pharma may be impacted by delayed or failed deliveries, which could impact sales.

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

Acquisitions

Moberg Pharma's operations include the acquisition of new products and trademarks. The Group evaluates ongoing opportunities for acquisitions as part of its daily operations. Making acquisitions entails risks. There is a risk that the Group may be unable to make the acquisition at attractive prices, or at all. In addition, there is a risk that acquired trademarks may be challenged by competing companies calling into question Moberg Pharma's right to those trademarks. Moberg Pharma is also exposed to the risk that the value of its trademarks could diminish due to unforeseen events.

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

Economic trends

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

ORGANIZATION

Key individuals

Moberg Pharma is dependent on the Group's senior executives and other key individuals, to be able to engage in high-quality marketing, business and product development, and related operations among other things. Should the Group lose one of its key employees, this could delay or cause interruptions to development programs, the licensing-out or commercialization of the Group's product candidates. Such delays or interruptions may adversely affect the Group's expansion and growth.

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

Recruitment requirement

Moberg Pharma is expecting to expand over the next few years. Although the Group made a number of recruitments in 2016, future expansion may create a need for recruitment within all areas of the Group. There is a risk that Moberg Pharma will not be able to recruit the number of new qualified employees that an expansion of operations requires.

Trade secrets and know-how

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

Security leaks

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

Incentive program

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

FINANCIAL RISKS

For information on financial risk factors, see Note 28.

RISKS RELATED TO THE Group'S SHARES

Share performance and liquidity

Investing in shares is by its very nature associated with the risk that the value of the investment can decline. There is no guarantee for how the Group's shares will perform. The price of the Moberg Pharma share has been volatile ever since the Group's share was listed on NASDAQ Nordic Exchange Stockholm and the share's liquidity has varied. It is impossible to anticipate the extent to which inves-

tor interest in Moberg Pharma will lead to active trading in the shares or how trading in the shares will develop in the future. If active and liquid trading does not develop or is not sustained, this could result in difficulties for shareholders in selling their shares without this having an adverse impact on the market price, or in selling the shares at all.

Dividend

To date, the Group has not paid a dividend. Since Moberg Pharma will find itself in an expansionary phase in the years immediately ahead, any capital surplus will be invested in the business. Due to this, the Board of Directors does not intend to propose a dividend for the current year or to commit itself to any fixed proportion for paying a dividend. Should Moberg Pharma's cash flow from operating activities subsequently exceed the Group's capital requirement, the Board intends to propose to the Shareholders' Meeting to resolve on payment of a dividend. However, no guarantees can be made either that future cash flow will exceed the Group's capital requirement or that the Shareholders' Meeting will resolve to pay future dividends. The terms of the Group's bond loans also contain certain restrictions on dividends.

Shareholders with significant influence

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

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

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

THE MOBERG PHARMA SHARE

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

NEW ISSUES DURING THE YEAR

The number of shares and votes increased by 71,666 in June 2016 to 14,289,188. The change is due to the fact that warrants in Moberg Pharma were exercised within the framework of the Group's share-based incentive schemes.

The number of shares and votes increased by 3,122,654 in December 2016 to 17,411,842. This was due partly to the private placement of a total of 2,843,504 shares announced by Moberg Pharma AB (publ) on December 7, 2016, and partly to 279,150 new shares from the exercise of warrants within the framework of the Group's share-based incentive schemes.

SHARE PERFORMANCE

The closing price on December 30, 2016 was SEK 57.0, yielding market capitalization for Moberg Pharma of MSEK 992.

Since introduction to the stock market on May 26, 2011, Moberg Pharma's share price has risen by 97%. During the same period, the Nasdaq Stockholm PI (general index) has risen by 47 percent. The highest and lowest share prices noted for the Moberg Pharma share during 2016 were SEK 65.50 and SEK 30.10, respectively.

During 2016, a total of 15.0 million Moberg Pharma shares (20.3) were traded, equivalent to a value of about SEK 721 million (1,097). The average daily trade was 59,097 shares (80,924). At year-end, the Group had a total of 4,358 (3,510) shareholders[5], with the 20 largest shareholders accounting for 56.7% (63.1%) of the shares in Moberg Pharma.

OWNERSHIP STRUCTURE

	No. of shareholders[5]	No. of shares	%
1–500	2,822	507,928	2.9%
501–1,000	666	580,641	3.3%
1,001–5,000	639	1,536,027	8.8%
5,001–10,000	114	895,334	5.1%
10,001–15,000	41	510,760	2.9%
15,001–20,000	19	359,146	2.1%
20,001–	84	13,022,006	74.8%
Total	**4,385**	**17,411,842**	**100%**

SHAREHOLDERS AT 12/30/2016

Shareholders	No. of shares	% of voting rights and capital
THE FOUNDATION FOR BALTIC AND EAST EUROPEAN STUDIES	2,208,771	12.7
FÖRSÄKRINGSAKTIEBOLAGET AVANZA PENSION	1,538,173	8.8
NORDNET PENSIONSFÖRSÄKRING AB	864,796	5.0
CUSTODY ACCOUNT FOR THE EXCLUSIVE	816,000	4.7
BANQUE CARNEGIE LUXEMBOURG S.A.	719,394	4.1
WOLCO INVEST AB[6]	600,000	3.5
SOCIETE GENERALE	532,540	3.1
GRANDEUR PEAK INTERNATIONAL	369,294	2.1
GRANDEUR PEAK GLOBAL, OPPORTUNITIES	284,857	1.6
MERRILL LYNCH PROF CLEAR CORP	269,446	1.6
STATE STREET BANK & TRUST COM., BOSTON	225,000	1.3
LUNDMARK, ANDERS	202,708	1.2
DANICA PENSION	178,898	1.0
SYNSKADADES STIFTELSE	172,201	1.0
ÖHMAN HJÄRT- LUNGFOND	165,000	1.0
NORTAL CAPITAL AB	150,000	0.9
ML, PIERCE, FENNER & SMITH INC	147,414	0.9
PERSSON, TOBIAS	146,121	0.8
CONSENSUS SMÅBOLAG	145,000	0.8
SVENSKA HANDELSBANKEN MARKETS	140,000	0.8
TOTAL, 20 LARGEST SHAREHOLDERS	**9,875,613**	**56.7**
Other shareholders	7,536,229	43.3
TOTAL	**17,411,842**	**100**

DISTRIBUTION OF OWNERSHIP

	No. of shares	Share capital, %	No. of shareholders[5]
Physical entities	4,860,270	27.90%	3,980
Legal entities	12,551,572	72.10%	405
TOTAL	**17,411,842**	**100%**	**4,385**
– of whom, residing in Sweden	12,272,864	70.50%	4,129

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

[6] Owned by the Group's CEO, Peter Wolpert

DIVIDENDS AND DISTRIBUTION POLICY

Moberg Pharma is in a phase of expansion. The Board is therefore of the opinion that the Group's earnings are best used to finance further development and expansion of the business. The Board does not intend to propose any dividend until such a time when it is warranted by Moberg Pharma's earnings, financial position and capital requirements. The terms of the Group's bond loans also contain certain restrictions on dividends.

ANALYSTS WHO MONITOR MOBERG PHARMA

Sten Gustafsson, ABG Sundal Collier	**Jerry Isaacson,** LifeSci Capital	**Klas Palin,** Redeye
Björn Rydell, Remium Nordic AB	**Peter Östling and Ulrik Trattner,** Pareto Securities	

BOND ANALYSTS WHO MONITOR MOBERG PHARMA

Ingvar Mattson, Swedbank	**Jacob Zachrison,** Carnegie

SHARE CAPITAL

Date[7]	Transaction	Change in number of shares	Changes in share capital	Number of shares	Total share capital, SEK	Quotient value, SEK	Subscription price, SEK	Invested capital
Jan 2006	Ready-made Group acquired	1,000,000	100,000.00	1,000,000	100,000.00	0.10	0.10	100,000
May 2006	Private placement	47,984	4,798.40	1,047,984	104,798.40	0.10	15.00	719,760
Dec 2006	Private placement	171,120	17,112.00	1,219,104	121,910.40	0.10	33.10[8]	5,334,072
Sept 2007	New share issue	613,866	61,386.60	1,832,970	183,297.00	0.10	45.12	27,697,634
Jan 2008	New share issue	305,457	30,545.70	2,138,427	213,842.70	0.10	65.50	20,007,434
Apr 2008	New share issue	305,457	30,545.70	2,443,884	244,388.40	0.10	65.50	20,007,434
Aug 2009	New share issue	458,492	45,849.20	2,902,376	290,237.60	0.10	65.50	30,031,226
Dec 2009	New share issue	144,723	14,472.30	3,047,099	304,709.90	0.10	65.50	9,479,357
June 2010[9]	New share issue	9,895	989.50	3,056,994	305,699.40	0.10	65.50	648,123
Nov 2010	Bonus issue	3,056,994	305,699.40	6,113,988	611,398.80	0.10	–	–
Mar 2011	New share issue	414,508	41,450.80	6,528,496	652,849.60	0.10	29.00	12,020,735
May 2011	New share issue	2,550,524	255,052.40	9,079,020	907,902.00	0.10	29.00	73,965,196
Oct 2012	Private placement	907,900	90,790.00	9,986,920	998,692.00	0.10	35.00	31,776,500
Nov 2012	Cash-in-kind issue	825,652	82,565.20	10,812,572	1,081,257.20	0.10	40.27	33,249,006[10]
July 2013	Private placement	1,081,000	108,100.00	11,893,572	1,189,357.20	0.10	33.54	36,256,740
June 2014	Private placement	2,068,965	206,896.50	13,962,537	1,396,253.70	0.10	29.00	59,999,985
July 2015	Warrants exercised	39,000	3,900.00	14,001,537	1,400,153.70	0.10	38.43	1,498,790
Dec 2015	Warrants exercised	215,985	21,598.50	14,217,522	1,421,752.20	0.10	36.10	7,797,467
June 2016	Warrants exercised	71,666	7,166.60	14,289,188	1,428,918.80	0.10	21.45	1,537,062
Dec 2016	Private placements	2,843,504	284,350.40	17,132,692	1,713,269.20	0.10	52.00	147,862,208
Dec 2016	Warrants exercised	279,150	27,915.00	17,411,842	1,741,184.20	0.10	33.50	9,351,328
		17,411,842	**1,741,184.20**					

[7] Refers to the date of registration with the Swedish Companies Registration Office
[8] Also includes a private placement of 10,000 B shares to Karolinska Institutet Holding at an issue price of SEK 0.10
[9] New share issue in order to attract specific expertise to the Group
[10] The value of the capital contributed in kind was USD 5 million plus 20% of the contingent purchase consideration (USD 1 million), i.e. a total of USD 6 million.

WARRANTS OUTSTANDING

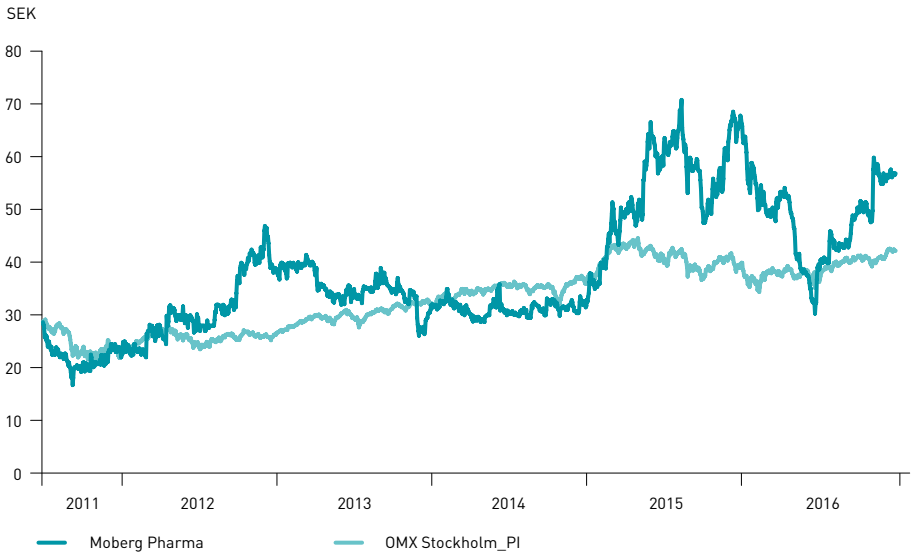
On May 18, 2016, the Annual General Meeting of Moberg Pharma AB decided to implement a directed issue of 428,000 warrants (equal to 428,000 shares) with the Group's wholly owned subsidiary Moberg Derma Incentives AB and to introduce the employee stock option scheme 2016:1. As part of the employee stock option scheme 2016:1, 428,000 stock options were allocated.

If all 851,960 of the warrants outstanding as of December 31, 2016 were exercised to subscribe to shares, the total number of shares would increase by 866,420, from 17,411,842 shares to 18,278,262.

Group costs for the employee stock option program (excluding estimated social security costs) for 2016 were SEK 1.7 million; costs for the previous year were SEK 1.6 million. For more information about the employee stock option program, see Notes 7 and 19.

SHARE PERFORMANCE

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



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(TSEK)	Note	Jan-Dec 2016	Jan-Dec 2015
Net sales	2	334,304	285,566
Cost of goods sold		-101,355	-71,920
Gross profit/loss		**232,949**	**213,646**
		70%	75%
Selling expenses		-170,833	-133,170
Business development and administrative expenses		-30,290	-25,642
Research and development costs		-12,442	-23,255
Other operating income	4	49,211	6,709
Other operating expenses		-6,423	-3,104
Operating profit/loss	5-9	**62,172**	**35,184**
Interest income and similar items	10	15,308	37
Interest expenses and similar items	10	-30,935	-654
Profit/loss before tax		**46,545**	**34,567**
Income taxes	11	-13,877	-9,030
Profit/loss for the year		**32,668**	**25,537**
Items that will be reclassified to the income statement			
Translation differences on foreign operations		19,584	13,045
Other comprehensive income		**19,584**	**13,045**
COMPREHENSIVE INCOME FOR THE YEAR		**52,252**	**38,582**
Profit/loss attributable to Parent Group shareholders		32,668	25,537
Profit/loss attributable to non-controlling interests		–	–
Comprehensive income/loss attributable to Parent Group shareholders		52,252	38,582
Total profit/loss attributable to non-controlling interests		–	–
Earnings/loss per share before dilution	12	**2.27**	**1.80**
Earnings/loss per share after dilution	12	**2.25**	**1.78**
Average number of shares before dilution		14,413,627	14,172,130
Average number of shares after dilution		14,503,738	14,386,605
Number of shares at year-end		17,411,842	14,217,522

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (TSEK)	Note	**12/31/2016**	**12/31/2015**
NON-CURRENT ASSETS			
Intangible non-current assets			
Capitalized expenditure for research and development work	13	61,742	11,736
Capitalized expenditure for computer systems	13	2,359	2,887
Goodwill	13	98,453	90,393
Product rights	13	830,963	149,327
Patents, licenses and similar rights	13	6,850	6,850
Total intangible non-current assets		*1,000,367*	*261,193*
Property, plant and equipment			
Machinery and equipment	*14*	*774*	*878*
Financial and other non-current assets			
Other non-current financial assets		1	1
Deferred tax asset	11	10,161	16,269
Total other non-current assets		*10,162*	*16,270*
Total non-current assets		**1,011,303**	**278,341**
CURRENT ASSETS			
Inventories	15	42,224	22,200
Current receivables			
Trade receivables	16	67,004	38,436
Other receivables	16	12,930	6,839
Prepaid expenses and accrued income	17	12,611	6,282
Total current receivables		*92,545*	*51,557*
Cash and cash equivalents	*18*	*86,104*	*45,356*
Total current assets		**220,873**	**119,113**
TOTAL ASSETS		**1,232,176**	**397,454**

EQUITY AND LIABILITIES (TSEK)	Note	**12/31/2016**	**12/31/2015**
EQUITY	19		
Equity attributable to Parent Group shareholders			
Share capital		1,741	1,422
Other capital contributions		524,003	367,772
Translation reserve		62,119	42,535
Accumulated deficit		-58,906	-84,442
Profit/loss for the year		32,668	25,536
Total equity		**561,625**	**352,823**
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities	20	589,040	-
Deferred tax liabilities	11, 20	6,971	-
Total non-current liabilities		*596,011*	*0*
Current liabilities			
Trade payables		16,026	15,180
Interest-bearing current liabilities	21	–	3,333
Other current liabilities	21	28,943	11,292
Accrued expenses and deferred income	22	29,571	14,826
Total current liabilities		*74,540*	*44,631*
Total liabilities		**670,551**	**44,631**
TOTAL EQUITY AND LIABILITIES		**1,232,176**	**397,454**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to Parent Group shareholders				
(TSEK)	Share capital	Other capital contributions	Translation reserve	Profit/loss carried forward including profit/loss for the year	Total equity
Opening equity, January 1, 2015	**1,396**	**357,305**	**29,490**	**-84,442**	**303,749**
Profit/loss for the period				25,536	25,536
Other comprehensive income – translation differences on translation of foreign operations			13,045		13,045
Total			**13,045**	**25,536**	**13,045**
New share issues	26	9,271			9,271
Transaction expenses, new share issues		-175			-175
Tax on transaction expenses, new share issues		39			39
Employee stock option schemes		1,333			1,333
Closing equity, December 31, 2015	**1,422**	**367,772**	**42,535**	**-58,906**	**352,823**
Opening equity, January 1, 2016	**1,422**	**367,772**	**42,535**	**-58,906**	**352,823**
Profit/loss for the period				32,668	32,668
Other comprehensive income – translation differences on translation of foreign operations			19,584		19,584
Total			**19,584**	**32,668**	**52,252**
New share issues	319	158,432			158,751
Transaction expenses, new share issues		-5,062			-5,062
Tax on transaction expenses, new share issues		1,114			1,114
Employee stock option schemes		1.747			1,747
Closing equity, December 31, 2016	**1,741**	**524,003**	**62,119**	**-26,238**	**561,625**

Additional information on the share and its performance is available on pages 29-31.

