ANNUAL REPORT
2010
MOBERG DERMA

CONTENTS

OBJECTIVES ACHIEVED IN 2010

- Registration and launch of the company's first product, with Emtrix®/Nalox® becoming market leader already in the quarter following the launch
- Distribution agreements entered into with five distributors covering a number of markets
- Reinforcement of the company's patent portfolio
- Start of clinical phase II trials for MOB-015
- SEK 50 million loan facility secured

FOCUS AREAS IN 2011

The key objectives in 2011 are to:

- Support the company's distributors, facilitating continued successful launches of Emtrix® and Kaprolac® in additional markets
- Secure distribution in additional markets
- Complete patient recruitment for the MOB-015 clinical phase II trials
- Identify acquisition candidates in order to expand external growth opportunities
- Secure funding of operations and growth opportunities

2010 IN FIGURES

Net sales	SEK 8.5 million (1.6)
Research and development expenses	SEK 19.0 million (15.7)
Earnings/loss after tax	SEK -31.0 million (-24.2)
Earnings/loss per share	SEK -5.08 (-4.45)

KEY BUSINESS EVENTS IN 2010

APRIL - European marketing authorization (CE mark) obtained for the company's first medical device products, Emtrix® for the treatment of nail diseases and Kaprolac® for the treatment of seborrhoeic dermatitis.

APRIL - Distribution agreement entered into with Medical Futures Inc. for the sales and distribution of Emtrix® in Canada.

APRIL –Board of Directors strengthened with the appointment of Mats Pettersson (new Chairman) and Wenche Rolfsen.

JUNE - Distribution agreement entered into with Pharma Venture MENA for Emtrix® encompassing seven countries in the Middle East.

AUGUST - Distribution agreement entered into with Perrigo-Israel for marketing Emtrix® in Israel.

AUGUST - SEK 50 million loan facility agreement entered into with Sheikh Mohammed H. Al-Amoudi. The credit, which has not been utlized, may be used to fund the company's day-to-day operations.

SEPTEMBER - Emtrix® launched in Nordic region under the brand name Nalox®

NOVEMBER - Distribution agreement entered into with Laboratório Edol – Produtos Farmacêuticos S.A. for marketing Emtrix® in Portugal and ten markets in Africa and Central America.

NOVEMBER - Authorization from The Swedish Medical Products Agency for Moberg Derma to initiate clinical phase II trials on MOB-015.

DECEMBER - Distribution agreement for Switzerland and Liechtenstein entered into with Gebro Pharma AG for Kaprolac® Dandruff Shampoo, Kaprolac® Scalp Solution and Emtrix®.

DECEMBER - The Board of Directors decided to withdraw the planned IPO on NASDAQ OMX Stockholm.

FINANCIAL CALENDAR

ANNUAL GENERAL MEETING
April 12, 2011 at 5 p.m.
Gustavslundsvägen 42, 5 tr, Bromma
at Moberg Derma

INTERIM REPORT Januari – March 2011
to be adopted in May 2011

INTERIM REPORT January – June 2011
to be adopted in August 2011

INTERIM REPORT Januari – September 2011
to be adopted in October 2011

MOBERG DERMA IN A BRIEF

Moberg Derma's business concept is to develop patented topical drugs for treatment of common diseases through the use of innovative drug delivery solutions, in other words technology that improves the bio-availability of pharmaceutical drugs. The company's products are based on proven compounds, reducing time to market, as well as development costs and risk.

THE COMPANY'S FIRST PRODUCTS LAUNCHED IN 2010:

- Emtrix®/Nalox® is a topical treatment for discolored or damaged nails caused by onychomycosis (fungal nail infection) or psoriasis. Following the launch of the product in the fourth quarter 2010, Emtrix®/Nalox® quickly became market leader in the Nordic region. The product's efficacy and safety have been documented showing good results in several clinical trials involving more than 600 patients.
- Kaprolac® is a new product series shown to have good clinical efficacy on several skin conditions, including seborrhoeic dermatitis and dry skin. The products have excellent tolerability and are environmentally friendly.

Moberg Derma was founded in 2006 at the Karolinska Institute and currently has 19 employees/co-workers. The company is owned by the Foundation for Baltic and East European Studies, Bank von Roll, private investors, and the company's management and founders.

- The company has a balanced product portfolio spanning from preclinical and clinical phases to commercialized products. Indication areas include nail diseases, seborrhoeic dermatitis and related problems, atopic dermatitis, actinic keratosis and anal fissures.
- The company is certified under the ISO 13485 quality management standard.
- Moberg Derma owns 16 patents in eight patent families and has acquired licenses for further patent rights.

"Emtrix®/Nalox® became market leader in the Nordic region shortly after product launch"

GOAL

The goal is to develop Moberg Derma into a profitable pharmaceutical company that delivers leading new topical drugs, based on novel patented formulations of proven compounds, to the global market on a regular basis. The company's first product launches in 2010 were important milestones, especially the launch of Emtrix®/Nalox®, which became market leader in the Nordic region shortly after product launch.

"Product development based on proven compounds reduces time to market, as well as development costs and risk"

EMTRIX®/NALOX® – MARKET LEADER IN THE NORDIC REGION

The successful launch of Emtrix® and the start of clinical phase II trials for MOB-015 are two milestones towards the goal of developing Moberg Derma into a growing and profitable international pharmaceutical company with leading products in dermatology and other disease areas.

2010 was a very eventful year, during which the company evolved from a product development company into a growth company with a strong focus on sales. The organization has been strengthened through the recruitment of key individuals in marketing, project management, manufacturing, production, quality assurance and regulatory affairs. The company's strategic focus remains the same – to develop products with unique medical benefits by developing patented formulations of proven compounds.

EMTRIX®/NALOX® IS MARKET LEADER IN THE NORDIC REGION

Emtrix®/Nalox® quickly became market leader in the Nordic region in the quarter after the product launch and is sold via major pharmacy chains. The company received marketing authorization in spring 2010 and the product was launched by Antula in the Nordic region under the brand name Nalox®. In addition to careful consumer research, the launch involved intensive marketing activities targeting pharmacy chains and a successful advertising campaign aimed at the end consumer, resulting in sales that have far exceeded expectations. Demand continues to be strong in 2011 and the order volume from Antula surpassed our expectations significantly.

"Already in the first quarter after launch, Emtrix®/Nalox® became the market leader in the Nordic region"

In February 2011 we presented the results of another clinical trial, providing further evidence of the fast, visible improvements achieved with Emtrix® in patients with fungal nail infections. 92 percent of patients reported an improvement after eight weeks and 77 percent already after two weeks. The rapid effect is a unique competitive advantage for the product, which has now been well documented in several clinical trials.

Launches in additional markets are being planned, starting in the second quarter of this year. We also expect to enter into agreements with additional partners and distributors in 2011. It should be noted, however, that new distributors normally have more cautious launch strategies than that of our Nordic

distributor, and we therefore do not expect volume growth to be as rapid as in the Nordic region. The rapid sales growth will enable us, from mid-2011, to achieve volumes that create economies of scale in production and thus improve the gross margin for Emtrix®.

Kaprolac® Dandruff Shampoo and Dandruff Solution have been available for some time at select premium hairdressers and online stores in Sweden, however, volumes are relatively limited. We have also entered into an agreement with our distributor in Switzerland, where Kaprolac® will be sold through pharmacies.

MOB-015 IN PHASE II AND NEW PATENT APPLICATIONS

Our development portfolio progressed very positively in 2010, with projects advancing and several value-increasing milestones being passed. The company also strengthened its patent portfolio through three new patent applications.

A key milestone in 2010 was the start of a major clinical phase II trial for MOB-015. Recruitment of patients for the study is proceeding according to plan, and we expect to have enrolled the full 250 patients by the end of the second quarter 2011. As the patients will be monitored for twelve months, we expect to have a complete set of data after summer 2012.