CONSOLIDATED STATEMENT OF CASH FLOWS

(TSEK)	Note	2016	2015
Operating activities			
Operating profit/loss before financial items		62,171	35,183
Financial items, received and paid		-8,319	-399
Taxes paid		-24	-18
Adjustments for items not affecting cash flow:			
Depreciation/amortization and other adjustments	9, 29	-29,073	11,216
Employee stock option costs		1,748	1,333
Cash flow before changes in working capital		26,503	47,315
Change in working capital			
Increase (-)/Decrease (+) in inventories		-20,025	-9,065
Increase (-)/Decrease (+) in operating receivables		-30,651	-8,124
Increase (+)/Decrease (-) in operating liabilities		6,232	593
Cash flow from operating activities		**-17,941**	**30,719**
Investing activities			
Net investments in intangible assets	13, 30	-680,401	-43,529
Net investments in equipment and tools	14	-255	-354
Cash flow from investing activities		**-680,656**	**-43,883**
Financing activities			
Borrowings (+)	20	600,000	-
Expenditure for loans raised	20	-18,742	-
Premiums received	20	6,338	-
Loan repayments (-)	20	-3,333	-13,333
Share issues		158,751	9,297
Share issue expenditure		-5,062	-175
Cash flow from financing activities		**737,952**	**-4,211**
CHANGE IN CASH AND CASH EQUIVALENTS		**39,355**	**-17,375**
Cash and cash equivalents on January 1		45,356	62,463
Exchange-rate difference in cash and cash equivalents		1,393	268
Cash and cash equivalents on December 31	18	86,104	45,356
Supplementary disclosures to cash flow statement			
Interest paid /received			
Interest received		15,308	79
Interest paid		-23,627	-478

PARENT GROUP INCOME STATEMENT

(TSEK)	Note	Jan–Dec 2016	Jan–Dec 2015
Net sales	2	103,348	106,510
Cost of goods sold		-23,223	-30,997
Gross profit/loss		**80,125**	**75,513**
Selling expenses		-21,540	-15,224
Business development and administrative expenses		-24,736	-21,188
Research and development costs		-11,718	-22,371
Other operating income	4	17,940	6,584
Other operating expenses		-6,299	-3,082
Operating profit/loss	5-9, 28	**33,772**	**20,232**
Interest income and similar items	10	15,308	533
Interest expenses and similar items	10	-30,935	-642
Profit/loss before tax		**18,145**	**20,123**
Tax on net profit for the year	11	-3,713	-5,137
PROFIT/LOSS		**14,432**	**14,986**

PARENT GROUP STATEMENT OF COMPREHENSIVE INCOME

(TSEK)	Jan–dec 2016	Jan–dec 2015
Profit/loss for the year	**14,432**	**14,986**
Other comprehensive income	-	-
COMPREHENSIVE INCOME FOR THE YEAR	**14,432**	**14,986**

PARENT GROUP BALANCE SHEET

ASSETS (TSEK)	Note	**12/31/2016**	**12/31/2015**
NON-CURRENT ASSETS			
Intangible non-current assets			
Capitalized expenditure for research and development work	13	61,742	11,736
Capitalized expenditure for computer systems	13	2,359	2,887
Product rights	13	771,761	61,678
Patents, licenses and similar rights	13	6,850	6,850
Total intangible non-current assets		*842,712*	*83,151*
Property, plant and equipment			
Machinery and equipment	14	452	574
Financial and other non-current assets			
Shares in Group companies	26	178,106	178,106
Other non-current financial assets		1	1
Deferred tax asset	11	10,161	12,761
Total other non-current assets		*188,268*	*190,868*
Total non-current assets		**1,031,432**	**274,593**
CURRENT ASSETS			
Inventories	15	*370*	*406*
Current receivables			
Trade receivables	16	8,335	9,656
Receivables from Group companies	16	25,699	35,264
Other receivables	16	2,226	6,163
Prepaid expenses and accrued income	17	2,562	4,197
Total current receivables		*38,822*	*55,280*
Cash and cash equivalents	18	*72,379*	*21,500*
Total current assets		**111,571**	**77,186**
TOTAL ASSETS		**1,143,003**	**351,779**

EQUITY AND LIABILITIES (TSEK)	Note	**12/31/2016**	**12/31/2015**
EQUITY	19		
Restricted equity			
Share capital		1,741	1,422
Reserve for development expenditure		50,006	-
Total restricted equity		*51,747*	*1,422*
Unrestricted equity			
Share premium reserve		402,844	246,613
Profit carried forward/accumulated deficit		25,960	60,979
Profit/loss for the year		14,432	14,986
Total unrestricted equity		*443,236*	*322,578*
Total equity		**494,983**	**324,000**
LIABILITIES			
Non-current liabilities			
Interest-bearing non-current liabilities	20	589,040	-
Total non-current liabilities		*589,040*	*0*
Current liabilities			
Trade payables		13,493	6,104
Interest-bearing current liabilities	21	-	3,333
Other current liabilities	21	28,871	11,279
Accrued expenses and deferred income	22	16,616	7,063
Total current liabilities		*58,980*	*27,779*
Total liabilities		**648,020**	**27,779**
TOTAL EQUITY AND LIABILITIES		**1,143,003**	**351,779**

CHANGES IN EQUITY FOR THE PARENT GROUP

	Restricted equity		Unrestricted equity		
(TSEK)	Share capital	Reserve for development expenditure	Share premium reserve	Other unrestricted equity	Total equity
Opening equity, January 1, 2015	**1,396**	**0**	**235,907**	**60,980**	**298,283**
Profit/loss for the period				14,986	14,986
Appropriation of profits according to resolution by the AGM				-	-
New share issues	26		9,271		9,297
Transaction expenses, new share issues			-175		-175
Tax effect on transaction expenses, new share issues			39		39
Employee stock option schemes			1,571		1,571
Closing equity, December 31, 2015	**1,422**	**0**	**246,612**	**75,966**	**324,000**
Opening equity, January 1, 2016	**1,422**	**0**	**246,612**	**75,966**	**324,000**
Profit/loss for the period				14,432	14,432
Reclassification to reserve for development expenditure		*50,006*		-50,006	0
Appropriation of profits according to resolution by the AGM				-	-
New share issues	319		158,432		158,751
Transaction expenses, new share issues			-5,062		-5,062
Tax effect on transaction expenses, new share issues			1,114		1,114
Employee stock option schemes			1,748		1,748
Closing equity, December 31, 2016	**1,741**	**50,006**	**402,844**	**40,392**	**494,983**

PARENT GROUP CASH FLOW STATEMENT

(TSEK)	Note	Jan–Dec 2016	Jan–Dec 2015
Operating activities			
Operating profit/loss before financial items		33,772	20,232
Financial items, received and paid		-8,319	-401
Taxes paid		0	0
Adjustments for items not affecting cash flow:			
Depreciation/amortization and other adjustments	9, 29	-3,450	3,594
Employee stock option costs		1,312	626
Cash flow before changes in working capital		23,315	24,051
Change in working capital			
Increase (-)/Decrease (+) in inventories		36	-251
Increase (-)/Decrease (+) in operating receivables		18,317	-9,859
Increase (+)/Decrease (-) in operating liabilities		11,677	-409
Cash flow from operating activities		**53,345**	**13,532**
Investing activities			
Net investments in intangible assets	13, 30	-740,303	-43,529
Net investments in equipment and tools	14	-115	-354
Cash flow from investing activities		**-740,418**	**-43,883**
Financing activities			
Borrowings (+)	20	600,000	-
Expenditure for loans raised	20	-18,742	-
Premiums received	20	6,338	-
Loan repayments (-)	20	-3,333	-13,333
Share issues		158,751	9,297
Share issue expenditure		-5,062	-175
Cash flow from financing activities		**737,952**	**-4,211**
CHANGE IN CASH AND CASH EQUIVALENTS		**50,879**	**-34,562**
Cash and cash equivalents on January 1		21,500	56,062
Cash and cash equivalents on December 31	18	72,379	21,500
Supplementary disclosures to cash flow statement			
Interest paid /received			
Interest received		15,308	18
Interest paid		-23,627	-419

NOTES

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

NOTE 1. ACCOUNTING POLICIES

Group information
The Annual Report for Moberg Pharma AB 2016 was approved for publication by decision of the Board on April 10, 2017. The Annual Report will be submitted to the Annual General Meeting (AGM) for adoption on May 16, 2017. Moberg Pharma AB, corporate registration number 556697-7426, is a limited liability Group registered in Bromma, Sweden. The Group's main business is described in the Directors' Report.

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

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

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

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

Standards, amendments and interpretations to be applied as of 2016
The Annual Report 2016 is the first time that the Group and the Parent Group have applied the amendments of standards and interpretations that are to be applied for fiscal years starting on January 1, 2016 or later. These amendments have had no material impact on the consolidated or Parent Group financial statements.

Standards, amendments and interpretations to be applied as of 2017 or thereafter and that have not yet been approved by the EU
A number of new or revised IFRSs have been published but have yet to take effect. None of these have been applied in advance by Moberg Pharma. The IFRSs that could impact the consolidated or Parent Group financial statements are presented below.

IFRS 9, Financial Instruments: Recognition and Measurement:
IFRS 9 Financial Instruments comes into force on January 1, 2018, when it will replace IAS 39 Financial Instruments: Accounting and Measurement. The new standard has been revised in various respects, in part concerning accounting and measurement of financial assets and in part concerning financial liabilities. The Group has begun its assessment of the effects of the new standard.

IFRS 15, Revenue from Contracts with Customers:
IFRS 15 replaces all previously published standards and interpretations relating to revenue with a new model for revenue recognition. The standard builds on the principle that revenue must be recognized when a promised good or service is transferred to the customer, i.e. when the customer takes control of it, which may happen over time or on a particular date. The revenue should consist of the amount that the Group expects to receive in exchange for the goods or services delivered. IFRS 15 takes effect from January 1, 2018. The Group and Parent Group intend to apply the standard from January 1, 2018. During the year, the Group began to assess the effects of the standard.

IFRS 16 Leases:
According to the new standard, the majority of leased assets are reported in the balance sheet and lessees must divide the costs of interest payments and the depreciation of the asset. The EU is expected to approve the standard during 2017. The Group has begun its assessment of the effects of the new standard.

Change in accounting policies for the Parent Group:
The Swedish Annual Accounts Act has been updated and, among other things, a sum equivalent to capitalized expenditure for the Group's own development work is to be transferred from unrestricted equity to a separate reserve for development expenditure; see the section on the Parent Group's accounting policies.

Translation of foreign currency
Functional currency and reporting value
Items included in the financial statements of the various Group companies are measured in the currency used in the economic environment in which the particular companies are active (functional currency). Moberg Pharma AB's functional currency is Swedish kronor (SEK), which also represents the reporting currency of the Parent Group and the Group. Consequently, the Group's financial reports are presented in Swedish kronor and rounded to the nearest thousand unless otherwise stated. Rounding to the nearest thousand may mean that certain amounts do not match when added up.

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

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

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

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

Intra-Group transactions and balance-sheet items, as well as unrealized gains on transactions between Group companies, are eliminated in their entirety.

Revenue
Two types of income are included in revenue: product sales and milestone payments. Revenue is recognized at the fair value of the consideration received or that will be received, after deduction of discounts, VAT and elimination of intra-Group transactions and recorded as follows:

- *Product sales* are invoiced upon delivery and recognized in the income statement when material risks and benefits associated with ownership of the goods have been transferred to the buyer.
- *Milestone payments* are recognized when all terms and conditions for entitlement to milestone payments in accordance with the agreement have been met.

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

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

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

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

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

Product rights	15 years–25 years
Patents	useful life of the patent
Capitalized expenditure for research and development work	anticipated useful life
Capitalized expenditure for computer systems	5 years
Machinery	7 years
Equipment	5 years
Computer equipment[11]	3 years

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

Research and development costs
Research costs are expensed as incurred.

Expenditure relating to internally generated development projects is capitalized as intangible assets in accordance with IAS 38 Intangible Assets insofar as this expenditure is expected to generate future economic benefits. The cost of such intangible assets is amortized over the asset's estimated useful life. Other development costs are expensed as incurred. Moberg Pharma's assessment of this policy for ongoing development projects is presented on page 43 (Significant estimates and assessments). Expenditure arising before the time when all capitalization criteria have been fulfilled will continue to be expensed. Direct expenses of completing the product, such as those for patents, registration applications and product testing, including employee benefits, are recognized in cost. Depreciation/amortization will be applied using the straight-line method to distribute development costs on the basis of estimated useful life.

The useful life is based on the service life of the underlying patent; depreciation/amortization is applied on a straight-line basis from the date of commercialization until the end of the patent, or on a straight-line basis across the anticipated useful life if this is less than the underlying patent term. Accordingly, the amortization period for capitalized development expenditure will exceed the five years that, according to the Annual Accounts Act, should normally be the amortization period in the Parent Group. The reason for the longer amortization period is that the next generation of Kerasal Nail®/Nalox™ is expected to generate revenue throughout the entire term of the patents. Expenditure relating to acquired development projects is capitalized as intangible assets.

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

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

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

[11] PCs are not recognized as assets but are instead recognized directly in the income statement

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

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

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

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

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

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

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

Provisions
Provisions are recognized in the balance sheet when the Group has a legal or informal obligation arising from previous events and it is more probable than not that an outflow of resources will be required to settle the obligation and the amount can be reliably calculated.

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

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

Employee stock option schemes
Share-based incentive schemes are recognized in accordance with IFRS 2. Existing share-based incentive schemes consist of Employee Stock Option Schemes 2010:1, 2010:2, 2012:2, 2013:1, 2014:1, 2015:1 and 2016:1.

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

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

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

Related-party transactions
Remuneration and benefits to senior executives are recognized in accordance with IAS 19 Employee Benefits and IFRS2 Share-based Payment. Other disclosures on related-party transactions are recognized in accordance with IAS 24 Related Party Disclosures and the Swedish Annual Accounts Act; see Note 32.

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

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

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

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

In connection with the acquisition of the U.S. operation in 2012, push down accounting was applied, which entails that surplus value is recognized in a legal entity. Fair-value adjustments totaling USD 17.87 million are deductible in connection with income taxation in the U.S., primarily through tax depreciation over a 15-year period following the acquisition. The remaining fair-value adjustments during the period 2017–2038 amount to approximately USD 13 million, which is deductible in connection with income taxation in the U.S. The temporary difference that arises over time results in a deferred tax liability in the Group.

The Parent Group, up to and including December 31, 2016, has not recognized any excess amortizations in connection with acquisitions of intangible assets. Acquired intangible assets in the Parent Group consist of patents of SEK 7.2 million (relating to BUPI, acquired in 2014) and acquired product rights of a total of SEK 782.1 million, of which SEK 16.9 million relates to Domoboro® (acquired in December 2013), SEK 33.3 million relates to Balmex® (acquired in April 2015), SEK 298.6 million relates to NewSkin® and Fiber Choice® (acquired in July 2016), and SEK 433.3 million relates to Dermoplast® (acquired in December 2016). Acquired patents have not been depreciated in the Parent Group[12]. Acquired product rights have been amortized over 25 years in the Parent Group. It will therefore be possible to recognize significant excess amortizations in the Parent Group in the future, according to Swedish Income Tax Act regulations.

Parent Group accounting policies

The Parent Group's accounting policies essentially comply with the accounting policies of the Group. For the Parent Group, an income statement and a statement of comprehensive income are presented, while for the Group, this is presented in a single report in the statement of comprehensive income. Furthermore, for the Parent Group, the terms balance sheet and cash flow statement are used for those statements that in the Group are called statement of financial position and statement of cash flows, respectively. The income statement and balance sheet for the Parent Group are drawn up according to the presentation stipulated in the Annual Accounts Act, while the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the Group are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows. The differences concerning the consolidated financial statements that are relevant to the Parent Group's income statements and balance sheets consist mostly of the recognition of equity and intangible assets. Starting from 2016, a special restricted reserve will be introduced within equity relating to the Group's own expenditure for development work. A sum equivalent to capitalized expenditure for the Group's own development work is to be transferred from unrestricted to restricted equity. The reserve for development expenditure will be released as amounts are amortized.

Shares in subsidiaries

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

Significant estimates and assessments

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

Impairment testing of goodwill and other intangible assets

The Group regularly tests goodwill and development projects in progress for impairment. Other intangible assets are tested for impairment when events or changes indicate that the carrying amount is not recoverable. In calculating value in use, future cash flows are discounted at an interest rate that takes into account the market's assessment of risk-free interest and risk (WACC). The Group bases these calculations on achieved earnings, forecasts and business plans. The estimations and assumptions made by management during impairment testing can have a major impact on consolidated profit for the year. Impairment losses, which are recognized if the estimated value in use is less than the carrying amount, are charged against profit. See also Note 13 for the material assumptions made. The possibility that goodwill will have to be impaired cannot be excluded, which would have a material impact on Moberg Pharma's financial position and earnings. As of December 31, 2016, the value of goodwill was SEK 98.5 million (90.4).

[12] Amortization of patents commences from the time of commercialization. Acquired patents refer to BUPI, which has not yet been commercialized

Product rights

The measurement of product rights depends on certain assumptions. These assumptions pertain to forecasts of future sales revenues, contribution to profit and the costs incurred by the particular product. Assumptions are also made concerning discount interest rates, product life and royalty rates. The maximum period of amortization for product rights applied by Moberg Pharma is 25 years. The possibility cannot be excluded that the carrying amount of product rights may have to be impaired, which would have a material impact on Moberg Pharma's financial position and earnings. As of December 31, 2016, the value of product rights was SEK 831.0 million (149.3).

Tax

Deferred tax assets pertaining to tax-deductible temporary differences and tax losses carried forward are recognized only insofar as it is considered likely that they will be utilized and will result in lower tax payments in the future. The deferred tax asset has been calculated on the basis of the assessment made by management and the Board of Directors concerning the future utilization, in the foreseeable future, of tax deficits accumulated in the Group. A changed assessment of how losses carried forward can be recovered through future taxable surpluses could impact recognized taxes on earnings and on items in the balance sheet in forthcoming periods. As of December 31, 2016, the value of deferred tax assets was SEK 10.2 million (16.3).

Internal development expenditure

Development costs are to be capitalized as intangible assets when it is probable that the project will succeed. Each development project is unique and must be assessed based on its particular merits. The earliest assessed timing for capitalization is during Phase 3 development or equivalent final development steps for types of products other than pharmaceuticals. But even after completion of such development steps, a number of uncertainty factors could remain so that the criteria for capitalization cannot be considered satisfied.

Given premature capitalization, there is a risk that a project will fail and that the costs offset will not be justified, but will have to be expensed directly. In turn, this would imply that previous and current year results would be misleading because of an excessively optimistic assessment of the likelihood of success.

The Board is of the opinion that three ongoing development projects, the next generation of Kerasal Nail®/Nalox™, MOB-015, and BUPI, fulfill all capitalization criteria as of December 31, 2016. This assessment is made according to the criteria defined in IFRS:

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

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

Moberg Pharma has the intention to complete the product candidates

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

Moberg Pharma has the ability to use or sell the products

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

The asset will generate significant future economic benefits

- Market research has shown significant potential for new products in the fields of nail fungus and oral mycosis.

Moberg Pharma has adequate technical, financial and other resources to complete the development and to use or sell the product candidates

• Moberg Pharma has secured the availability of all necessary resources

As of December 31, 2016, the value of capitalized expenditure for research and development was SEK 61.7 million (11.7).

NOTE 2. SALES

	Parent Group		Group	
Distribution of net sales	**2016**	**2015**	**2016**	**2015**
Sales of products	103,348	103,657	334,304	282,983
Milestone payments	-	2,853	-	2,583
	103,348	**106,510**	**334,304**	**285,566**

During 2016, the Group had one customer who accounted for SEK 69.3 million, 21% (SEK 62.4 million, 22%) of the Group's net revenue (customer headquartered in the U.S.), one customer who accounted for SEK 37.4 million, 11% (SEK 36.4 million, 13%) of the Group's net revenue (customer headquartered in the U.S.) and one customer who accounted for SEK 34.0 million, 10% (SEK 34.9 million, 12%) of the Group's net revenue (customer headquartered in Italy).

	Parent Group		Group	
Net revenue by geographical market	**2016**	**2015**	**2016**	**2015**
Europe	18,885	31,205	19,412	32,244
America	50,558	44,534	274,834	211,343
Rest of the world	33,905	30,771	40,058	41,979
	103,348	**106,510**	**334,304**	**285,566**

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

	Parent Group		Group	
Net sales by product category	**2016**	**2015**	**2016**	**2015**
Nalox™/Kerasal Nail®	103,348	93,982	151,289	157,093
Product acquisitions in 2016	-	-	68,411	-
Product divestments in 2016	-	4,447	16,322	51,901
PediaCare® (acquired and divested in 2016)	-	-	16,218	-
Other products	-	8,081	82,064	76,572
	103,348	**106,510**	**334,304**	**285,566**

The product Balmex® was acquired on April 27, 2015 and Balmex® sales are included in the income statement from that date. The products New Skin®, PediaCare® and Fiber Choice® were acquired on July 7, 2016 and sales of these products are included in the income statement from that date. The product Dermoplast® was acquired on December 30, 2016 and therefore did not contribute to income for 2016. The products JointFlex®, Vanquish®, and Fergon® were divested on April 1, 2016. The product PediaCare® was divested in December 2016.

NOTE 3. SEGMENT INFORMATION

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

NOTE 4. OTHER OPERATING INCOME

	Parent Group		Group	
	2016	**2015**	**2016**	**2015**
Research grants received	2,081	807	2,081	807
Exchange-rate gains	2,445	5,445	2,227	5,505
Capital gains from sales of non-current assets	13,291	-	44,780	-
Other	123	332	123	396
	17,940	**6,584**	**49,211**	**6,709**

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

NOTE 5. ANALYSIS OF EXPENSES BY NATURE

	Parent Group		Group	
Operating expenses	**2016**	**2015**	**2016**	**2015**
Cost of goods sold	23,223	30,997	101,355	71,920
Personnel costs	38,757	34,402	50,799	43,685
Depreciation/amortization	9,842	3,594	15,734	11,216
External R&D costs	7,903	6,653	8,434	7,537
External selling expenses	4,464	3,455	118,291	99,393
Distribution	-	-	12,151	8,255
Other expenses	3,327	13,761	14,579	15,085
	87,516	**92,862**	**321,343**	**257,091**

	Parent Group		Group	
Depreciation/amortization by function	**2016**	**2015**	**2016**	**2015**
Research and development costs	1,275	903	1,275	903
Selling expenses	8,366	2,506	14,214	10,084
Business development and administrative expenses	201	186	245	230
	9,842	**3,594**	**15,734**	**11,216**

Depreciation of selling expenses pertains mainly to acquired product rights.

NOTE 6. LEASING

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

	Parent Group		Group	
Operational leasing	**2016**	**2015**	**2016**	**2015**
Due for payment within one year	2,777	1,834	3,357	2,367
Due for payment between one year and five years.	4,648	255	7,141	2,473
Due for payment after more than five years.	-	-	674	1,223
	7,424	**2,088**	**11,172**	**6,063**

	Parent Group		Group	
Operational leasing costs during the year	**2016**	**2015**	**2016**	**2015**
Leasing of premises	2,559	2,555	3,245	3,086
Leasing of parking spaces	156	137	156	137
Cleaning contracts	127	102	127	102
Leasing of machinery	150	105	150	105
	2,993	**2,900**	**3,678**	**3,431**

NOTE 7. PERSONNEL

	2016				2015			
	Average number of employees			No. of employees on Dec 31	Average number of employees			No. of employees on Dec 31
No. of employees	**Women**	**Men**	**Total**	**Total**	**Women**	**Men**	**Total**	**Total**
Sweden	18	8	26	27	14	7	21	24
USA	5	4	8	10	5	4	9	9
Total	**22**	**12**	**34**	**37**	**19**	**11**	**30**	**33**

	2016		2015	
Reporting of gender distribution of members of Parent Group senior management	**Women**	**Men**	**Women**	**Men**
Board of Directors	1	5	1	6
Other senior executives	1	4	1	4

	2016		2015	
Reporting of gender distribution of members of Group senior management	**Women**	**Men**	**Women**	**Men**
Boards of Directors[13]	1	6	1	7
Other senior executives[14]	1	5	1	5

[13] Boards of Directors of the Group's operating companies

[14] Management teams of the Group's operating companies

	Parent Group		Group	
Total salaries, social security expenses and pensions	**2016**	**2015**	**2016**	**2015**
Salaries and other remuneration, including pension costs	29,061	22,699	39,724	31,666
Employee stock option costs	1,312	626	1,760	1,147
Social security expenses	6,875	9,928	6,875	9,928
Training	179	189	179	189
Recruitment	240	595	445	595
Other expenses	1,090	365	1,816	161
Total	**38,757**	**34,402**	**50,799**	**43,685**
Of which are pension expenses	4,119	3,048	4,119	3,048

In 2016, variable remuneration for all employees was SEK 5.1 million (3.5), of which the Parent Group accounted for SEK 3.2 million (2.4). Variable remuneration corresponded to approximately 8% of the Group's total personnel expenses. All permanent employees who have been employed for more than six months have the opportunity to receive a variable salary component, which is linked to the fulfillment of individual targets and Group goals for the year.

Senior executive benefits

Board and committees

The Chairman of the Board and other Board members receive director's fees as resolved by the Shareholders' Meeting.

President and CEO

For 2016, the Group paid the CEO Peter Wolpert SEK 2.1 million (2.0) in basic salary and SEK 0.8 million (0.6) in variable remuneration. Since the CEO has a defined contribution pension, the Group has no further pension obligations in addition to those stated here. Premium payments corresponded to 27% (27%) of basic salary for 2016. The notice period is six months if the CEO resigns on their own initiative and 12 months if the Group terminates the employment.

Other senior executives

The remuneration paid to other senior executives consists of basic salary, variable remuneration, other benefits and pension benefits. The term other senior executives in the Parent Group pertains to the four executives who, in addition to the CEO, comprise the executive management group. In addition to the CEO, the Executive Management Group consisted of the following individuals in 2016:

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

In addition to the executive management group above, the CFO of Moberg Pharma North America is included in the executive management group for the Group's operating companies and thus in the senior executives on the next page.

Remuneration of senior executives

At the AGM on May 18, 2016, the following guidelines were resolved for senior executives of Moberg Pharma: Moberg Pharma is to offer a market-aligned total remuneration package that facilitates the recruitment and retention of qualified senior executives. The remuneration paid to the Chief Executive Officer and other senior executives is to comprise basic salary, variable remuneration, other benefits and pension benefits. The total remuneration is to be based on the basic salary and is to be proportionate to the executive's responsibilities and authority. Variable remuneration is capped at 25–50% of each executive's basic annual salary. Variable remuneration is based on results achieved in relation to individually defined qualitative and quantitative targets, as well as the Group's result in relation to goals set by the Board of Directors. The pensionable salary comprises only the basic salary. To the extent that Board members perform work for the Group or any other Group Group, in addition to work on the Board of Directors, a market-aligned consultancy fee may be payable.

In case of termination, the notice period is to be three months if this is on the initiative of the senior executive and between three and 12 months if the Group takes the initiative. No agreement on severence pay shall exist. Any share and share-price-related programs must be adopted by a Shareholders' Meeting. Allocation from such programs must comply with a resolution from a Shareholders' Meeting. With the exception of the employee stock options that have been allocated and vested, and what is provided for under employment contracts as referred to above, senior executives are not entitled to any post-employment/assignment benefits.

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

Remuneration and other benefits during 2016 for senior executives in the Group

2016	Basic salary/ Directors' fees[15]	Variable remu-nera-tion[16]	Other benefits	Pen-sion expen-ses	Share-ba-sed remu-neration[17]	Other remu-nera-tion	Total
Chairman of the Board, Thomas Eklund	340	-	-	-	-	-	340
Board member, Wenche Rolfsen	230	-	-	-	-	-	230
Board member, Torbjörn Koivisto	170	-	-	-	-	-	170
Board member, Geert Cauwenbergh	170	-	-	-	-	-	170
Board member, Mattias Klintemar	170	-	-	-	-	-	170
Board member, Thomas Thomsen	170	-	-	-	-	-	170
CEO, Peter Wolpert	2,100	822	-	567	233	-	3,722
Other senior executives (5 pers.)	7,129	2,287	-	917	1,009	-	11,342
Total	**10,479**	**3,109**	**0**	**1,484**	**1,242**	**0**	**16,314**

[15] Board members Wenche Rolfsen, Thomas Thomsen, Mattias Klintemar, Thomas Eklund and Geert Cauwenbergh have invoiced their directors' fees plus social security contributions and VAT through companies. This procedure is cost neutral for Moberg Pharma.

[16] Variable remuneration pertains to the 2016 fiscal year, but will be paid in 2017.