Other projects in brief:

- Limtop has been prioritized and has advanced faster than projected. Provided the remaining preclinical tests prove successful, we plan on submitting a clinical trial application in 2011.
- Due to resource priorities, the A-Fizz® project has been advancing at a slightly slower pace. It is expected to enter a clinical phase in 2012.
- A CE application for Kaprolac® Skin Repair & Hydration was submitted in 2010, as planned.

The company's regulatory strategy comprises drugs, medical device and cosmetic products. This enables the company to achieve a balanced portfolio comprising products that can reach the market quickly and drug projects that offer strong potential returns in the longer term.

"A key milestone in 2010 was the start of a major clinical phase II trial for MOB-015"

New results from the development side of the business have provided a basis for three new patent applications that will further strengthen the company's intangible assets and create a potential for entirely new products as well as patented product improvements.

OUR STRATEGY REMAINS THE SAME

Moberg Derma's strategic model is based on the following cornerstones:

- A commercial product focus aimed at specific patient needs.
- Product development based on proven compounds, which reduces time to market, development costs and risk compared to traditional drug development.
- A regulatory strategy comprising drugs as well as products classified as medical device and cosmetic products.
- "Search and develop" – combining internal discoveries with technologies and product opportunities from external researchers and companies.
- Out-licensing of products and projects at a stage of the development where commercial value can be maximized relative to investment and risk.
- A small internal team with strong managerial capacity and expertise working in close collaboration with select external partners and world-leading experts.
- Expansion through acquisitions of businesses, products and projects.

I am confident that this model gives us a stable platform for growth and profitability. In a short space of time we have taken unique products to the market, and are now working closely with our distributors to boost sales growth and support launches in new markets. We are also working on adding value to and strengthening our development portfolio, which accounts for a large share of the company's value potential.

When we founded Moberg Derma the company had two patent families with relatively short patent terms. Through acquisitions and new inventions, we have strengthened the portfolio, which now comprises eight patent families, for which additional applications, if successful, would offer patent protection until 2024–2032.

> "Projects with high potential returns and lower risk than traditional drug development"

In December the company withdrew the proposed listing and initial public offering of the company on NASDAQ OMX. However, funding of operations has been secured until June 2012 through a SEK 50 million loan agreement with Mohammed Al-Amoudi, concluded in the autumn. The loan facility has not yet been used, as the Board intends to assess alternative funding arrangements over a period of time.

I would like to express a warm thank you to our employees, board members, owners and partners for their strong commitment and contributions to Moberg Derma. Without your hard work, we would not have managed to get this far. In 2010, we took major steps forward, which have strengthened my conviction that we will be able to achieve our goals.

PETER WOLPERT, CEO

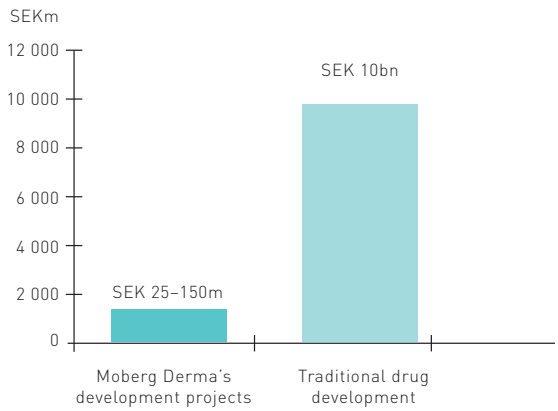
COMMERCIALISATION OF INNOVATIVE PRODUCTS

Moberg Derma develops products for a global market. The company's operations comprise product development, manufacturing, business development and sales. The business model is based on sales through distributors and partners. Accordingly, the company's revenue streams consist of product sales to distributors and license revenue from partners.

PRODUCT DEVELOPMENT BASED ON PROVEN COMPOUNDS

Moberg Derma develops pharmaceutical drugs as well as medical device and cosmetic products. The common denominator for all the company's products is that their benefits are assessed and documented in clinical trials. The company develops new and improved formulations of proven compounds, namely compounds that have already been approved for pharmaceutical use in existing products. As development is based on proven compounds, existing documented can be used. This strategy cuts time to market as well as costs and development risk.

DEVELOPMENT COSTS FOR REGISTRATION OF MOBERG DERMA'S PROJECTS COMPARED TO TRADITIONAL DRUG DEVELOPMENT



The time to market is reduced partly by the fact that certain trials are less extensive or because projects, thanks to existing documentation on the compounds, can often proceed directly to clinical phase II. The company is working on topical preparations that mainly have a local effect. This simplifies development projects compared to oral preparations, which can affect many organs in the body.

THE ROAD TO REGISTRATION.

Moberg Derma's drug development based on proven compounds and topical treatment
Development time approx. 5–8 years

Drug development based on new compounds
Development time approx. 12–13 years[1]

[1] The Swedish Life Science Organization

Patient need and concept – Moberg Derma's development activities are based on extensive insight into a pressing medical need and inadequacies in existing treatments, such as insufficient efficacy, significant side effects, complex treatment or long treatment times.

Focusing on market needs, the company develops a medical and pharmaceutical concept for improved products based on Moberg Derma's profound expertise in pharmacology and formulation technology, especially in technologies which enhance drug application and absorption through the skin. In close collaboration with technical, medical and commercial professionals a target profile for the company's development activities is defined.

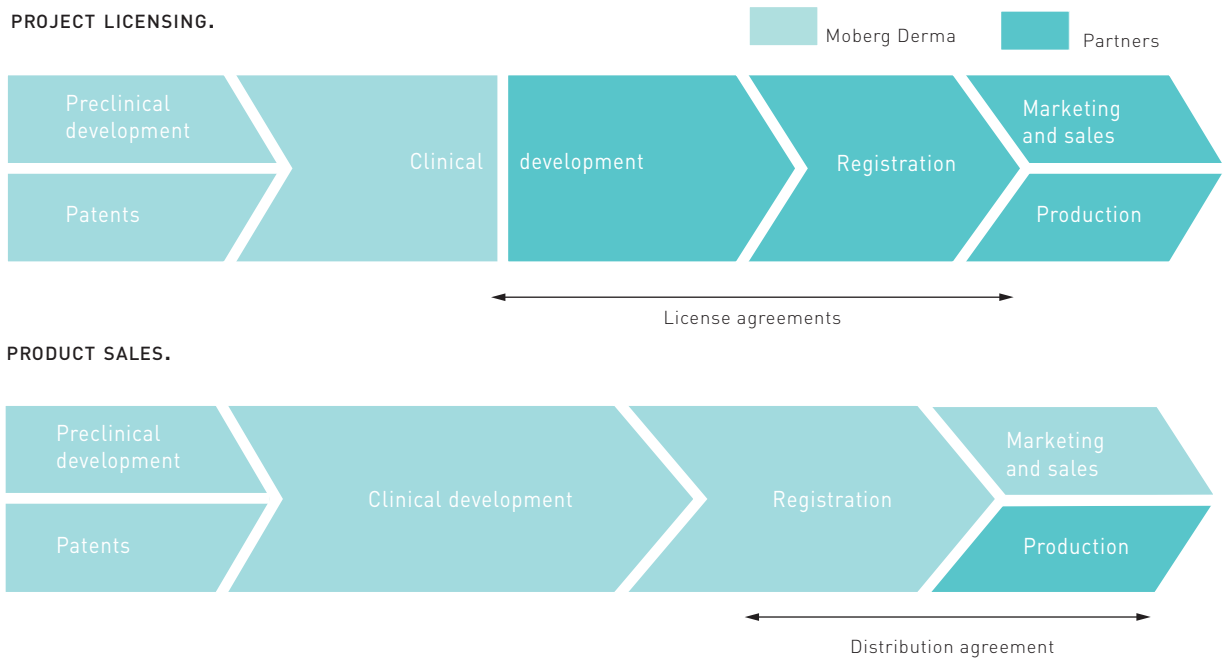
The company is continuously searching for new concepts and technologies from external researchers and companies which complement internal ideas – "search and develop" instead of "research and develop". This strategy means that Moberg Derma avoids the costly and time-consuming preclinical research phase and the higher development risk involved in traditional drug development.