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

2015	Basic salary/ Directors' fees[18]	Variable remu-nera-tion[19]	Other benefits	Pen-sion expen-ses	Share-ba-sed remu-neration[20]	Other remu-nera-tion	Total
Chairman of the Board, Mats Pettersson	300	-	-	-	-	-	300
Board member, Wenche Rolfsen	200	-	-	-	-	-	200
Board member, Torbjörn Koivisto	150	-	-	-	-	-	150
Board member, Geert Cauwenbergh	150	-	-	-	-	-	150
Board member, Thomas Eklund (elected in May 2015)	150	-	-	-	-	-	150
Board member, Mattias Klintemar (elected in April 2015)	150	-	-	-	-	-	150
Board member, Thomas Thomsen	150	-	-	-	-	-	150
CEO, Peter Wolpert	1,956	719	-	528	103	-	3,306
Other senior executives (5 pers.)	6,681	1,485	-	868	714	-	9,748
Total	**9,887**	**2,204**	**0**	**1,396**	**817**	**0**	**14,304**

[18] Board members Wenche Rolfsen, Thomas Thomsen, Mattias Klintemar, Thomas Eklund and Geert Cauwenbergh have invoiced their directors' fees plus social security contributions and VAT through companies. This procedure is cost neutral for Moberg Pharma.

[19] Variable remuneration pertains to the 2015 financial year, but will be paid in 2016.

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

Incentive program

Moberg Pharma has introduced a share-based incentive plan in the form of employee stock options intended to promote the Group's long-term interests by motivating and rewarding senior executives and other employees. All permanent employees who had been employed for at least 12 months on December 31, 2016 are now included in the Group's incentive plan. Information about the number of shares and options held by Board members, the CEO and other senior executives is disclosed under information about the Board of Directors on Page 70 and the executive management on page 69. For further information about share-based remuneration, please see Note 19.

NOTE 8. INFORMATION ON AUDITOR'S REMUNERATION

	Parent Group		Group	
Ernst & Young	**2016**	**2015**	**2016**	**2015**
Audit assignment	318	270	493	420
Auditing in addition to the assignment	126	125	126	125
Tax advice	-	-	-	-
Other services	192	136	192	136
	636	**531**	**811**	**681**

Audit assignments are defined as the examination of the annual report and accounting records and of the Board of Directors and CEO's administration of the Group, other tasks incumbent on the auditor, as well as advice and other assistance occasioned by observations made in the course of such examinations or the performance of such other tasks. Audit work in addition to the assignment comprises examinations of interim reports, prospectus, pro forma and issue-in-kind certificates and preparing other opinions in accordance with the Companies Act. Other services in 2016 primarily involved activities connected with acquisitions, transfer pricing and funding.

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

	Parent Group		Group	
	2016	**2015**	**2016**	**2015**
Equipment and inventory	238	250	417	444
Intangible assets	9,603	3,344	15,317	10,772
	9,841	**3,594**	**15,734**	**11,216**

NOTE 10. FINANCIAL ITEMS

	Parent Group		Group	
Interest income and similar items	**2016**	**2015**	**2016**	**2015**
Interest income	992	533	992	37
Exchange gains	14,316	-	14,316	-
	15,308	**533**	**15,308**	**37**

	Parent Group		Group	
Interest expenses and similar items	**2016**	**2015**	**2016**	**2015**
Interest expenses	19,794	443	19,794	455
Exchange losses	9,680	-	9,680	-
Costs for loans raised	1,461	199	1,461	199
	30,935	**642**	**30,935**	**654**

NOTE 11. TAXES

	Parent Group		Group	
Tax recognized in the income statement	**2016**	**2015**	**2016**	**2015**
Current tax	-	-	-34	-13
Deferred tax	-3,713	-5,137	-13,843	-9,016
	-3,713	**-5,137**	**-13,877**	**-9,030**
Applicable tax rate in Sweden	22.0%	22.0%	22.0%	22.0%

	Parent Group		Group	
Income taxes	**2016**	**2015**	**2016**	**2015**
Profit/loss before tax	18,145	20,123	46,545	34,567
Tax according to the applicable tax rate for the Parent Group	-3,992	-4,427	-10,240	-7,605
Effects of other tax rates for foreign subsidiaries	N/A	N/A	-3,913	-717
Non-taxable income	0	0	0	0
Non-deductible expenses	212	-710	209	-708
Other	67	-	67	-
Tax recognized	**-3,713**	**-5,137**	**-13,877**	**-9,030**

	Parent Group		Group	
Tax losses carried forward	**2016**	**2015**	**2016**	**2015**
Losses carried forward, January 1	-58,307	-81,176	-67,495	-88,077
Change in losses carried forward for the year	12,119	22,869	19,781	20,582
Losses carried forward, December 31	**-46,188**	**-58,307**	**-47,713**	**-67,495**

	Parent Group		Group	
Deferred tax assets/tax liabilities	**2016**	**2015**	**2016**	**2015**
Deferred tax assets on losses carried forward	10,161	12,761	11,735	21,681
Deferred tax assets – other temporary differences	-	-	1,616	1,077
Deferred tax liabilities	-	-	-10,161	-6,490
	10,161	**12,761**	**3,190**	**16,269**

	Parent Group		Group	
Deferred tax assets/tax liabilities, net	**2016**	**2015**	**2016**	**2015**
Deferred tax asset	10,161	12,761	10,161	16,269
Deferred tax liabilities	-	-	-6,971	-
	10,161	**12,761**	**3,190**	**16,269**

Deferred tax assets pertaining to tax-deductible temporary differences and tax losses carried forward are recognized only insofar as it is considered likely that they will be utilized and will result in lower tax payments in the future. Since the Board is of the opinion that the Group's development means that there are convincing reasons to believe that future taxable surpluses will be available against which unused tax losses can be offset, the losses have been assigned a value. Current tax loss carry forwards can be utilized for an unlimited time in Sweden and over a period of 20 years in the U.S.

Deferred tax asset – other temporary differences under Group refers partly to provisions for doubtful trade receivables and partly to provisions for UNICAP, variable salaries and inventory obsolescence.

In connection with the acquisition of the U.S. operation in 2012, push down accounting was applied, which entails that surplus value is recognized in a legal entity. Fair-value adjustments totaling USD 17.87 million are deductible in connection with income taxation in the U.S., primarily through tax depreciation over a 15-year period following the acquisition; remaining fair-value adjustments over the period 2017–2038 amount to approx. USD 13 million, which is deductible in connection with income taxation in the U.S. The temporary difference that arises over time results in a deferred tax liability in the Group.

The Parent Group, up to and including December 31, 2016, has not recognized any excess amortizations in connection with acquisitions of intangible assets. Acquired intangible assets in the Parent Group consist of patents worth SEK 7.2 million (refers to BUPI, acquired in 2014) and acquired product rights of a total of SEK 782.1 million, of which:

- SEK 16.9 million refer to Domoboro® (acquisition from December 2013),
- SEK 33.3 million refer to Balmex® (acquisition from April 2015),
- SEK 298.6 million refer to NewSkin® and Fiber Choice (acquisitions from July 2016), and
- SEK 433.3 million refer to Dermoplast® (acquisition from December 2016),

Acquired patents have not been amortized in the Parent Group[21]. Acquired product rights have been amortized over 25 years in the Parent Group. It will therefore be possible to recognize significant excess amortizations in the Parent Group in the future, according to Swedish Income Tax Act regulations.

NOTE 12. EARNINGS PER SHARE

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

Earnings per share	2016	2015
Consolidated net profit/loss	32,668	25,537
Weighted average number of shares before dilution	14,413,627	14,172,130
Dilution effect of employee stock option schemes	90,112	214,476
Weighted average number of shares after dilution	14,503,738	14,386,605
Earnings/loss per share before dilution	2.27	1.80
Earnings/loss per share after dilution	2.25	1.78

If all 851,960 outstanding warrants were exercised to subscribe for shares, the total number of shares would increase by 866,420, from 17,411,842 shares to 18,278,262 shares, corresponding to a dilution of 4.7%.

[21] Amortization of patents commences from the time of commercialization. Acquired patents refer to BUPI, which has not yet been commercialized.

NOTE 13. INTANGIBLE NON-CURRENT ASSETS

	Parent Group		Group	
Capitalized expenditure for development work	**2016**	**2015**	**2016**	**2015**
Opening accumulated cost	12,169	3,730	12,169	3,730
Capitalized expenditure for the year, own development	50,673	8439	50,673	8439
Carrying amount at the end of the period	**62,842**	**12,169**	**62,842**	**12,169**
Opening amortization	-433	-83	-433	-83
Amortization for the year	-667	-350	-667	-350
Closing amortization	-1,100	-433	-1,100	-433
Carrying amount at the end of the period	**61,742**	**11,736**	**61,742**	**11,736**

Detailed analysis of capitalized development expenditure	
Capitalized expenditure for MOB-015	39,060
Capitalized expenditure for BUPI	6,812
Capitalized expenditure for the next generation of Kerasal Nail®/Nalox™	15,870
Carrying amount at the end of the period	**61,742**

Research and development expenditure that has not been capitalized amounted to SEK 12.4 million, compared with SEK 23.3 million in 2015.

Capitalized development expenditure refers to capitalized development expenditure for the next generation of Kerasal Nail®/Nalox™, as well as for MOB-015 and BUPI. The useful life is based on the term of the underlying patent; amortization is applied on a straight-line basis from the date of commercialization until the end of the patent, or on a straight-line basis across the anticipated useful life if this is less than the underlying patent's term.

	Parent Group		Group	
Capitalized expenditure for computer systems	**2016**	**2015**	**2016**	**2015**
Opening accumulated cost	3,670	1,912	3,670	1,912
Capitalized expenditure for the year	283	1758	283	1758
Carrying amount at the end of the period	**3,954**	**3,670**	**3,954**	**3,670**
Opening amortization	-783	-80	-783	-80
Amortization for the year	-812	-703	-812	-703
Closing amortization	-1,595	-783	-1,595	-783
Carrying amount at the end of the period	**2,359**	**2,887**	**2,359**	**2,887**

	Parent Group		Group	
Goodwill	**2016**	**2015**	**2016**	**2015**
Opening accumulated cost	-	-	90,393	84,542
Translation differences	N/A	N/A	8,060	5,851
Carrying amount at the end of the period	**0**	**0**	**98,453**	**90,393**

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

	Parent Group		Group	
Product rights	**2016**	**2015**	**2016**	**2015**
Opening accumulated cost	65,229	31,898	175,629	135,083
Acquisitions for the year	774,495	33,331	774,495	33,331
Divestments for the year	-57,636	-	-96,453	-
Translation differences	N/A	N/A	9,764	7215
Closing accumulated cost	*782,088*	*65,229*	*863,435*	*175,629*
Opening amortization	-3,551	-1,276	-26,302	-15,607
Amortization for the year	-8,125	-2,275	-13,838	-9,703
Reversal of amortization from previous years in connection with divestments	1,349	-	9,467	-
Translation differences	N/A	N/A	-1,799	-992
Closing amortization	*-10,327*	*-3,551*	*-32,472*	*-26,302*
Carrying amount at the end of the period	**771,761**	**61,678**	**830,963**	**149,327**

Specification of product rights	**2016**	**Avskrivnings-takt, år**	**Återstående avskivningstid, år**
Product rights for Dermoplast®	433,346	25	25.0
Product rights for NewSkin® and FiberChoice®	292,540	25	24.5
Product rights for Kerasal®	59,202	15	10.9
Product rights for Balmex®	30,998	25	23.3
Product rights for Domeboro®	14,877	25	22.0
Carrying amount at the end of the period	**830,963**		

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

	Parent Group		Group	
Patents, licenses and similar rights	**2016**	**2015**	**2016**	**2015**
Opening accumulated cost	7,150	7,150	7,150	7,150
Acquisitions for the year	-	-	-	-
Closing accumulated cost	*7,150*	*7,150*	*7,150*	*7,150*
Opening amortization	-300	-285	-300	-285
Amortization for the year	-	-15	-	-15
Closing amortization	*-300*	*-300*	*-300*	*-300*
Carrying amount at the end of the period	**6,850**	**6,850**	**6,850**	**6,850**

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

Impairment test of intangible assets

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

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

WACC

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

Other significant assumptions

Calculations are based on a five-year forecast, after which the annual growth rate is expected to be 2%. All of the Group's operations are treated as a single cash generating unit.

Sensitivity analysis

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

NOTE 14. PROPERTY, PLANT AND EQUIPMENT

	Parent Group		Group	
	2016	**2015**	**2016**	**2015**
Opening cost	2,306	1,951	3,150	2,741
Investments	114	355	297	355
Translation differences	N/A	N/A	75	55
Divestments/disposals	-	-	-	-
Closing cost	*2,420*	*2,306*	*3,522*	*3,150*
Opening depreciation	-1,731	-1,481	-2,272	-1,807
Translation differences	N/A	N/A	-59	-23
Depreciation for the year	-236	-250	-417	-442
Closing depreciation	*-1,967*	*-1,731*	*-2,748*	*-2,272*
Carrying amount at the end of the period	**452**	**574**	**774**	**878**

NOTE 15. INVENTORIES

	Parent Group		Group	
Inventories	**2016**	**2015**	**2016**	**2015**
Raw materials	316	406	3,609	2,960
Finished products and goods for resale	54	-	38,615	19,240
	370	**406**	**42,224**	**22,200**

No impairment of inventory took place in 2016.

NOTE 16. TRADE RECEIVABLES AND OTHER RECEIVABLES

	Parent Group		Group	
Trade receivables and other receivables	**2016**	**2015**	**2016**	**2015**
Trade receivables	8,335	9,656	67,302	38,556
Provisions for doubtful trade receivables	-	-	-298	-119
Carrying amount at the end of the period, trade receivables	**8,335**	**9,656**	**67,004**	**38,437**
Receivables from Group companies	25,699	35,264	N/A	N/A
Other receivables	2,226	6,163	12,930	6,839
	36,260	**51,083**	**79,934**	**45,275**

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

Large outstanding trade receivables for the Group:	**Outstanding trade receivables 12/31/2016**	**% of total trade receivables**
Group A	17,001	25%
Group B	8,615	13%

Large outstanding trade receivables for the Parent Group:	**Outstanding trade receivables 12/31/2016**	**% of total trade receivables**
Group X	3,844	46%
Group Y	3,404	41%

On Saturday, December 31, 2016, trade receivables amounting to SEK 23.7 million (14.5) were overdue in the Group without any need for impairment. The aging analysis is shown below.

	Parent Group		Group	
Trade receivables aging analysis	**2016**	**2015**	**2016**	**2015**
Not overdue	6,115	9,656	43,593	24,041
Less than 3 months	2,220	-	23,424	14,395
3 to 6 months	-	-	51	15
More than 6 months	-	-	234	106
	8,335	**9,656**	**67,302**	**38,556**

	Parent Group		Group	
Changes in provisions for doubtful trade receivables	**2016**	**2015**	**2016**	**2015**
On January 1	-	-	-131	-121
Additional provisions for doubtful trade receivables	-	-	-228	-
Receivables written off during the year as non-recoverable	-	-	60	-
Reversed unutilized amount	-	-	-	-
Carrying amount at the end of the period	**0**	**0**	**-298**	**-121**

	Parent Group		Group	
	2016	**2015**	**2016**	**2015**
Trade receivables excluding overdue accounts receivable and accounts receivable that need to be written down	6,115	9,656	43,593	23,921

NOTE 17. PREPAID EXPENSES AND ACCRUED INCOME

	Parent Group		Group	
	2016	**2015**	**2016**	**2015**
Accrued income	-	2,174	-	2,173
Leasing of premises	669	648	669	648
Other property expenses	34	12	34	12
Insurance expenses	1,254	863	1,259	863
Pension expenses	319	291	319	291
Marketing expenses	-	-	9,886	373
Other prepaid expenses	286	209	444	1,922
	2,562	**4,197**	**12,611**	**6,282**

NOTE 18. CASH AND CASH EQUIVALENTS

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

	Parent Group		Group	
	2016	2015	2016	2015
Cash and cash equivalents	72,379	21,500	86,104	45,356
Carrying amount	**72,379**	**21,500**	**86,104**	**45,356**

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

NOTE 19. EQUITY

Capital

Moberg Pharma's managed capital comprises shareholders' equity. Changes in shareholders' equity are described in "Consolidated Statement of Changes in Equity", page 34. Moberg Pharma seeks to add value and generate a good return for shareholders through profitable growth from organic sales growth, acquisitions and in-licensing of new products.

Share capital

Date[22]	Transaction	Change in number of shares	Changes in share capital	Number of shares	Total share capital, SEK	Quotient value, SEK	Exercise price, SEK[23]	Invested capital
Outstanding, January 2015				**13,962,537**	**1,396,253.70**	**0.10**		
July 2015	Warrants exercised	39,000	3,900.00	14,001,537	1,400,153.70	0.10	38.43	1,498,790
December 2015	Warrants exercised	215,985	21,598.50	14,217,522	1,421,752.20	0.10	36.10	7,797,467
Closing balance, 2015				**14,217,522**	**1,421,752.20**	**0.10**		
Outstanding, January 2016				**14,217,522**	**1,421,752.20**	**0.10**		
June 2016	Warrants exercised	71,666	7,166.60	14,289,188	1,428,918.80	0.10	21.45	1,537,062
December 2016	Private placements	2,843,504	284,350.40	17,132,692	1,713,269.20	0.10	52.00	147,862,208
December 2016	Warrants exercised	279,150	27,915.00	17,411,842	1,741,184.20	0.10	33.50	9,351,328
Closing balance, 2016				**17,411,842**	**1,741,184.20**	**0.10**		

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

[23] Average subcription price

Share-based remuneration

Employee stock options	2008:1	2008:2	2009:1	2010:1	2010:2	2012:2	2013:1	2014:1	2015:1	2016:1
Start day	06/30/2008	06/30/2008	04/20/2009	05/19/2010	05/19/2010	11/27/2012	05/02/2013	05/22/2014	05/11/2015	05/12/2015
Expiration date	06/30/2016	06/30/2016	06/30/2017	06/30/2018	06/30/2018	12/31/2018	12/31/2017	12/31/2018	12/31/2019	12/31/2020
Vesting date	immediately and 12/31/2009	12/31/2009	12/31/2010	12/31/2011, 12/31/2012	12/31/2011, 12/31/2012	¼ each as of 12/31/2014, 12/31/2015, 12/31/2016 and 12/31/2017	06/30/2016	06/30/2017	06/30/2018 and some also 06/30/2019 and 09/30/2019	2019/06/30
Exercise price, SEK per share	16.55	32.75	32.75	32.75	32.75	42.81	36.77	37.64	65.47	42.97
Number originally allocated	30,000	16,498	13,833	89,501	40,576	125,000	60,750	196,500	288,500	428,000
Outstanding, January 2016	25,000	10,833	10,833	86,834	40,576	25,000	40,250	146,500	288,500	-
Allocated in 2016	-	-	-	-	-	-	-	-	-	428,000
Forfeited previous years	-	2,999	333	-	-	75,000	20,500	50,000	-	-
Forfeited in 2016	-	-	-	-	-	-	3,500	5,750	63,750	15,000
Exercised in previous years	5,000	2,666	2,667	2,667	-	25,000	-	-	-	-
Exercised in 2016	25,000	10,833	10,833	86,000	26,950	12,500	20,750	-	-	-
Expire in 2016	-	-	-	-	-	-	-	-	-	-
Outstanding, 12/31/2016	-	-	-	834	13,626	12,500	16,000	140,750	224,750	413,000
Number of shares that may be subscribed to through employee stock options	**0**	**0**	**0**	**1,668**	**27,252**	**12,500**	**16,000**	**140,750**	**224,750**	**413,000**
Vested, 12/31/2016	0	0	0	834	13,626	12,500	16,000	0	0	0

A total of 821,460 employee stock options were outstanding (including 42,960 vested employee stock options) as of December 31, 2016 and 835,920 shares may be subscribed to, based on the employee stock options. Employee stock options are issued by the subsidiary Moberg Derma Incentives AB. The employee stock options may be exercised by the holder at any time after the vesting day through the closing day, with each employee stock option entitling the holder to subscribe to one warrant. Each warrant in turn entitles the holder to subscribe for one common share in Moberg Pharma, with the exception of the 2008:1, 2008:2, 2009:1, 2010:1 and 2010:2 employee stock option programs, which entitle holders to two common shares per warrant. If employment is terminated, any granted, unvested employee stock options are forfeited.

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

Using the Black-Scholes valuation model, the fair value of the employee stock options granted during the period was determined at SEK 8.25 per option in the 2016:1 program. Key input data used in the model for the 2016:1 option plan was a market price per share of SEK 39.07, an exercise price of SEK 42.97, risk-free interest of -0.2%, volatility of 30%, expected term of 4.6 years, staff turnover of 0%, dilution of 2.9% and no dividend.
Group costs for the employee stock option program (excluding estimated social security costs) for 2016 were SEK 1.7 million; costs for the previous year were SEK 1.6 million.

A total of 851,960 warrants have been issued to the subsidiary Moberg Derma Incentives AB. These options are intended to be transferred and used for subscription of new shares upon exercising the same number of employee stock options. The reason the number of outstanding warrants is higher than the number of outstanding employee stock options for the plans 2013:1, 2014:1 2015:1 and 2016:1 is due to the fact that these plans contain warrants where the underlying employee stock options have been forfeited because employees have left the Group before being fully vested.

Outstanding warrants	Moberg Derma Incentives AB	Total
2010 – Closing date for subscription: 12/31/2019 Subscription price SEK 0.10	14,460	14,460
2012:2 - Closing date for subscription: 31/12/2018 Subscription price SEK 42.81	12,500	12,500
2013:1 – Closing date for subscription: 12/31/2017 Subscription price SEK 36.77	22,000	22,000
2014:1 – Closing date for subscription: 12/31/2018 Subscription price SEK 37.64	145,500	145,500
2015:1 – Closing date for subscription: 12/31/2019 Subscription price SEK 65.47	229,500	229,500
2016:1 – Closing date for subscription: 12/31/2020 Subscription price SEK 42.97	428,000	428,000
	851,960	**851,960**

If all 851,960 outstanding warrants were exercised to subscribe to shares, the total number of shares would increase by 866,420, from 17,411,842 shares to 18,278,262 shares, corresponding to a dilution of 4.7%.

NOTE 20. NON-CURRENT LIABILITIES

	Parent Group		Group	
Long-term borrowings	**2016**	**2015**	**2016**	**2015**
Bond loan	589,040	-	589,040	-
Other non-current liabilities	-	-	-	-
Carrying amount at the end of the period	**589,040**	**0**	**589,040**	**0**

	Parent Group		Group	
Maturity dates, long-term borrowing:	**2016**	**2015**	**2016**	**2015**
Maturity date 1–2 years from the balance sheet date	-	-	-	-
Maturity date 2–5 years from the balance sheet date	600,000	-	600,000	-
Date of maturity more than 5 years from the balance sheet date	-	-	-	-
Carrying amount at the end of the period	**600,000**	**0**	**600,000**	**0**

	Parent Group		Group	
Expected future interest payments:	**2016**	**2015**	**2016**	**2015**
Due date within 1 year of the balance sheet date	36,000	12	36,000	12
Maturity date 2–5 years from the balance sheet date	111,000	-	111,000	-
Date of maturity more than 5 years from the balance sheet date	-	-	-	-
Total expected future interest payments	**147,000**	**12**	**147,000**	**12**

	Parent Group		Group	
Carrying amount in SEK thousand, per currency, for long-term borrowing:	**2016**	**2015**	**2016**	**2015**
SEK	589,040	-	589,040	-
USD	-	-	-	-
	589,040	**0**	**589,040**	**0**

Amounts shown above are at face value and have not been discounted.

Non-current liabilities comprise an initial bond issue worth SEK 300 million due to mature January 29, 2021. In July 2016, the Group completed a tap issue of SEK 85 million (at a price of 100.50% of the nominal amount). In December, the Group completed a further tap issue of SEK 215 million (at a price of 102.75% of the nominal amount). At year-end, the total outstanding amount of the Group's bond loan was SEK 600 million, which equals the total framework amount of the bond loan.

The loan carries a variable interest rate of STIBOR 3M + 6%. The bond loan has no covenants in terms of operating activities except where the Group wishes to increase the loan within the framework amount. In accordance with IAS 39, the bond loan is recognized less transaction costs allocated over the term of the loan, which explains the difference between SEK 600 million and the amount of SEK 589.0 million included in the statement of financial position.

The full terms and conditions of the bond loan are available on the Group's website www.mobergpharma.se.

A loan to Swedbank was repaid in its entire amount of SEK 3.3 million during the first quarter of 2016. Repayments in 2015 totaled SEK 13.3 million.

NOTE 21. CURRENT LIABILITIES

	Parent Group		Group	
Interest-bearing current liabilities	**2016**	**2015**	**2016**	**2015**
Current bank loans	-	3,333	-	3,333
Carrying amount at the end of the period	**0**	**3,333**	**0**	**3,333**

	Parent Group		Group	
Other current liabilities	**2016**	**2015**	**2016**	**2015**
Employee withholding taxes	3,041	627	3,094	634
Social security obligations	2,011	1,727	2,011	1,727
Provisions for social security contributions on employee stock option plans	1,067	3,811	1,067	3,811
Deferred settlement (contingent consideration)	20,479	4,897	20,479	4,897
Other current liabilities	2,273	217	2,293	223
	28,871	**11,279**	**28,943**	**11,292**

Deferred settlement as of December 31, 2016 refers to contingent consideration to Prestige in conjunction with the acquisition of New Skin®, Fiber Choice® and PediaCare®. In total, contingent consideration of a maximum of USD 2.5 million may be payable, for which the Group has made provisions for liability of USD 2.25 million (SEK 20.5 million as of December 31, 2016). Contingent consideration as of December 31, 2015 refers to an additional purchase price of SEK 4.9 million in connection with the acquisition of BUPI, and this was paid in 2016.

NOTE 22. ACCRUED EXPENSES AND DEFERRED INCOME

	Parent Group		Group	
	2016	**2015**	**2016**	**2015**
Accrued personnel expenses	7,049	4,919	9,435	6,221
Accrued Board expenses	474	784	474	784
Audit fees	187	90	362	236
Market Development Funds	-	-	4,298	4,261
Accrued marketing expenses	-	-	305	74
Returns and discounts	-	-	2,609	929
Coupons	-	-	1,694	118
Accrued interest	5,872	24	5,872	24
Other accrued expenses	3,034	1,246	4,522	2,179
	16,616	**7,063**	**29,571**	**14,826**

	Parent Group		Group	
Accrued personnel expenses	**2016**	**2015**	**2016**	**2015**
of which, accrued salaries	3,437	2,359	5,823	3,661
of which, accrued vacation pay liability	2,532	1,818	2,532	1,818
of which, accrued social security contributions	1,080	742	1,080	742
	7,049	**4,919**	**9,435**	**6,221**

NOTE 23. PLEDGED ASSETS AND CONTINGENT LIABILITIES

Moberg Pharma has no contingent liabilities. The secured transaction of SEK 20 million and shares pledged in the subsidiary Moberg Pharma North America LLC at the beginning of the year expired in connection with the final settlement of the loan from Swedbank. The chattel mortgage remains registered, but in the custody of the Group. Pledged assets therefore consist only of blocked bank funds totaling SEK 0.7 million.

Pledged assets in the Parent Group	2016	2015
Shares in the subsidiary Moberg Pharma North America	-	206,832
Chattel mortgage	-	20,000
Bank guarantee, cash and cash equivalents	702	702
	702	**227,534**

Pledged assets in the Group	2016	2015
Equity in the subsidiary Moberg Pharma North America	-	178,006
Chattel mortgage	-	20,000
Bank guarantee, cash and cash equivalents	702	702
	702	**198,708**

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

Financial assets and liabilities by category December 31, 2016	Assets/liabilities measured at fair value via the income statement	Loan receivables and trade receivables	Other financial liabilities	Total
Assets in the balance sheet				
Trade receivables and other receivables (excluding interim receivables)		79,934		79,934
Cash and cash equivalents		86,104		86,104
Total	**0**	**166,038**	**0**	**166,038**
Liabilities in the balance sheet				
Bond loan			589,040[24]	589,040
Deferred tax liabilities			6,971	6,971
Contingent purchase consideration (level 3)	20,479[25]			20,479
Trade payables and other liabilities excluding non-financial liabilities			19,386[26]	19,386
Total	**20,479**	**0**	**615,396**	**635,875**

[24] Bond loan, see Note 20

[25] Refers to contingent consideration to Prestige in conjunction with the acquisition of New Skin®, Fiber Choice® and PediaCare®, see Note 21

[26] Consist of trade payables of SEK 16,026 plus other current liabilities (excluding contingent consideration, employee payroll tax and social security contributions) of SEK 3,360, see Note 21

Financial assets and liabilities by category December 31, 2015	Assets/liabilities measured at fair value via the income statement	Loan receivables and trade receivables	Other financial liabilities	Total
Assets in the balance sheet				
Trade receivables and other receivables (excluding interim receivables)		45,275		45,275
Cash and cash equivalents		45,356		45,356
Total	**0**	**90,631**	**0**	**90,631**
Liabilities in the balance sheet				
Bank loans			3,333[27]	3,333
Contingent purchase consideration (level 3)	4,897[28]			4,897
Trade payables and other liabilities excluding non-financial liabilities			19,214[29]	19,214
Total	**4,897**	**0**	**22,547**	**27,444**

[27] Consist of short-term borrowing of 3,333, see Note 20

[28] Refers to contingent consideration in connection with the acquisition of BUPI, see Note 21

[29] Consist of trade payables of SEK 15,180 plus other current liabilities (excluding contingent consideration, employee payroll tax and social security contributions) of SEK 1,364, see Note 21

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

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

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

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

For all items above, with the exception of borrowing, the carrying amount is an approximation of the fair value, which is why these items are not divided into levels according to the measurement hierarchy. The fair value of bond loans, according to Level 2 of the fair value hierarchy, totaled approx. SEK 626 million (based on their liquid trading price) as of December 31, 2016. Contingent consideration is measured according to Level 3 of the fair value hierarchy and amounted to approx. SEK 20 million as of December 31, 2016; the annual financial statement has not given rise to a need for revaluation of contingent considerations. Contingent consideration is based on assumptions about the outcome of returns and some overhead costs for Fiber Choice® and PediaCare® which reduce Moberg Pharma's risk exposure in the transaction. In total, contingent consideration of up to USD 2.5 million may be payable, for which the Group has made provisions for non-current liabilities of USD 2.25 million.