Preclinical development – The activities are conducted in project form with an emphasis on pharmaceutical development, i.e. on developing and testing an optimal dosage form, which delivers the active compound to the right place in the skin or the rest of the body. The goal of this phase is to develop a product candidate based on the target profile that can be tested and documented in the clinical development phase.

Patent – Alongside the preclinical development activities, and in close collaboration with external patent agents, the company refines its patent strategy. Data and assessments are produced to assess patentability and avoid infringement of existing patents. When the final product candidate has been defined further patent applications may be submitted in some cases.

"Innovative formulations or combinations of proven compounds reduce development risk and cut time to market"

Clinical development – The purpose of clinical development is to generate documentation showing the efficacy and safety of the product candidate. Existing documentation can be used for proven compounds, which normally reduces the number and scope of the trials that need to be conducted. This has a crucial impact on the difference in development time and cost (see the diagram on the preceding page). The company's clinical strategy is designed in close collaboration with medical specialists in each disease area. The execution of the trials are normally outsourced to contract research companies, although Moberg Derma always retains control over strategic decisions and general project management.



Registration – To obtain marketing authorization, applications for registration are submitted to relevant drug regulators, such as the FDA (USA), EMA (EU) and Medical Products Agency (Sweden). Applications for registration of proven compounds are less extensive, as existing documentation on the compounds can be cited.

Environmental concerns – The company works actively to take environmental concerns into consideration. Several of the company's products stand out from an environmental perspective, as they are bio-degradable and free from preservatives, colorants and fragrance. Kaprolac® Dandruff Shampoo and Dandruff Solution, for example, have received the Nordic Ecolabel.

Areas of expertise – The company's expertise covers the entire development chain, from preclinical development, formulation and clinical development to registration and sales. Moberg Derma engages external experts and contract laboratories in product development.

PRODUCTION

Moberg Derma's products are produced by contract manufacturers. The company has in-house expertise in production and product supply. The company develops and owns its production methods and is responsible for technology transfer to contract manufacturers, where production is scaled up in collaboration between Moberg Derma and the contract manufacturer's experts.

BUSINESS MODEL, SALES AND MARKETING

Moberg Derma's business model is designed to optimize the value of the company's product and project portfolio. Each product and project is driven to a stage of the development at which the company deems that commercial value can be maximized relative to investment and risk. In practice, this means that rights to projects are normally outlicensed from the time when the results of phase II are ready until the time when the product is registered in the market. The business model results in two revenue models – product sales and project licensing – depending on whether responsibility for the manufacture of the finished product rests with Moberg Derma or not.

Revenue model: product sales – In the case of product sales, Moberg Derma is responsible for the manufacture and delivery of the finished product. Moberg Derma's selling price is either fixed upon conclusion of the contract or remains variable, in which case it is linked to the distributor's selling price. In the company's current portfolio this revenue model is used for Emtrix® and the Kaprolac® series.

Revenue model: project licensing – In project outlicensing Moberg Derma runs the development process until key value-raising milestones have been reached and then outlicenses the rights to other parties, normally based on efficacy data from phase II. Moberg Derma also licenses rights to pharmaceutical companies with established marketing channels, which take over responsibility for the remaining activities up to and including registration, marketing and sales of the finished product. Revenues comprise milestone payments and royalties on the licensee's sales.

STRATEGIC PARTNERSHIPS AND BUSINESS DEVELOPMENT

Strategic partnerships throughout the value chain are crucial for Moberg Derma, both during the concept and product development stages and at the commercialization stage. The company seeks to achieve a balance between projects which are developed internally up to marketing authorization and projects which are outlicensed to and developed in collaboration with business partners. For projects outlicensed to other parties the strategy is to retain certain marketing rights. Since the start in 2006 the company's management has attached great importance to developing a global network of companies and experts in dermatology, and the company currently has several ongoing partnerships.

A FRAGMENTED MARKET IN WHICH SELF CARE ACCOUNTS FOR A GROWING SHARE

The characteristics of the dermatology market allow for specialized players to create global value.

THE MARKET FOR DERMATOLOGICAL DRUGS

The market for dermatological drugs, both prescription and non-prescription drugs, was estimated at $20 billion in 2010. The segment accounts for about three percent of the total pharmaceutical market and comprises only a limited number of products with annual sales of over $250 million. Prescription drugs are prescribed by general practitioners and dermatologists (skin specialists). Over-the-counter products are used for self care and are sold mainly at pharmacies but also in supermarkets and by dermatologists and podiatrists.

Dermatological drugs are used chiefly for indication areas such as infections (mainly fungal infections), eczema, acne, psoriasis and sun damage.

The market is fragmented and the few major multinational pharmaceutical companies operating in the segment include Merck, Novartis and GSK/Stiefel Laboratories. In addition to these, there are a number of medium-sized pharmaceutical companies such as Galderma, Almirall, Astellas, Intendis, Meda, Nycomed and Graceway Pharmaceuticals, as well as regional dermatology companies.

MAJOR NEED FOR NEW PRODUCTS

The dermatology market is dominated by older products, including steroids and antifungal drugs. Due to the few new dermatological drugs that have been launched in the last few years there is a major need for new drugs and treatment methods. New products are being developed in several indication areas but most are in the early clinical phase.

"Due to the few new dermatological drugs that have been launched in the last few years there is a major need for new drugs and treatment methods"

SELF CARE – A GROWING TREND

A growing trend is that patients are becoming increasingly well informed and selecting the treatment for simpler symptoms themselves to a greater extent. This trend is creating a growing market for self-care products with a medical profile. We believe a growing share of dermatological products will be sold without subsidies and that the over-the-counter market is set to grow in the coming years. Moberg Derma is well positioned to capitalize on this trend, as several of the company's products have significant potential for over-the-counter sales.

AN AGEING POPULATION AND NEW HABITS

Many diseases, including fungal nail infections, have a positive correlation with age. This means that disease prevalence increases in line with the ageing of the population. The same applies to many diseases that are related to exposure to ultra-violet radiation. Changing habits relating to increased exposure to the sun raise the risk of contracting skin diseases such as actinic keratosis.

"An ongoing process of extensive consolidation and structural transformation is creating interesting business opportunities"

CONSOLIDATION IN THE INDUSTRY

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

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

FIRST PRODUCTS LAUNCHED IN 2010

Moberg Derma develops and commercializes innovative medical products for topical treatment of common diseases. Launch of products for treating nail damage caused by onychomycosis or psoriasis, and dandruff has recently been initiated. The company has pharmaceutical projects in development phase within the indications onychomycosis, anal fissures, actinic keratosis, basal-cell carcinoma and genital warts and atopic eczema.

The company has a balanced product and project portfolio covering projects in preclinical development to marketed products. The portfolio includes pharmaceuticals, medical device and cosmetic products. These are presented on the following pages.

PATENT PORTFOLIO

Moberg Derma pursues an active patent and brand strategy aimed at securing intellectual property rights for its products. The company owns 16 granted patents in eight patent families and has inlicensed additional patent rights. New development findings in 2010 have provided a basis for three new patent applications that will further strengthen the company's intangible assets and create a potential for entirely new products as well as patented product improvements.

For each product and project news searches are performed repeatedly to establish a basis for assessments of patentability and freedom-to-operate (independently of patents held by other parties). In addition to internal resources, the company engages prominent international patent attorneys for patent application, maintenance and defense.

PRODUCT	INDICATION	CLASS	STATUS
EMTRIX® /NALOX®	Nail damage caused by onychomycosis or psoriasis	Medica Device (CE-marked)	Launched in the Nordics in 2010. Distribution agreements with eight partners
KAPROLAC®	Five products for various types of skin conditions, e.g. dry skin, eczema and scalp conditions	Medical Devices/ Cosmetics	Launched in Sweden in 2010. Distribution agreements with two partners
PROJECT	**INDICATION**	**CLASS**	**STATUS**
MOB-015	Onychomycosis	Pharmaceuticals	Clinical phase II
LIMTOP	Actinic Keratosis (sun damage)	Pharmaceuticals	Preclinical phase
A-FIZZ®	Anal fissures	Pharmaceuticals	Preclinical phase

EMTRIX®/NALOX® – A NEW WAY OF TREATING NAIL DISEASES

Fungal nail disease or onychomycosis is the most common disease of the nails, with over 100 million patients in the western world. Emtrix® gives these patients access to a new treatment alternative that offers significant benefits, as shown in several clinical trials involving more than 600 patients. Launch began in the Nordic region in autumn 2010.

Emtrix® is a topical treatment for nails that have been discolored or damaged by onychomycosis (nail fungus) or nail psoriasis. Efficacy and safety have been documented, demonstrating good results in a comparative clinical study involving 493 patients and in a number of smaller studies. Emtrix® produces visible improvements in as little as two to four weeks

"Fast-acting – visible improvement in two to four weeks"

SUCCESSFUL LAUNCH IN NORDIC REGION

Emtrix® was launched in autumn 2010 in Sweden, Norway, Denmark and Finland under the Nalox® brand and will be launched in additional markets in 2011.

The Nordic launch has far exceeded expectations. The product is now available at most pharmacies in the Nordic countries.

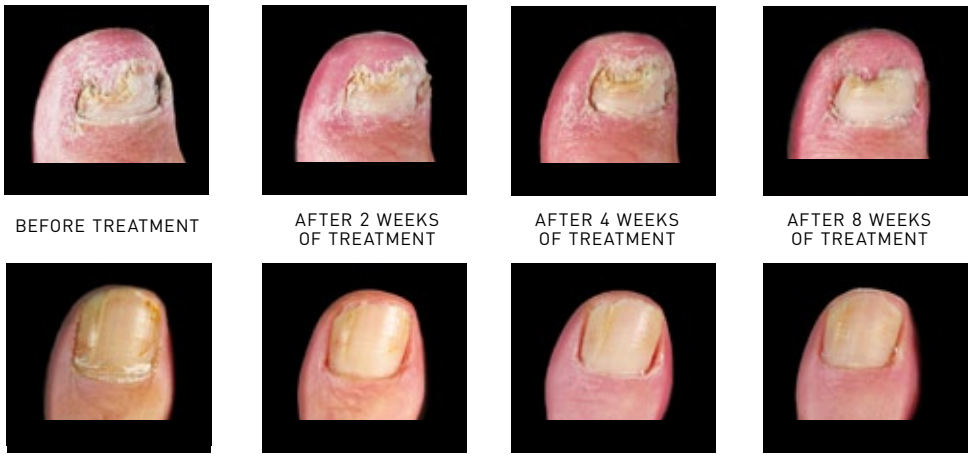
Sales data from the pharmacy chains show that Emtrix®/Nalox® now is the clear market leader in the Nordic countries. The launch, which, in addition to careful consumer research involved intensive marketing activities aimed at the pharmacy chains and a successful advertising campaign aimed at the end consumer, has resulted in sales that have far exceeded expectations.

"Market leader in the Nordic region since the fourth quarter of 2010"

The product quickly overtook the previous market leader, Loceryl, in the fourth quarter and has seen very strong demand from pharmacies in Finland, Norway and Sweden.

DISTRIBUTOR	TERRITORIES	PLANNED LAUNCH
Antula Healthcare AB	Nordic countries	Launched in autumn 2010
Medical Futures Inc.	Canada	2011
Gerbo Pharma AG	Switzerland ocand Lichenstein	2011
Perrigo Company	Israel	2011
Laboratorio EDOL Produtos Farmaceuticos S.A	Portugal and certain countries in Central America, Africa och Caribbean	2011
Pharma Ventures MENA FZE	Middle East	2012
A.G. Farma S.A	Spain	2011
HairXpertise Ltd.	UK	2011

EFFECT OF EMTRIX® AFTER 2, 4 AND 8 WEEKS.



BEFORE TREATMENT | AFTER 2 WEEKS OF TREATMENT | AFTER 4 WEEKS OF TREATMENT | AFTER 8 WEEKS OF TREATMENT

PHOTOS FROM A CLINICAL STUDY IN 2010.

Emtrix® is registered as a medical device product, which means that the company is authorized to market the product in the EU/EEA. Moberg Derma currently has eight distributors for Emtrix® and is aiming to conclude additional distribution agreements in 2011.

THE MARKET FOR TREATMENT OF ONYCHOMYCOSIS AND NAIL PSORIASIS

The total market for onychomycosis is estimated to be worth more than $1.4 billion. Onychomycosis is a common and contagious disease with an estimated prevalence of about ten percent. Among over 50s the prevalence is estimated to exceed 25 percent. The prevalence of psoriasis varies significantly across the world, with estimates ranging from 2–4 percent in northern Europe, 1–2 percent in the United States and significantly lower figures in Asia. About 40 percent of all patients with psoriasis experience changes in the appearance of their nails.

"Onychomycosis is contagious and affects about ten percent of the population. The prevalence increases with age – from age 50 about 25 percent are affected"

INDICATION AND PATIENT NEEDS

Onychomycosis is a refractory disease and the treatment period is often long, as it takes months for a healthy nail to grow out. Onychomycosis is normally caused by dermatophytes, primarily *Trichophyton rubrum*. The fungal infection can affect toenails as well as fingernails and the main symptoms are a thickening and discoloration of the nails. The existing treatment alternatives for onychomycosis are terbinafine or itraconazole in tablet form, or topical treatment using amorolfine or ciclopirox in a nail lacquer form. Tablet treatment is relatively effective, but involves the risk of severe adverse reactions, such as gastric and liver problems and negative interaction with other drugs. Topical treatments have previously been considered to have a limited efficacy and require that the patient spend several minutes filing away old nail lacquer prior to each treatment. There is a need for a new effective topical treatment that has a favorable side effect profile and is easy to administer.

CLINICAL DATA

The company has previously conducted several clinical trials which show that Emtrix® has a good effect and side effect profile. In 2008 a clinical phase III study was conducted which showed that significantly more patients had had their fungal infection cured after six months of treatment with Emtrix® compared with patients receiving placebo. The primary effect variable in the study was mycological cure, which means that fungal culture and microscopy must be negative. Patients' subjective evaluation of the treatment effect also showed a clear advantage for Emtrix®.

In autumn 2010 a clinical study was conducted on 75 patients with onychomycosis to further document the product's efficacy with a focus on the rapid onset observed in previous trials. The study showed that 92 percent of patients experienced an improvement after eight weeks of treatment. Already after two weeks an improvement was seen in 77 percent of patients

"92 percent of patients treated with Emtrix® experienced an improvement"

KAPROLAC® – MEDICAL SKIN CARE FOR PATIENTS AND THE ENVIRONMENT

Kaprolac® is a medical skin care series for treatment of common skin conditions such as eczema, dandruff problems, cracked and dry skin. Kaprolac® is an environmentally friendly treatment with a good efficacy and favorable side effect profile. The launch of the first Kaprolac® products began in Sweden in autumn 2010.

Moberg Derma has developed a series of medical skin care products that are based on many years of research by Swedish dermatologists. The products consist of proven compounds in a patented combination that has demonstrated a high level of efficacy in several common and difficult skin conditions. Kaprolac® products are free from preservatives, perfume and color. The series includes products for treating eczema, dandruff problems, and cracked and dry skin.

CLINICAL RESULTS

The special composition of Kaprolac® has been shown to have a good efficacy and a favorable side effect profile in six clinical trials involving more than 400 patients. Kaprolac® has better cosmetic properties than many competing products. For example the Kaprolac® dandruff treatment softens and moisturizes the hair, rather than leaving it dry and brittle which may occur after use of shampoo containing ketoconazole, the most widely used substance in medical treatments for dandruff. In clinical studies Kaprolac® Skin Repair & Hydration has been shown to have an effect on eczema within one week. The product showed a better ability to strengthen the skin barrier and hydrating the skin the comparator which was a pharmaceutical cream. The results were obtained using objective and well established endpoints.