NOTE 25. IMPACT ON CASH FLOW OF INVESTMENTS IN SUBSIDIARIES – GROUP

	2016	2015
Acquisitions of shares in subsidiaries that have been paid in cash during the year	-	-
Current balance in acquired Group	-	-
Group's cash flow impact	**0**	**0**

NOTE 26. SHARES IN GROUP COMPANIES

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

Change in carrying amounts, shares in subsidiaries	2016	2015
Opening cost	178,106	178,106
Acquisitions	-	-
Closing accumulated cost	**178,106**	**178,106**
Closing carrying amount	**178,106**	**178,106**

NOTE 27. INTRA-GROUP TRANSACTIONS

Intra-Group transactions from the Parent Group's perspective	Parent Group	
	2016	2015
Sale of goods	-	52,680
Transfer price adjustments	42,655	-12,210
Interest on intra-Group loans	-	498
	42,655	**40,968**

NOTE 28. FINANCIAL RISK, FINANCIAL POLICY AND OTHER RISKS

Financial risk management

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

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

Refinancing risk and future capital requirements

Moberg Pharma's strategy means that the Group will continue to invest significant resources in research and development and in business development. At present, these efforts are covered by available cash and cash equivalents and commercial revenue, and Moberg Pharma is in a good financial position. Moberg Pharma is in an expansion phase and conducts development-intensive activities with investments aimed at generating future income. These activities consume cash and cash equivalents. The Group's operations are financed by revenues from product sales, shareholder contributions through new issues and the bond loan of SEK 600 million issued by the Group in 2016. Future investments are expected to be financed through income from cash flows from operating activities. Should the opportunity arise for faster growth, for example through acquisitions, Moberg Pharma may raise additional capital through issuing new shares or taking out further loans. In addition, in the event of an economic downturn or adverse conditions in credit markets, this could have an impact on the Group's ability to continue to finance its operations. There is a risk that financing cannot be secured for future capital requirements or that such financing cannot be obtained on favorable terms, or at all.

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

Currency risk

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

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

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

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

The Group did not use currency hedging in 2016 but will regularly review the need for currency hedging as the business expands. Operating expenses for the fiscal year totaled SEK 321.3 million, approximately 74% of which were accounted for by expenses in foreign currency. Of net sales in 2016 of SEK 334.3 million, approximately 96% comprised revenue in foreign currency. Most of the exposure was in USD, both in terms of revenue and expenses, with revenue in US dollars accounting for about 89% of the Group's total revenue and expenses in US dollars accounting for approximately 73% of total operating expenses. In January 2016, the Group issued bonds worth a total of SEK 600 million with a term of five years. Both interest payments and principal payments will be in Swedish kronor.

The corresponding figures for 2015 were operating expenses of SEK 256.5 million, approximately 69% of which were accounted for by costs in foreign currency. Of net sales for 2015 of SEK 285.6 million, approximately 81% comprised sales in foreign currency. Most of the exposure was in USD, both in terms of revenue and expenses, with revenue in US dollars accounting for about 67% of the Group's total revenue and expenses in US dollars accounting for approximately 66% of total operating expenses.

The operating profit for the fiscal year was impacted by net currency losses of SEK 2.6 million, compared with currency gains of SEK 2.4 million in 2015. Future revenue and expenses will be affected by fluctuations in foreign currencies.

Sensitivity analysis of currency risk 2016 (SEK thousand)

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

Currency	Revenue	Operating expenses	Operating profit/loss
Euro	-469	23	-446
GBP	-3	6	3
USD	-2,970	2,350	-621
Other	0	0	0
Total	**-3,442**	**2,378**	**-1,064**

Of the Group's outstanding receivables as of December 31, 2016, SEK 87.9 million were in foreign currency, of which 90% were in USD and 10% in EUR. Of the Group's outstanding liabilities as of December 31, 2016, SEK 43.5 million were in foreign currency, of which 83% were in USD, 17% in EUR and 1% in other currencies. The corresponding figures for 2015 were outstanding receivables as of December 31, 2015 of SEK 41.9 million in foreign currency, of which 84% were in USD and 16% in EUR. Of the Group's outstanding liabilities as of December 31, 2015, SEK 27.5 million were in foreign currency, of which 69% were in US Dollars, 17% in EUR and 20% in other currencies.

Interest rate risk and liquidity risk

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

Interest rate risk pertains to the risk that changes in the general interest rate situation will have a negative impact on the Group's net profit. The speed by which changes in interest rates will impact the net profit depends on the fixed-interest period for the loan. Moberg Pharma's current loan has a fixed-interest period of three months. Outstanding interest-bearing liabilities are reported in Note 20. Interest-bearing liabilities increase the Group's expenditure and exposure to capital loss. The Group's interest costs are subject to changes in applicable interest rates. Changes in interest rates can lead to changes in the Group's market value, cash flow and performance. The Group does not currently have any measures in place to manage or hedge against interest rate risk. Even if such action were to be taken in future, there is a risk that this would not result in the desired outcome, which is to mitigate the negative impact of changes in interest rates. Changes in interest rates could therefore have an adverse effect on the Group's performance and financial position. A change in interest rates of 1% would result in a SEK 6 million increase/decrease in interest expenses on an annual basis.

Credit and counterparty risk

Counterparty risk is the risk that a party to a transaction involving financial instruments will be unable to meet its obligations and thus incur a loss for the other party. Moberg Pharma is exposed to counterparty risk primarily in connection with distribution and licensing agreements and financial investments. When a distribution or licensing agreement is to be entered into, the counterparty is always evaluated prior to signing the agreement. Payment of accounts receivable is monitored continuously, thus making Moberg Pharma's exposure to doubtful receivables low. The Group limits its current counterparty risk in connection with financial investments by investing excess liquidity with counterparties with very high credit ratings. There is a risk that the Group's assessment and evaluation of counterparty credit risks and counterparty credit ratings is not correct. In the event that a counterparty is unable to meet its commitments to Moberg Pharma, this may adversely affect the Group's performance and financial position.

Tax

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

Tax losses carried forward

The Group currently has declared tax losses carried forward which may be lost if a new owner gains control of over 50% of the votes in the Group or new owners each gain control of at least 5% of the votes and collectively control more than 50% of the votes in the Group. Losing these tax losses carried forward would result in a financial loss for Moberg Pharma, which may have a negative impact on the Group's business activities and financial position.

Non-sustainable sources of income

Moberg Pharma's business and income model is partly based on license agreements with so-called milestone payments. Even if revenue from product sales currently account for the bulk of the Group's total sales and are planned to continue to do so in the future, non-recurring payments in the form of milestone payments will from time to time constitute a key source of income for Moberg Pharma. These non-recurring payments do not represent sustainable earnings, however.

In addition, milestone payments are dependent on certain pre-determined targets in the sales, research and development activities of the Group's business partners, which means that they are difficult to forecast. Consequently, there is a risk that the Group's sales and performance could vary significantly from one period to the next.

Goodwill and other intangible assets

In connection with the acquisitions undertaken by the Group, parts of the cost of the acquired companies have been classified as goodwill. Goodwill is subject to annual impairment tests, and there is a risk that Moberg Pharma may not be able to defend this goodwill value in the future. If future tests show a permanent decrease in goodwill value, leading to impairment losses, this may have a negative impact on Moberg Pharma's financial position and performance.

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

Financial commitments

At the beginning of 2016, Moberg Pharma launched a five-year, unsecured bond loan worth SEK 300 million as part of a SEK 600 million framework amount. In July 2016, Moberg Pharma completed a tap issue of SEK 85 million. In December 2016, Moberg Pharma issued a further tap issue of SEK 215 million. The bond loan involves various commitments on the part of Moberg Pharma, such as limitations on pledging security and dividend restrictions. There is a risk that Moberg Pharma may be in breach of its commitments in future, for example, due to economic conditions or disruption of the capital and credit markets. If Moberg Pharma should be in breach of its commitments with regard to financing agreements, it could result in a demand for immediate repayment of loans or in collateral pledged against loans being forfeited. This could have a negative impact on Moberg Pharma's operations, financial position and performance.

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

	Parent Group		Group	
Depreciation/amortization and other adjustments	**2016**	**2015**	**2016**	**2015**
Amortization of R&D investments	667	350	667	350
Amortization of product rights	8,125	2,275	13,838	9,703
Amortization of patents	-	15	-	15
Amortization of capitalized expenditure for computer systems	812	703	812	703
Depreciation of plant and equipment	236	250	417	444
Other adjustments	1	-	-27	-
Capital gains on divestments of product rights	-13,291	-	-44,780	-
	-3,450	**3,594**	**-29,073**	**11,216**

Capital gains on divestments of product rights refer to a capital gain of SEK 41.1 million accrued in connection with the divestment of JointFlex®, Vanquish® and Fergon® in April, and a capital gain of SEK 2.8 million accrued in connection with the divestment of PediaCare® in December. The capital gain for PediaCare® arose as a result of a strong US dollar exchange rate at the time of the divestment in December compared with the time of acquisition in July 2016; the underlying asset was sold at cost. An exchange rate adjustment has also been made for the reported capital gain for JointFlex®, Vanquish® and Fergon® as the average exchange rate has increased during the year.

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

	Parent Group		Group	
Net investments in intangible assets	**2016**	**2015**	**2016**	**2015**
Investment in development projects	-50,674	-8,439	-50,674	-8,439
Investments in capitalized expenditure for computer systems	-283	-1,758	-283	-1,758
Acquired product rights	-774,495	-33,331	-774,495	-33,331
Contingent consideration, acquired product rights	20,468	-	20,468	-
Contingent consideration, acquired patents	-4,897	-	-4,897	-
Divested product rights	69,578	-	131,766	-
Translation differences (currency adjustments)	N/A	N/A	-2,286	-
	-740,303	**-43,529**	**-680,401**	**-43,529**

In the row Divested product rights a capital gains on divestments are included, SEK 41.1 million refers to the divestment of JointFlex®, Vanquish® and Fergon® in April, and a capital gain of SEK 2.8 million refers to the divestment of PediaCare® in December. The capital gain for PediaCare® arose as a result of a strong US dollar exchange rate at the time of the divestment in December compared with the time of acquisition in July 2016; the underlying asset was sold at cost. An exchange rate adjustment has also been made for the reported capital gain for JointFlex®, Vanquish® and Fergon® as the average exchange rate has increased during the year.

NOTE 31. EVENTS AFTER THE BALANCE SHEET DATE

The following significant events have taken place after the end of the reporting period:

Expanded distribution for NewSkin® Spray

In January 2017, the Group announced that New Skin® Spray would be sold in 3,900 Walmart stores and over 1,500 Walgreens stores. The first delivery of New Skin® Spray took place in mid-March 2017.

National launch in Japan

Following the successful test launch in 2016 conducted by Menarini´s local partner CMIC Group, in March 2017 CMIC Group initiated the national launch in Japan of Zanmira Nail® (local brand for Kerasal Nail®) with distribution in more than 8000 pharmacies.

NOTE 32. RELATED-PARTY TRANSACTIONS

Remunerations to the Board of Directors and management are described in Note 7. All transactions with related parties have been concluded on market terms. No Board members or senior executives, or their related parties, have or have had any direct or indirect involvement in any business transactions with Moberg Pharma that are or were unusual in terms of their character or terms and conditions of contract, and that were conducted in the current year. Moberg Pharma has not granted loans or issued guarantees to or on behalf of any Board member or senior executive of the Group.

NOTE 33. PROPOSED APPROPRIATION OF PROFITS

On 1 January 2016, a change was introduced in the Swedish Annual Accounts Act which means that an amount corresponding to capitalized internally generated development expenditure is recognized in a restricted reserve under equity, "Reserve for development expenditure". Moberg Pharma recognized capitalized internally generated development expenditure less accumulated amortization of SEK 50.0 million as of 31 December 2016 and is therefore recognized in restricted equity with SEK 50.0 million.

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

Share premium reserve	402,844
Profit carried forward	25,960
Profit/loss for the year	14,432
	443,236

The Board of Directors proposes that profit for the year be carried forward. Following appropriation, unrestricted equity amounts to:

Share premium reserve	402,844
Profit carried forward	40,392
	443,236

NOTE 34. DEFINITIONS OF KEY RATIOS

Moberg Pharma presents some financial performance measures in its annual report that are not defined in accordance with IFRS. In Moberg Pharma's opinion, these measures provide valuable additional information as they provide investors and Group management with an opportunity to evaluate the Group's performance. These financial performance measures are not always comparable with those used by other companies since not all companies calculate them in the same manner.

Accordingly, these financial performance measures are not to be regarded as a replacement for the performance measures as defined in accordance with IFRS.

Gross Margin
Gross profit/loss as a percentage of net sales

EBITDA
Operating profit/loss before depreciation/amortization and impairment of intangible assets and property, plant and equipment

EBITDA margin
EBITDA as a percentage of net sales

EBITDA - Commercial Operations
Operating profit/loss before depreciation, amortization and impairment of intangible assets and property, plant and equipment, and before business development costs and research and development costs for brand new product candidates

Profit margin
Profit/loss after tax as a percentage of net sales

Net receivables
Cash and cash equivalents less interest-bearing liabilities

Debt/equity ratio
Interest-bearing liabilities in relation to equity at the end of the reporting period

Equity/assets ratio
Equity at year-end in relation to balance sheet total

Return on equity
Profit/loss for the year divided by closing equity at the end of the reporting period

Earnings per share[30]
Profit/loss after tax divided by the average number of outstanding shares after dilution

Operating cash flow per share
Cash flow from operating activities divided by the average number of outstanding shares after dilution

Equity per share
Equity at the end of the reporting period divided by the number of outstanding shares at the end of the period

[30]Defined in accordance with IFRS

ASSURANCE BY THE BOARD OF DIRECTORS

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

Stockholm April 10th 2017

Thomas Eklund
Chairman

Geert Cauwenbergh
Board member

Mattias Klintemar
Board member

Torbjörn Koivisto
Board member

Wenche Rolfsen
Board member

Thomas Thomsen
Board member

Peter Wolpert
CEO

Our audit report was issued on April 11th 2017

Ernst & Young AB

Andreas Troberg
Authorized Public Accountant

AUDIT REPORT

To the Annual General Meeting of Moberg Pharma AB (publ), Corp. Reg. No. 556697-7426

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Moberg Pharma AB (publ) for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 16–59 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Basis for Opinions

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

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

Key Audit Matters

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

Capitalized development costs

The capitalized development costs amount to 62 MSEK as per December 31, 2016 in the balance sheet for the parent company and the consolidated statement of financial position for the group. Development costs are capitalized as intangible assets when it is technically feasible for the company to complete the product, the product is commercially feasible, the company has sufficient resources to complete the development and the intention to use or sell the intangible asset. Each development project is assessed based on its particular merits and the earliest assessed timing for capitalization is during Phase 3 development or equivalent final development steps. Even during and after such development steps, uncertainties can remain or change so that capitalized costs no longer can be motivated and need to be expensed directly. The initial capitalization is therefore based on the company's judgments around the probability for the projects to succeed, why capitalized development costs has been assessed as a key audit matter.

Judgments used in this assessment is described in section "Significant estimates and assessments" in note 1. The capitalized development costs are described in note 13.

In our audit we have assessed and reviewed the company's process for assessing which development projects that fulfill the criteria for capitalization as intangible assets. We have reviewed the company's follow up on development projects, including the communication with regulatory authorities. We have evaluated the company's process for allocating expenses to respective development project. In addition, we have assessed the disclosures in relation to accounting of development costs.

Valuation of goodwill

Goodwill amounts to 98 MSEK as per December 31, 2016 in the consolidated statement of financial position for the group. The company conducts impairment tests of goodwill on an annual basis or if impairment indicators are identified. The value in use is calculated based on discounted expected future cash flows. Main assumptions in these calculations are expected future growth, operating margin and discount rate. The impairment test represents a key audit matter since the process is to its nature based on assumptions and judgments, not least due to it being based on estimates of the future developments in the market and other financial factors. The underlying computations are furthermore complex.

A description of the company's impairment test process is described in section "Significant estimates and assessments" in note 1. Further information on the current year's impairment test including significant assumptions are described in note 13.

As part of our audit we have assessed and reviewed key parameters, the application of acknowledged valuation theory, the discount rate and other source data that has been applied by the company. We have for instance compared parameters applied to external data sources, such as expected inflation or assessments of future market growth and have assessed the sensitivity of the company's valuation model. We have included valuation specialists in our audit team in order to perform this work. Specific emphasis has been placed on the sensitivity of the computations, including performing an independent assessment of whether there is a risk that reasonable likely events could give rise to a situation where

the value in use would be lower than the carrying amount. This assessment has also addressed the company's historical success at prognostication. In addition, we have assessed the disclosures in relation to impairment test of goodwill.

Valuation of product rights

Product rights amount to 772 in the balance sheet for the parent company and 831 MSEK in the consolidated statement of financial position for the group as per December 31, 2016. The rights are amortized according to plan, but also tested for impairment at least annually or when events or business changes indicate that the recorded amount is not recoverable. When assessing the impairment need, the value in use is calculated based on discounted expected future cash flows from the company's existing product rights. Main assumptions in these calculations are for expected future growth, operating margin and discount rate. The impairment test represent a key audit matter since the process is to its nature based on assumptions and judgments, not least due to it being based on estimates of the product rights future development in the market and other financial factors. The underlying computations are furthermore complex.

A description of the company's impairment test process is described in section "Significant estimates and assessments" in note 1. Further information on the current year's impairment test including significant assumptions are described in note 13.

As part of our audit we have assessed and reviewed key parameters, the application of acknowledged valuation theory, the discount rate and other source data that has been applied by the company. We have for instance compared parameters applied to external data sources, such as expected inflation or assessments of future market growth and have assessed the sensitivity of the company's valuation model. We have included valuation specialists in our audit team in order to perform this work. Specific emphasis has been placed on the sensitivity of the computations, including performing an independent assessment of whether there is a risk that reasonable likely events could give rise to a situation where the value in use would be lower than the carrying amount. This assessment has also addressed the company's historical success at prognostication. In addition, we have assessed the disclosures in relation to impairment test of product rights.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–15 and 63–73. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error. In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

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

A further description of our responsibilities for the audit of the annual accounts and the consolidated accounts is located at Revisorsnämnden's (the Supervisory Board of Public Accountants) website at: http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Moberg Pharma AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

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

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

A further description of our responsibilities for the audit of the administration is located at Revisorsnämnden's (the Supervisory Board of Public Accountants) website at: http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description forms part of our auditor's report.

Stockholm, April 11, 2017
Ernst & Young AB

Andreas Troberg
Authorized Public Accountant

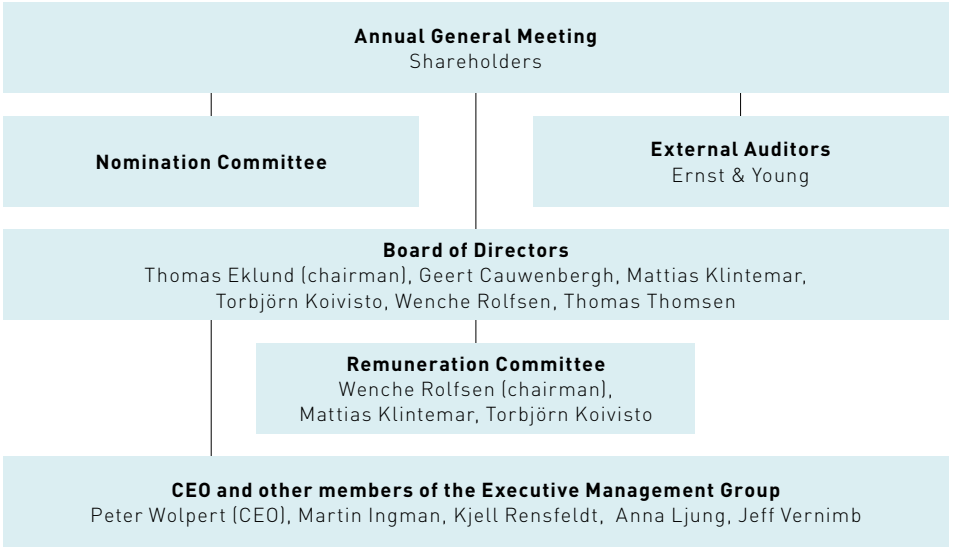
CORPORATE GOVERNANCE REPORT

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

Prior to its listing on NASDAQ OMX Nordic Exchange Stockholm, the Group's corporate governance activities were based on Swedish law and internal rules and regulations. The Group was listed on the NASDAQ OMX Nordic Exchange Stockholm on May 26, 2011 and has adhered to NASDAQ OMX Nordic Exchange Stockholm's rules for issuers and applied the Swedish Code of Corporate Governance ("the Code") as of that date. This Corporate Governance Report has been prepared in accordance with the Annual Accounts Act and the Swedish Code of Corporate Governance.
The Code applies to all Swedish companies whose shares are listed on a regulated market in Sweden and must be applied in full from the date of listing. Companies are not required to comply with all rules contained in the Code but may choose alternative solutions that are deemed more appropriate for each Group's specific circumstances, provided that deviations are explained, the alternative solution is described and the reasons explained (the "comply or explain" principle) in the Group's Corporate Governance Report. Moberg Pharma has deviated from the Code only in the case of incentive schemes introduced before the Code was introduced (May 26, 2011). According to the Code, the vesting period for employee stock option plans must not be less than three years, which occurred in such schemes launched by the Group up to and including 2011. The Group's employee stock option plan 2010:2 was aimed at two Board members. According to the Code, stock options should not be included in schemes aimed at the Board of Directors.

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

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



Internal regulatory structures and policies that affect corporate governance

- Articles of Association
- Board of Directors' Rules of Procedure and CEO's Instructions
- Remuneration Principles for Senior Executives
- Risk Management Policy
- Finance Policy
- IT Policy
- Finance manual
- Employee handbook
- Authorization manual
- Information policy
- Code of Conduct

External regulatory structures that affect corporate governance

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

SHAREHOLDERS' MEETINGS

In accordance with the Swedish Companies Act, Moberg Pharma's highest decision-making body is a Shareholders' Meeting. At Shareholders' Meetings, shareholders exercise their right to vote on key issues, such as the adoption of the statement of comprehensive income and financial position, appro-

priation of the Group's earnings, discharge of the Board of Directors and Chief Executive Officer from personal liability, election of Board members and auditors, and remuneration of the Board of Directors and auditors. In addition to the Annual General Meeting, Extraordinary Shareholders' Meetings may also be convened. The Articles of Association state that official notice of an AGM or Extraordinary Shareholders' Meeting must be provided in the form of an advertisement in Post- och Inrikes Tidningar and published on Moberg Pharma's website. Information that the official notice of an AGM or Shareholders' Meeting has taken place is published in Dagens Industri.

Right to attend a Shareholders' Meeting

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

Shareholder initiatives

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

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

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

The 2016 AGM took place on May 18, 2016. The AGM was attended by 34 shareholders, in person or by proxy. These represented 39.0% of shares and votes in Moberg Pharma. The Chairman of the Board, Mats Pettersson, was elected Chairman of the meeting. The CEO and all Board members, in addition to Mats Pettersson, who decided to retire as Chairman of the Board, attended the AGM; Thomas Eklund was elected new Chairman of the Board. The minutes from the AGM are available at www.mobergpharma.se under corporate governance. At the AGM, shareholders resolved to authorize the Board until the next AGM to decide on the issuance of new shares, on one or more occasions, either with preferential rights or disapplying the shareholders' preferential rights. The total number of shares encompassed by such new share issues may not exceed 20% of the shares in the Group at the time of the 2016 AGM.

Board of Directors and the work of the Board of Directors

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

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

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

The Board normally convenes four to six times annually. In addition to these meetings, further meetings may be arranged to address issues that cannot be deferred to a scheduled meeting. In addition to Board meetings, the Chairman of the Board and CEO also engage in continuous dialog concerning the Group's significant issues. Moberg Pharma conducts an annual evaluation of the work of the Board. The 2016 evaluation primarily focused on internal issues relating to the quality of decisions, management of the Board, and the composition and competence of the Board. The results have been presented to and discussed by the Board and have also been disclosed to the nomination committee. Moberg Pharma's Board currently consists of six members. The Board of Directors are presented in the annual report on page 70.

	Attendance (no. of meetings 2016)				Independent in relation to	
	Board meetings (22)	Remuneration Committee (3)	Directors' fees 2016, SEK thousand[31]	Elected	The Group	Owners
Chairman of the Board, Thomas Eklund	22	1	340	2015	Yes	Yes
Board member, Wenche Rolfsen	21	3	230	2010	Yes	Yes
Board member, Geert Cauwenbergh	19		170	2012	Yes	Yes
Board member, Torbjörn Koivisto	22	3	170	2009	Yes	Yes
Board member, Mattias Klintemar	21	1	170	2015	Yes	No
Board member, Thomas Thomsen	16		170	2014	Yes	Yes

[31] Board members Wenche Rolfsen, Thomas Thomsen, Mattias Klintemar, Thomas Eklund and Geert Cauwenbergh have invoiced their directors' fees plus social security contributions and VAT through companies. This procedure is cost neutral for Moberg Pharma

Remuneration Committee

The Board has a remuneration committee, which prepares proposals on remuneration issues. The remuneration committee consists of three Board members Wenche Rolfsen (Chairman), Mattias Klintemar and Torbjörn Koivisto (during the first half of 2016, Thomas Eklund was a member of the remuneration committee, he was replaced by Mattias Klintemar in the second half of 2016). All members are independent in relation to the Group and the Group's senior executives. The committee's principal tasks are to (i) prepare the Board's decisions on issues relating to principles of remuneration, remuneration and other terms of employment for management, (ii) monitor and evaluate ongoing and recently completed variable remuneration schemes for management, and (iii) monitor and evaluate the application of principles for remuneration of senior executives that are legally subject to approval by the AGM and of applicable structures and levels of remuneration in the Group. Decisions on remuneration issues must, after preparation by the committee, be adopted by the Board as a whole.

Audit Committee

The Board currently has no audit committee. Instead, it is the Board's opinion that those duties that would otherwise be carried out by an audit committee under the Code are better conducted by the Board as a whole. The Board is to review the need for an audit committee on an annual basis. With regard to audit matters, it means that the Board must carry out the duties provided for in Chapter 8, Section 49b of the Swedish Companies Act (2005: 551) and the duties of the audit committee pursuant to the EU's audit directive. These obligations mainly comprise the following duties:

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

CEO AND OTHER SENIOR EXECUTIVES

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

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

The CEO is required to keep the Board informed of Moberg Pharma's development, the Group's performance and financial position, liquidity and credit situation, important business events and other circumstances that cannot be assumed to be irrelevant for the Group's shareholders (including material disputes, the termination of agreements that are important to Moberg Pharma and significant circumstances affecting the Group's products and projects). The CEO and senior executives are presented in more detail in the annual report on page 69.

REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES

Remuneration of Directors

Fees and other remuneration of the Board of Directors, including the Chairman, are set by a Shareholders' Meeting. At the AGM on May 18, 2016, it was resolved that Board's fees for 2016 totaling a maximum of SEK 1,250,000 excluding social security contributions, would be paid and distributed as follows: SEK 340,000 to the Chairman and SEK 170,000 to each of the other Board members. The AGM also resolved that supplementary remuneration of SEK 60,000 would be paid to the Chairman of the remuneration committee.

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

Remuneration of senior executives

At the AGM on May 18, 2016, the following guidelines were resolved for senior executives of Moberg Pharma: Moberg Pharma is to offer a market-aligned total remuneration package that facilitates the recruitment and retention of qualified senior executives. The remuneration paid to the Chief Executive Officer and other senior executives is to comprise basic salary, variable remuneration, other benefits and pension benefits. The total remuneration is to be based on the basic salary and is to be proportionate to the executive's responsibilities and authority. Variable remuneration is capped at 25–50% of each executive's basic annual salary. Variable remuneration is based on results achieved in relation to individually defined qualitative and quantitative targets, as well as the Group's result in relation to goals set by the Board of Directors. The pensionable salary comprises only the basic salary. To the extent that Board members perform work for the Group or any other Group Group, in addition to work on the Board of Directors, a market-aligned consultancy fee may be payable.

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

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

	Basic salary	Variable salary[32]	Other benefits	Pension expenses	Share-based remuneration[33]	Other remuneration	Total
CEO, Peter Wolpert	2,100	822	-	567	233	-	3,722
Other senior executives (6 pers.)	7,129	2,287	-	917	1,009	-	11,342
Total	**9,229**	**3,109**	**0**	**1,484**	**1,242**	**0**	**15,064**

[32] Variable remuneration pertains to the 2016 fiscal year, but will be paid in 2017.
[33] These costs will not entail a payment and do not affect the Group's cash flow. Estimated social security costs are not included in the carrying amounts.

Share-based incentive schemes

Moberg Pharma has introduced share-based incentive schemes comprising employee stock options designed to promote the Group's long-term interests by motivating and rewarding senior executives and other employees. The employee stock options have been granted free of charge. All permanent employees who had been employed for at least 12 months as of December 31, 2016 are included in the Group's incentive schemes. The number of shares and stock options held by Board members, the CEO and other senior executives is presented in the annual report on page 69-70.

Employee Stock Option Scheme 2010:2 included Board Members Wenche Rolfsen and Mats Pettersson. According to the Code, stock options should not be included in schemes aimed at the Board of Directors. Moberg Pharma does not intend to introduce new stock option schemes aimed at Board members in future. The Group's employee stock option scheme up to 2012 had a vesting period of less than three years. As an adaptation to the Code, the employee stock option scheme from 2014 and thereafter has a vesting period of more than three years.

AUDIT

The auditor must audit the Group's annual report and financial statements, as well as the administration of the Group by the Board and the CEO. After the end of each fiscal year, the auditor is required to submit an audit report and consolidated audit report to the AGM.

The audit firm Ernst & Young Aktiebolag has been the Group's auditor since 2007. Authorized Public Accountant Andreas Troberg has been the Auditor-in-Charge since fall 2016. The Group's auditor is presented in more detail in the annual report on page 70.

Remuneration of auditors

The remuneration paid to the auditor is subject to approval by a Shareholders' Meeting. The AGM on May 18, 2016 resolved to approve remuneration of the auditor on a continuous basis.

In 2016, remuneration of SEK 0.8 million was paid to the auditor, of which audit assignments accounted for SEK 0.5 million, audit work in addition to the assignment for SEK 0.1 million and other assignments for SEK 0.2 million. Audit assignments are defined as the examination of the annual report and accounting records and of the Board of Directors and CEO's administration of the Group, other tasks incumbent on the auditor as well as advice and other assistance occasioned by observations made in the course of such examinations or the performance of such other tasks. Audit work in addition to the assignment comprises examinations of interim reports, prospectus, pro forma and issue-in-kind certificates and preparing other opinions in accordance with the Companies Act. Other services in 2016 were primarily connected to acquisitions, divestments and capital procurement.

NOMINATION COMMITTEE

The nomination committee submits proposals for electing the Chairman of the Board and other Board members, as well as proposals concerning remuneration and fees for Board members. The nomination committee also submits proposals concerning the election and remuneration of Auditors. The nomination committee's proposals will be presented in the official notice convening the 2017 AGM.

The AGM on May 18, 2016 resolved to commission the Chairman of the Board to contact the three largest shareholders or groups of owners in terms of the number of voting rights (hereby referring to both directly registered shareholders and nominee registered shareholders), according to Euroclear's share register on September 30, 2016. These parties are offered the opportunity to each appoint a representative, who together with the Chairman of the Board will make up the nomination committee for the time until a new nomination committee is appointed by mandate from the next AGM. If any of these shareholders declines the entitlement to appoint a representative, this entitlement transfers to that shareholder with the largest shareholdings after these shareholders until the Nomination Committee consists of four members.

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

The nomination committee for the 2017 AGM was announced on Moberg Pharma's website and through a press release on November 4, 2016 and it consists of four members: Thomas Eklund, Chairman of the Board, Gillis Cullin, appointed by the Baltic Sea Foundation, Anders Rodebjer, appointed by Wolco Invest and Helen Fasth Gillstedt, appointed by Handelsbanken Fonder.