"In clinical studies Kaprolac® Skin Repair & Hydration has been shown to have an effect on dry and damaged skin within one week"

LAUNCH INITIATED IN 2010

Initially Moberg Derma's dandruff products are being sold in Sweden through a distributor, Detox Scandinavia AB, which primarily sells to high-profile hairdressing salons. Following the launch in September 2010, the product is now available from 50 high-profile hairdressing salons and from online stores in Sweden. Gebro Pharma AG is planning to start selling Kaprolac® through pharmacies in Switzerland and Liechtenstein in autumn 2011.

"The first eco-labeled dandruff shampoo in the market"

DISTRIBUTOR	TERRITORIES	LAUNCH
Detox Scandinavia AB	Sweden	Autumn 2010
Gebro Pharma AG	Switzerland and Lichtenstein	2011

WE LOVE DANDRUFF

Most people would say the very opposite. And for many dandruff can come back at any time. Now there is a solution with a clinically documented effect that has been developed by a Swedish dermatologist.

The solution prevents dandruff from forming and has a moisturizing and descaling effect on the scalp. The result is hair that feels fresh and a scalp that no longer feels tight.

Kaprolac Dandruff Solution and Kaprolac Dandruff Shampoo carry the Nordic Ecolabel and are so clean that you can flush away the residue in the shower and say goodbye to dandruff for good.

MILJÖMÄRKT

AD FOR KAPROLAC®
PUBLISHED IN 2010.

MOB-015 – THE FUTURE MARKET LEADER IN ONYCHOMYCOSIS

MOB-015 has the potential to become the first topical preparation that is capable of producing equivalent or better efficacy than tablet treatment – without the risk of serious side effects. MOB-015 is based on a patentpending formulation technology that facilitates high concentrations of the antifungal agent terbinafine through the nail. A clinical phase II study is currently underway.

MOB-015 is a topical formulation of terbinafine for treatment of onychomycosis. The company's patent-pending formulation technology enables high concentrations of the antifungal agent terbinafine to pass into and through the nail tissue. The high concentration of terbinafine combined with the keratolytic and softening effect, which has been shown to be so effective in Emtrix®, makes it possible to achieve better efficacy than with competing products.

"The goal is for MOB-015 to become come tomorrow's market leader in onychomycosis"

INDICATION AND PATIENT NEEDS

Onychomycosis is a refractory disease and the treatment period is often long, as it takes months for a healthy nail to grow out. Onychomycosis is normally caused by dermatophytes, primarily *Trichophyton rubrum* and *Trichophyton mentagrophytes.* The fungal infection can affect toenails as well as fingernails and the main symptoms are a thickening and discoloration of the nails. The existing treatment alternatives for onychomycosis are terbinafine or itraconazole in tablet form, or topical treatment using amorolfine or ciclopiros in a nail lacquer form.

Tablet treatment is relatively effective, but involves the risk of severe adverse reactions, such as gastric and liver problems and interaction with other drugs. As topical treatments have previously been considered to have a limited efficacy, there is a need for a topical treatment which combines efficacy with a favorable side effect profile.

"MOB-015 is based on a combination of the technology behind Emtrix® and a new drug delivery technology. The aim is to achieve faster visible improvement and significantly better effect than competing topical products"

THE MARKET FOR TREATMENT OF ONYCHOMYCOSIS

The total market for onychomycosis is estimated to be worth more than $1.4 billion. Onychomycosis is a common and contagious disease with an estimated prevalence of about 10 percent. Among over 50s the prevalence is thought to exceed 25 percent.

STATUS AND PRECLINICAL RESULTS

In preclinical studies on human nails MOB-015 achieves concentrations of terbinafine in the nail that are one thousand times higher than what has been measured in tablet treatment.

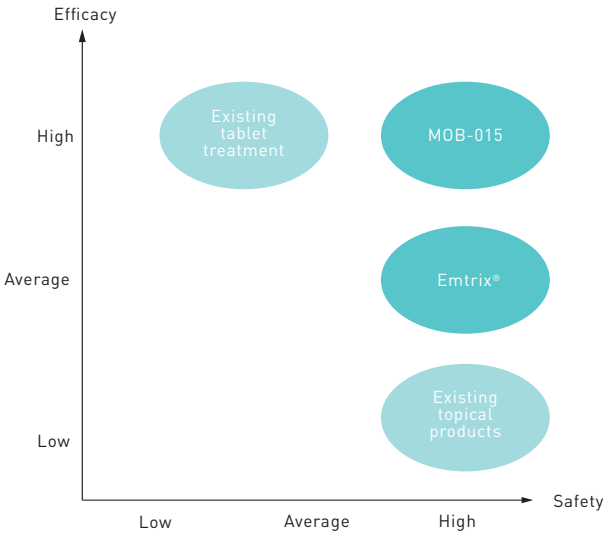
As tablet treatment is effective, the chance of a high clinical efficacy for MOB-015 is deemed to be very good.

In November 2010 Moberg Derma initiated a clinical phase II study which is planned to involve 250 patients who will be monitored for a period of 12 months. The study is aimed at evaluating three-month and nine-month treatment with MOB-015 to obtain clinical confirmation of the product concept and provide guidance prior to clinical phase III studies.

> "In preclinical trials MOB-015 has achieved concentrations of terbinafine in the nail that are one thousand times higher than with tablet treatment"

Data from the clinical phase II study will be compared with the efficacy data for tablet treatment with terbinafine as well as data for other topical products. The primary objective of the study is to demonstrate a higher healing frequency than for existing topical products. The preclinical results indicate that MOB-015 has the potential to produce equivalent or better results than tablet treatment. Provided that this can be achieved, there is a potential that MOB-015 could be the first line treatment in a market that is currently dominated by tablet treatments.

TARGET PROFILE FOR MOB-015 COMPARED WITH COMPETITORS



LIMTOP – CARCINOGENIC SUN DAMAGE IS BECOMING INCREASINGLY COMMON

Limtop has been shown to have 50 times greater capacity than existing preparations to transport the active compound to the target site in the skin. The aim is to develop a product with a short treatment time and decreased side effect compared to current treatments.

Limtop is a topical treatment for actinic keratosis (or solar keratosis) and may also be developed for the treatment of genital warts and basal-cell carcinoma. Limtop is an innovative formulation of imiquimod that offers significant advantages over existing preparations.

"The technology may enable a treatment with a considerably shorter treatment time, fewer side effects and improved efficacy"

INDICATION AND PATIENT NEEDS

The company has chosen the largest indication area, actinic keratosis, as the first indication for Limtop.

Actinic keratosis is a type of sun damage characterized by a thickening of the cornified layer of the epidermis. The condition has become increasingly common due to changing lifestyles over the past decades and increased exposure to strong sunlight. Actinic keratosis can develop into squamous-cell carcinoma and should therefore be treated.

There is a strong need for improved products with a better side effect profile and shorter treatment time. Side effects comprise severe local skin reactions (sores, inflammation and pain) among a large proportion of patients and systemic side effects with influenza-like symptoms. The use of imiquimod on sensitive areas of skin such as genital warts is also significantly limited by the side effect profile of the currently available products.

THE MARKET FOR TREATMENT OF ACTINIC KERATOSIS

The market for treatment of actinic keratosis, basal-cell carcinoma and genital warts is estimated to be worth more than $700 million. With sales of $430 million in the United States and Europe in 2009, imiquimod is the market-leading substance for treatment of actinic keratosis.

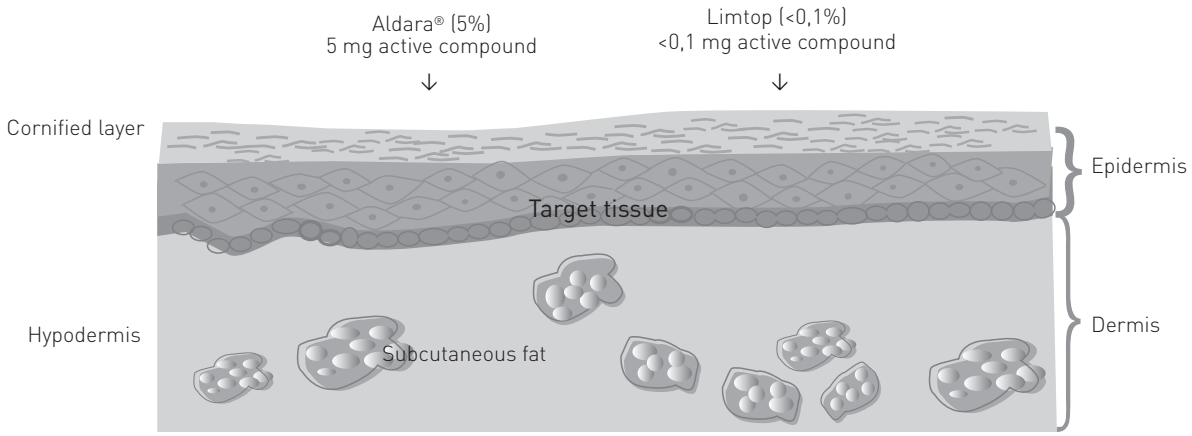
The prevalence of actinic keratosis varies from one country to another, as fair-skinned individuals are affected to a greater extent. Among populations in the northern hemisphere the prevalence is reported to be 11–25 percent. Actinic keratosis is most frequent among the older population and among men.

Imiquimod is also used in treatment of basal-cell carcinoma and genital warts. Over one million cases of basal-cell carcinoma are reported each year in the US and EU, with men accounting for a larger share. For the genital warts segment an incidence of 0.2–0.4 percent per year is reported.

COMPETITIVE SITUATION

Current treatments, of which imiquimod is the leading substance, mainly comprise of topical creams containing active compounds which activate the body's immune system and repel the damaged skin layers. Mechanical procedures such as scraping or freezing as well as photodynamic therapy are also used. Currently Aldara® (five percent imiquimod) is the leading product for actinic keratosis.

COMPARSION BETWEEN LIMTOP OCH ALDARA®.



Concentration/amount of Limtop ans Aldara, respectively, wich needs to be applied to the skin to achieve the same amount of the active compound in the target tissue.

COMPETITIVE ADVANTAGE

In preclinical trials the patent-pending formulation in Limtop has been shown to have significantly better penetration properties than Aldara®, the main competing preparation, enabling a more precise administration of the active compound (see illustration above).

Moberg Derma's preclinical results show that Limtop transports the equivalent amount of the active compound to the target (the basal layer of the epidermis), although a much lower concentration of the active compound is used in Limtop. As the thickness and status of the skin barrier varies, the amount of the active compound reaching the target tissue in treatments with Aldara® can vary significantly.

In theory, the administered amount can vary from 0 to 5 mg when using Aldara®, while use of Limtop limits the variation to 0 to 0.1 mg, as Limtop is administered in significantly lower concentrations than Aldara®.

The company's researchers and scientific advisors believe the reduced variation could have very significant clinical importance. Greater precision makes it possible to administer a higher dose with a lower variation and thus avoid underdosing and overdosing. The technology can lead to a treatment with a considerably shorter treatment period, fewer side effects and an equivalent or improved effect.

"Through improved precision, Limtop can enable treatment with a considerably shorter treatment time, fewer side effects and an equivalent or improved effect"

STATUS AND PRECLINICAL RESULTS

The project is at preclinical stage. The company has conducted comparative in vitro experiments which show that Limtop has a significantly better ability to transport imiquimod through the barrier in the epidermis than Aldara®. The improved penetration enables the delivery of a more precise dose to the target tissue, which increase the requirements to provide a effective and safe treatment.

A-FIZZ® – POTENTIAL TO CURE PAINFUL ANAL FISSURES

A-Fizz® is a topical treatment for anal fissures based on a patent-pending formulation and a novel use of calcium antagonists. The goal is to be able to offer a treatment which relieves the pain and promotes healing, which could reduce the number of patients requiring operation.

A-Fizz® is a topical treatment for anal fissures based on an innovative formulation and a novel use of calcium antagonists. Calcium antagonists have been used in tablet form since the 1970s in connection with heart disease, especially for treating high blood pressure, and works by relaxing the smooth musculature. In heart disease the aim is to relax the vascular smooth musculature, thereby widening the blood vessels and lowering the blood pressure. A-Fizz® uses the same mechanism of action, except that the drug is administered locally as an ointment, relaxes the smooth musculature of the anal sphincter muscle which has been shown to play a key role in treatment of anal fissures.

INDICATION AND PATIENT NEEDS

An anal fissure is a crack in the skin in the anus. The underlying causes for anal fissures are not fully understood, but the problem is often associated with constipation and can arise in connection with childbirth or repeated use of laxatives. A cause of the condition is reduced blood flow to the skin in the anus due to cramps in the sphincter muscle. Muscle tenseness reduces the blood flow to the skin, preventing the damage from healing. Anal fissures that do not heal within six weeks are considered chronic.

> "There are currently no treatments with a documented effect of healing anal fissures. New drugs are therefore needed that can reduce the need for surgery"

Anal fissures are often very painful, which distinguishes them from hemorrhoids. The disease is common and occurs at all ages, in particular afflicting young and middle-aged individuals. Current treatment focuses on reducing pain and relaxing the tense sphincter muscle. Treatment alternatives are however limited. Surgery is often used in serious cases to expand the tense musculature, resulting in a risk of incontinence. Treatment with Botox that temporarily paralyzes the muscle has shown promising results but is an expensive procedure only performed at a small number of specialist centers. Topical nitrate preparations provide pain relief but have been shown to cause side effects – some 50 percent of patients experience headaches. There is a clear need for a simple topical treatment that patients can apply

themselves and relieve pain without any palpable side effects.

THE MARKET FOR TREATMENT OF ANAL FISSURES

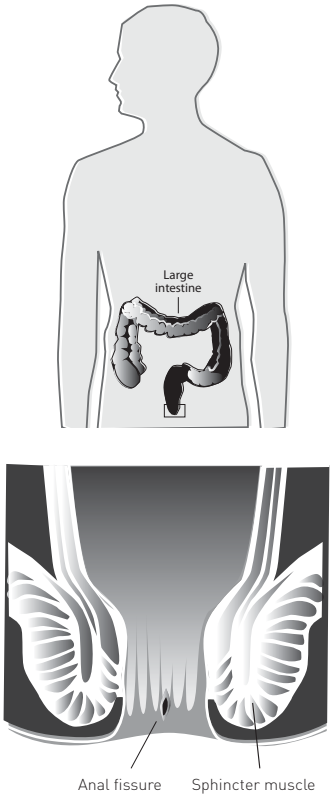
The market is estimated at $100–200 million but is undeveloped, with limited access to epidemiological data. The incidence is estimated at 1–2 million patients per year in the EU, US and Japan with a considerable medical need for which there are currently no good treatments.

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

STATUS AND PRECLINICAL RESULTS

A-Fizz® has been developed in collaboration between specialist physicians at Universitetssjukhuset MAS, a hospital in Malmö, and the company's formulation experts. In preclinical models A-Fizz® has been shown to have very good penetration; up to 30 times the amount of the active compound is transported through the skin compared with a standard ointment with Vaseline. The project is in the preclinical phase.

ILLUSTRATION OF ANUS AND SURROUNDING SPHINCTER MUSCLE.



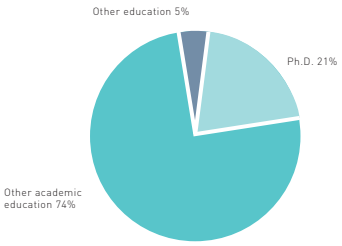
A SMALL INTERNAL TEAM WITH STRONG MANAGEMENT CAPACITY

The company currently has 19 employees/co-workers, of whom 13 are employees and the rest work as consultants on a contractual basis. The company also engages scientific advisors, specialists and contract research organizations to bring in additional expertise and capacity.