INTERNAL CONTROL AND RISK MANAGEMENT OF FINANCIAL REPORTING

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

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

Control environment

The control environment at Moberg Pharma forms the framework of the direction and culture with which the Group's Board and management communicate their messages to the organization. Internal

management and control in accordance with customary frameworks is assigned high priority. Moberg Pharma's Board and management define and design decision paths, authorities and responsibilities that are clearly defined and communicated throughout the organization. The Group's Board also strives to ensure that steering documents, such as internal policies and principles, cover identified areas of significance, and that these provide the right guidance to the work of the various executives in the Group.

Risk assessment

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

The commercialization and development of new drugs is a risky and capital-intensive process. Risk factors considered of particular significance for Moberg Pharma's future development include results of competition and price scenario, production, business partners and distributors, clinical studies, actions of public authorities, liability risks and insurance, integration risks, patent and trademarks, key individuals, cyclical sensitivity, future capital requirements and financial risk factors. A more detailed description of Moberg Pharma's exposure to risk and how the Group manages this is provided in the Annual Report on Page 23.

Control activities

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

Information and communication

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

The Group's internal instructions and policies, which are available for all employees, provide information on applicable procedures in all parts of the Group and describes control functions and how they are implemented.

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

Monitoring compliance

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

Assessment of the need for internal audit

Moberg Pharma has no separate auditing function (internal audit). The Board evaluates the need for such a function annually and, in view of the Group's size, with relatively few employees, and the scope of transactions, in which most significant transactions are similar in character and relatively uncomplicated, has not found it necessary to establish a formal internal audit function.

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

During 2016, Moberg Pharma was not subject to decisions passed by the NASDAQ OMX Nordic Exchange Stockholm's disciplinary committee or statements by the Swedish Securities Council regarding infringement of Nasdaq OMX Nordic Exchange Stockholm's regulations or accepted market practices.

Stockholm den 10 april 2017

Thomas Eklund
Chairman

Geert Cauwenbergh
Board member

Mattias Klintemar
Board member

Torbjörn Koivisto
Board member

Wenche Rolfsen
Board member

Thomas Thomsen
Board member

Peter Wolpert
CEO

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE REPORT

To the Annual General Meeting of Moberg Pharma AB
Corp. ID. No. 556697–7426

ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who is responsible for the corporate governance statement for the year 2016 on pages 63–67 and that it has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT

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

OPINIONS

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

Stockholm, April 11, 2017

Ernst & Young AB

Andreas Troberg
Authorized Public Accountant

EXECUTIVE MANAGEMENT


Peter Wolpert


Martin Ingman


Kjell Rensfeldt


Anna Ljung


Jeff Vernimb

PETER WOLPERT, CEO and founder, M.Sc. in Engineering, M.Sc in Economics and Business. Born 1969. Has been working for the Group since 2006. Peter Wolpert has more than 15 years' experience as CEO, strategy consultant and entrepreneur and is a Board member of MedUniverse AB, Wolpert Konsult AB and Wolco Invest AB. He was co-founder of Ibility AB and previously held positions as CEO of Athera Biotechnologies and strategy consultant of McKinsey & Co. Shareholding: 435,399 shares through Wolco Invest AB and 125,000 employee stock options (125,000 shares may be subscribed to, based on the employee stock options).

MARTIN INGMAN, VP Sales & Marketing, M.Sc. in Economics and Business. Born 1962. Has been working for the Group since 2008. Martin Ingman has 20 years' experience of executive positions in sales and marketing at Astra AB (publ) (now AstraZeneca), Q-Med AB and Carema Concern AB. Shareholding: 1,100 shares and 60,000 employee stock options (60,000 shares may be subscribed to, based on the employee stock options).

KJELL RENSFELDT, Head of Research and Development and Chief Medical Officer, certified physician, M.Sc. in Business Administration. Born 1957. Has been working for the Group since 2007. Kjell Rensfeldt has more than 15 years of industrial experience from senior positions in Biogen Idec and Q-Med. Dr. Rensfeldt also has ten years' clinical experience and specialist training in urology. Shareholding: 10,000 shares and 100,000 employee stock options (100,000 shares may be subscribed to, based on the employee stock options).

ANNA LJUNG, Chief Financial Officer (CFO), M.Sc. in Economics and Business. Born 1980. Has been working for the Group since 2006. Anna Ljung previously worked as CFO in Athera Biotechnologies AB and Lipopeptide AB and independently as a consultant within technology licensing. Shareholding: 12,000 shares and 80,000 employee stock options (80,000 shares may be subscribed to, based on the employee stock options).

JEFF VERNIMB, General Manager Moberg Pharma North America, B.Sc. Born 1963. Responsible for the Group's North American operations. Has been working for the Group since 2014. Has previous experience of senior executive positions in sales and marketing, and experience of changing prescribed drugs to OTC drugs, both in major companies and smaller entrepreneurial firms, including Pfizer, Novartis, Dynova Labs and Insight Pharmaceuticals. Shareholding: 5,500 shares and 150,000 employee stock options (150,000 shares may be subscribed to, based on the employee stock options).

BOARD OF DIRECTORS


Thomas Eklund


Geert Cauwenbergh


Mattias Klintemar


Torbjörn Koivisto


Wenche Rolfsen


Thomas Thomsen

THOMAS EKLUND Chairman of the Board. Born 1967. Board member since 2015. Thomas Eklund has extensive experience of senior executive positions in the pharmaceuticals industry and as CEO & Head of Europe for Investor Growth Capital AB. He was formerly Investment Director at Alfred Berg ABN AMRO Capital Investment AB and Vice President at Handelsbanken Markets. He is also Chairman of the Board for BoMill AB, Swevet AB, Sedana Medical AB and Itrim Holding AB, and Board member of Swedencare AB (publ), Boules Diagnostics AB, Biotage AB, Circassia AB, Rodebjer Form AB, Memira Holding AB, Excillum Aktiebolag, Neoventa Medical AB, TEDCAP AB and Eklund konsulting AB. Shareholding: 84,957 shares.

GEERT CAUWENBERGH Board member, Ph.D. Born 1954. Board member since 2012. Dr. Cauwenbergh has longstanding experience of the pharmaceutical industry and specific experience of product development and marketing of dermatology products in Europe and the U.S. Dr. Cauwenbergh is Board member and CEO of RXi Pharmaceuticals Corp. (USA), Managing Partner of Phases123 LLC (USA), Director of Phosphagenics (ASX-Australia) and Cutanea Life Sciences (private-USA). He has previously worked as Chairman and CEO of Barrier Therapeutics (U.S.) and held senior executive positions in the Johnson & Johnson Group in the U.S. Shareholding: 0 shares.

MATTIAS KLINTEMAR Board member. Born 1967. Board member since 2015. Mattias Klintemar represents the Baltic Sea Foundation and has longstanding and extensive experience of senior executive positions in the finance and technology sector, including as CEO of Morphic Technologies, CFO of Hexaformer, senior project manager at the investment bank ABG Sundal Collier and auditor at the former Arthur Andersen. He is Chairman of the Board for Dilafor AB and Board member of Cereal Base CEBA Aktiebolag (with assignments in group companies), Phoniro Systems AB (with assignments in group Companies), Klintemar Konsult AB and Borgo Stella AB, as well as alternate Board member of MLJK Konsult AB, Axelar AB and SealFX AB and Chairman of the nomination committee for Lightlab Sweden AB. Shareholding: 3,000 shares.

TORBJÖRN KOIVISTO Board member, LL.M. Born 1969. Board member since 2009. Torbjörn Koivisto is a corporate lawyer focusing on corporate and commercial law. He has previous experience from Mannheimer Swartling, Lindahl and Bird & Bird. He is a Board member for Hemcheck Sweden AB, XSpray Pharma AB (publ), IARU Institutet för Affärsjuridisk Rådgivning i Uppsala AB, Forslid & Co AB and KIBACQ AB, as well as alternate Board member of RCJ Roger Johansson Consulting AB and partner in KOL Arts & Craft HB. He has been running his own business, IARU, since 2006. Shareholding: 5,856 shares via the Group IARU AB.

WENCHE ROLFSEN Board member, Ph.D. Adjunct professor at Uppsala University. Born 1952. Board member since 2010. Wenche Rolfsen has more than 30 years' experience in the pharmaceutical industry and has held senior executive positions in research and development at Pharmacia and was CEO of Quintiles Scandinavia AB. Wenche Rolfsen is the Chairman of the Board for InDex Pharmaceuticals Holding AB (with assignments in group companies) and Sarsia Seed, Norway, as well as Chairman and CEO of Rolfsen Consulting AB. She is a Board member for Smartfish AB, Swedish Match AB, Recipharm AB (publ) and BioArctic AB. Shareholding: 400 shares plus 2,934 shares via the Group Rolfsen Consulting AB. 400 shares through related parties as well as 13,626 allocated employee stock options (27,252 shares may be subscribed to, based on the employee stock options).

THOMAS THOMSEN Board member. Born 1969. Thomas Thomsen has extensive experience of consumer marketing and non-prescription drugs. Has held executive positions at Johnson & Johnson Consumer, Reckitt Benckiser and Novartis and was formerly Board member for Ferrosan (Denmark) and Cederroth (Sweden). Thomas Thomsen is the founder of Value Impact United, and is Chairman of the Board for Walmark a.s. (Czech Republic) and Board member for Symprove (UK), NoA (Norway) and Alkalon (Denmark). Shareholding: Shareholding: 0 shares.

AUDITORS At the Annual General Meeting on April 18, 2011, the auditing firm Ernst & Young AB (Jakobsbergsgatan 24, PO Box 7850, SE-103 99 Stockholm) was appointed as the auditor of the Group. Authorized Public Accountant Andreas Troberg has been the Auditor-in-Charge since fall 2016. Andreas Troberg was born in 1976 and is a member of FAR.

SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Tuesday, May 16, 2017, at 17.00 CET at Moberg Pharma's premises on Gustavslundsvägen 42, 5th floor, Bromma, Stockholm. Shareholders who wish to have an issue addressed by the Annual General Meeting must submit their request by Tuesday, March 28, 2017 by post to the Group's address or e-mail to arsstamma@mobergpharma.se.

To be eligible to participate in the Meeting, shareholders should be registered in the share register maintained by Euroclear Sweden on May 12, 2017. Shareholders whose shares are registered in the name of a nominee must, via the nominee and in good time before this date, temporarily register their shares in their own name in order to be entitled to attend the Meeting.

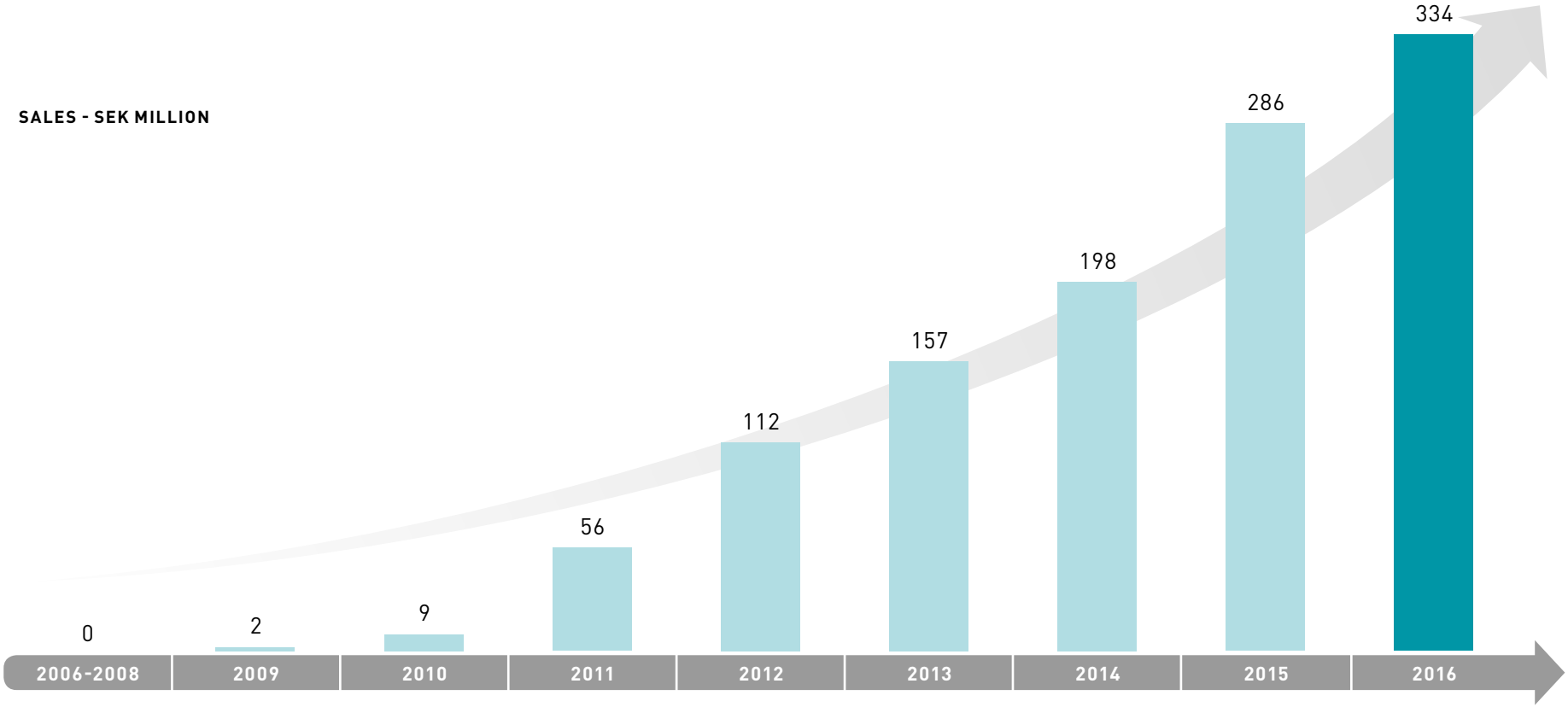
REPORT DATES 2017

Interim report for January – March 2017	May 9, 2017
Interim report for January – June 2017	August 8, 2017
Interim report for January – September 2017	November 13, 2017

FINANCIAL INFORMATION

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

HISTORY – CONTINUOUS SALES GROWTH



2006-2008

Moberg Derma is founded by Peter Wolpert and Marie Moberg

Initiation of clinical phase III for Kerasal Nail®

2009

Distribution agreement signed with Antula (today Meda OTC) regarding Kerasal Nail®

2010

Kerasal Nail® phase 3 clinical trial completed and the product is approved for the Nordic market
– No 1 in the Nordic region after only one quarter

2011

Listing on Nasdaq Stockholm

Continued strong development for Kerasal Nail®, which increases the Nordic market several times over

2012

Kerasal Nail® is successfully launched in 19 markets

Moberg Derma acquires Alterna and gains a direct sales channel in North America

2013

Moberg Derma changes name to Moberg Pharma

Acquisition of product portfolio from Bayer Healthcare

2014

Positive data for MOB-015 phase II study

Acquisition of product candidate from Oracain II ApS

2015

Acquisition of Balmex® from Chattem (Sanofi)

2016

Acquisition of the brands New Skin®, Fiber Choice®, PediaCare® and Dermoplast® from Prestige Brands in the U.S.

Divestment of the brands Jointflex®, Fergon®, Vanquish® and PediaCare®

Start of phase 3 study for MOB-015

Positive data from BUPI phase 2 study

Bond issue and additional tap issues of a total of SEK 600 million

New issue of 2,843,504 shares

GLOSSARY

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

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

DERMATOLOGY
The science of the skin and its diseases.

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

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

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

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

CLINICAL STUDIES
A study of the effects of a pharmaceutical on humans.

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

MYCOLOGY
The study of fungi.

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

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

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

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

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

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