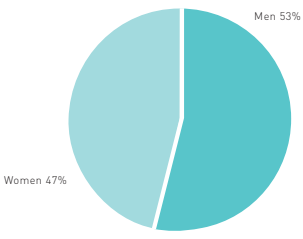
EXPERIENCE AND EDUCATION

Moberg Derma's stated strategy is to work with a small internal team with strong management capacity. The company's employees have experience from areas that are relevant to the business: development of pharmaceuticals and medical device products, business development/commercialization, financing and management. The employees have experience from previous engagements in organizations such as Q-Med, McKinsey & Co, ACO Hud, Meda, AstraZeneca, Pharmacia, SendIt, Karolinska Development and Novartis. Most employees have academic degrees, including a few PhDs, as shown in the following chart.

EDUCATION LEVEL.[1]

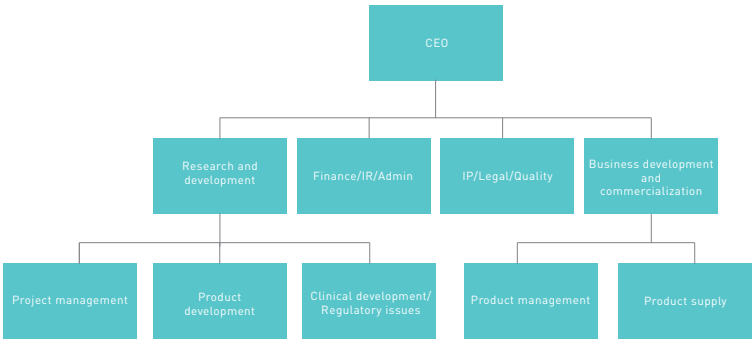


BREAKDOWN BY SEX.[1]



1) Based on all 19 employees

ORGANISATIONAL STRUCTURE.



MANAGEMENT

PETER WOLPERT

CEO and founder, M.Sc. in Engineerings Physics, M.Sc. in Economics and Business

Born 1969. Has worked for the company since 2006. Peter Wolpert has 15 years' experience as a CEO, strategy consultant and entrepreneur, and is Chairman of Viscogel AB. He was a co-founder of Accuro Immunology, Ibility and Viscogel, CEO of Athera Biotechnologies and a strategy consultant at McKinsey & Co. *Shareholding:* 600,000 A shares through Wolco Invest AB.

MARTIN INGMAN

Director of Sales & Marketing, M.Sc. in Economics and Business

Born 1962. Has worked for the company since 2008. Martin Ingman has 18 years' experience from senior sales and marketing positions at Astra AB (publ) (the current AstraZeneca), Q-Med AB and Carema Omsorg AB. *Shareholding:* 1,100 B shares and 44,000 employee stock options (exercisable to subscribe for 88,000 shares).

KJELL RENSFELDT

Head of Research and Development, Certified Physician, M.Sc. in Economics and Business

Born 1957. Has worked for the company since 2007. Kjell Rensfeldt has ten years' industrial experience from senior positions at Biogen Idec and Q-Med. Dr Rensfeldt also has ten years' clinical experience as well as specialist training in urology. *Shareholding:* 5,000 B shares and 72,000 employee stock options (exercisable to subscribe for 144,000 shares).

MAGNUS PERSSON

Director of Investor Relations

Born 1964. Has worked for the company since 2010. Magnus Persson has 20 years' experience from CFO and other senior positions at start-ups as well as listed companies, including Popwire, Panopticon, AT&T, Sendit / Microsoft and Digital Vision. He is Chairman of Visittravelcom Technology Group AB and a founder and partner of Streamson AB. *Shareholding:* 90,628 B shares owned by Streamson AB.

ANNA LJUNG

Chief Financial Officer, M.Sc. in Economics and Business

Born 1980. Has worked for the company since 2006. Anna Ljung has previously worked as CFO at Athera Biotechnologies AB and Lipopetide AB and as an independent consultant in technology licensing. *Shareholding:* 10,000 B shares and 20,000 employee stock options (exercisable to subscribe for 40,000 shares).

FREDRIK GRANSTRÖM

Legal Counsel (part-time, on a consultancy basis), LL.M.

Born 1968. Has worked for the company since 2006. Fredrik Granström has 15 years' experience as a corporate lawyer specializing in corporate and commercial law. He has previous experience as legal counsel at Astra AB (publ) (the current AstraZeneca), SendIt AB (publ) and Microsoft. Since 2000 he has been running his own business, Streamson AB. He works close to the Board of Directors and management team in start-ups as well as listed companies. *Shareholding:* 90,628 B shares owned by Streamson AB

BOARD OF DIRECTORS

MATS PETTERSSON

Chairman, M.Sc. in Economics and Business

Mats Pettersson was CEO of Biovitrum AB until 2007. He is Chairman of NsGene AS, proposed new Chairman of Lundbeck and a Director of Ablynx NV, Lundbeck A/S, BBB Holding B.V, Aquapharma Biodiscovery Ltd and Photocure AS, Chairman of the Karolinska Development Investment Advisory Board and an advisor to P.U.L.S. AB. Mats Pettersson has more than 30 years' experience from the pharmaceutical industry and was Senior Vice President and a member of the management team of Pharmacia Corporation. *Shareholding:* 6,100 B shares and 26,950 allocated employee stock options (exercisable to subscribe for 53,900 shares).

WENCHE ROLFSEN

Deputy Chairman, Ph.D., Visiting Professor at Uppsala University

Wenche Rolfsen has more than 25 years' experience from the pharmaceutical industry, has held senior positions in research and development at Pharmacia and has been CEO of Quintiles Scandinavia AB. She is Chairman of Aprea AB and subsidiaries, Denator AB and a Director of Swedish Orphan Biovitrum AB (publ), TFS Trial Form Support International AB, Artimplant AB, Stiftelsen Industrifonden, Aker Biomarine AS and Axis Shield Plc. *Shareholding:* 2,748 B shares through Rolfsen Consulting AB and 13,626 allocated employee stock options (exercisable to subscribe for 27,252 shares).

BERTIL KARLMARK

Director, MD, Associate Professor

Bertil Karlmark has more than 30 years' experience of clinical trials from various positions at large and small pharmaceutical firms. He is a university lecturer in Clinical Drug Development and has been running his own consultancy business in the same field for over 20 years. *Shareholding:* 30,000 B shares.

GUSTAF LINDEWALD

Director, Pharmacist

Gustaf Lindewald has more than 30 years' experience from the pharmaceutical and food industries. He has experience from several senior positions, including Marketing Director at ACO, VP at Procordia Health Food, and Head of Clinical Nutrition and Supply Director at Semper. *Shareholding:* 43,334 B shares.

TORBJÖRN KOIVISTO

Director, LL.M.

Torbjör Koivisto is a corporate lawyer focusing on corporate and commercial law. He has previous experience from Mannheimer Swartling, Lindahl and Bird & Bird. Since 2006 he has been running his own business, IARU. *Shareholding:* 4,360 B shares through IARU, Institutet för Affärsjuridisk Rådgivning i Uppsala AB.

PETER WOLPERT

Director, CEO and founder

For a description, see Management on page 30.

AUDITORS

At the general shareholders' meeting on April 10, 2007 the auditing firm Ernst & Young AB (Jakobsbergsgatan 24, Box 7850, SE-103 99 Stockholm) was appointed as the company's auditor with the authorized public accountant Magnus Fagerstedt as auditor in charge. The mandate runs until the end of the 2011 AGM, in compliance with the principal rule of the Swedish Companies Act.

SCIENTIFIC ADVISORS

PROFESSOR MONA STÅHLE
Dr Ståhle is a professor and senior physician at the Department of Dermatology and Venereology at the Karolinska University Hospital. She is one of Sweden's foremost experts in dermatology, focusing on cellular and molecular biological research, including psoriasis and antimicrobial peptides. Dr Ståhle is coordinator for several national clinical trials.

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

CONNY BOGENTOFT
Conny Bogentoft, Ph.D., is Senior Advisor and former CEO of the venture capital firm Karolinska Development. He has 30 years' experience from senior positions in the pharmaceutical industry, including Deputy CEO of Astra Arcus, CEO of Kabi Invest, Head of Research at ACO Läkemedel and Chairman of the Swedish Society of Pharmaceutical Sciences (SAPS). Dr Bogentoft is Visiting Professor of Pharmaceutical Chemistry at Uppsala University.

PROFESSOR HOWARD MAIBACH
Dr Maibach is a professor at the University of California in San Francisco and a leading expert in dermatology focusing on fungal diseases, dermatopharmacology and dermatotoxicology. Dr Maibach has published more than 1,700 scientific articles in dermatology, has been editor of 30 journals and is often engaged as a speaker.

PROFESSOR LENNART EMTESTAM
Dr Emtestam is a professor and senior physician at the Department of Dermatology and Venereology at the Karolinska University Hospital. Dr Emtestam is a specialist in dermatology and venereology with more than 25 years' experience from clinical as well as research activities. His field of research covers contact dermatitis and atopic dermatitis. Dr Emtestam has published more than 80 articles in medical journals.

JOHAN HEILBORN
Dr Heilborn, a specialist in dermatology and venereology, is a senior physician and Head of Section for Tumour Activities at the Department of Dermatology and Venereology at the Karolinska University Hospital. Since 1999 Dr Heilborn's research has focused on experimental dermatology concerning skin innate immunity, inflammation and the healing of sores as well as skin cancer in organ transplant recipients.

FINANCIAL INFORMATION

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

FROM THE STATEMENT OF COMPREHENSIVE INCOME (SEK thousand)	**2010**	**2009**	**2008**	**2007**	**2006**
Net sales	8,512	1,616	0	0	0
Gross profit/loss	5,663	1,616	0	0	0
Operating profit/loss	–30,119	–24,276	–36,701	–21,924	–2,811
Profit/loss for the year	**–31,031**	**–24,235**	**–35,341**	**–21,382**	**–2,793**
FROM THE STATEMENT OF FINANCIAL POSITION (SEK thousand)					
Non-current assets	683	669	779	415	100
Inventory	244	0	0	0	0
Current receivables	8,694	1,550	1,604	1,639	314
Cash and bank balance	2,761	33,078	20,203	35,083	4,229
Equity	688	30,209	15,230	29,808	3,361
Total assets	**12,383**	**35,297**	**22,586**	**37,137**	**4,642**
Long-term liabilities	150	303	678	240	400
Current liabilities	11,545	4,785	6,679	7,088	881
Total equity and liabilities	**12,383**	**35,297**	**22,586**	**37,137**	**4,642**
FROM THE CASH FLOW STATEMENT (SEK thousand)					
Cash flow from operating activities	–30,412	–25,258	–34,891	–16,633	–2,225
Cash flow from investing activities	–159	–23	–446	–343	–100
Cash flow from financing activities	254	38,156	20,457	47,829	6,554
Cash flow for the period	**–30,317**	**12,875**	**–14,880**	**30,854**	**4,229**
KEY FIGURES					
Net receivables (SEK thousand)	2,421	32,466	19,393	34,843	3,829
Debt/equity ratio	49%	2%	5%	1%	12%
Equity/assets ratio	6%	86%	67%	80%	72%
Return on equity	–4,512%	–80%	–232%	–72%	–83%
Research and development cost (SEK thousand)	–18,992	–15,706	–26,186	–15,716	–1,993
Personnel expenses (SEK thousand)	–15,464	–13,315	–10,639	–7,128	–355
Number of employees at end of period	12	10	11	8	4
Share data					
Basic/diluted earnings per share (SEK)*	–5.08	–4.45	–7.39	–6.27	–1.26
Operating cash flow per share (SEK)*	–4.97	–4.14	–7.14	–3.89	–0.91
Equity per share (SEK)*	0.11	4.96	3.12	6.97	1.38
Dividend per share (SEK)	0	0	0	0	0
Number of shares at end of period	6,113,988	3,047,099	2,443,884	2,138,427	1,219,104
Average number of shares	6,109,041	2,723,398	2,392,975	1,704,958	1,105,847

* Values for 2006–2009 have been adjusted for a bonus issue to ensure comparability with figures for 2010.

Definitions of key figures

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

THE BUSINESS

The Board of Directors and Chief Executive Officer of Moberg Derma AB (publ), corp. reg. no. 556697-7426, hereby present the annual report and the consolidated financial statements for the January 1, 2010 to December 31, 2010 financial year.

OPERATIONS

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

INFORMATION ABOUT THE COMPANY

Moberg Derma is a limited liability company registered in Stockholm, Sweden. The group's operations are conducted primarily in Sweden. The office's address is Gustavlundsvägen 42, 5tr, SE-167 51 Bromma. The Group consists of the parent company, Moberg Derma AB (publ), corp. reg. no. 556697-7426, and its wholly owned subsidiary Moberg Derma Incentives AB, corp. reg. no. 556750-1589. The sole business conducted by the subsidiary is administration of Moberg Derma's employee stock option programs. Consolidated financial statements have been submitted from 2008 and onwards.

RESULTS AND FINANCIAL POSITION

Results

Moberg Derma received its first revenues from product sales in 2010 and generated net sales of SEK 8.5 million, compared to SEK 1.6 million the preceding year. Operating expenses in 2010 were SEK 41.4 million, compared with SEK 26.1 million in 2009. The difference compared with the year before is primarily due to the launch of the company's first products. In 2010 the company incurred non-recurring expenses of SEK 4.9 million attributable to the process of listing the company on the Stockholm Stock Exchange. The Group's research and development costs amounted to SEK 19.0 million (15.7), of which external researchers and subcontractors accounted for SEK 12.7 million (9.5). Consolidated loss after financial items amounted to SEK 31.0 million for 2010, compared to a consolidated loss of SEK 24.2 million in 2009.

Investments

The Group invested SEK 0.2 million in property, plant and equipment in 2010. Only minor investments in equipment, amounting to less than SEK 0.1 million, were made in 2009. Moberg Derma also has expenses attributable to research and development, which are recognized directly in the statement of comprehensive income.

Liquidity and Financial Position

To date, Moberg Derma's operations have largely been funded by equity. In May, the company secured a SEK 50 million loan facility agreement from Sheikh Mohammed H. Al-Amoudi, which to date is unused. The equity/assets ratio was 6% in 2010 compared with 86% in 2009. The company had a negative cash flow from operations of SEK 30.4 million in 2010, compared to a negative cash flow of SEK 25.3 million in 2009. Cash and cash equivalents amounted to SEK 2.8 million at the year-end 2010, compared to SEK 33.1 million at the end of 2009.

KEY EVENTS IN 2010

European marketing authorization (CE mark) obtained for two products

European marketing authorization (CE mark) was obtained for the company's first medical device product, Emtrix® for the treatment of nail disease and Kaprolac® for treatment of seborrhoeic dermatitis.

Distribution agreement for Canada

An agreement was entered into with Medical Futures Inc. for sales of Emtrix® in Canada.

Distribution agreements for Emtrix® in seven additional markets

Agreements were entered into for Emtrix® in seven countries in Middle East, under the terms of which Moberg Derma is responsible for production and the distributor for registration and marketing.

New Chairman of Moberg Derma appointed

Shareholders at the company's Annual General Meeting elected Mats Pettersson as new Chairman of the Board and Wenche Rolfsen as new Deputy Chairman. Mats Pettersson replaced Ingemar Aldén, who was thanked for his valuable contribution as Chairman during the company's first four years.

Distribution agreement for Israel

A distribution agreement was entered into with Perrigo-Israel for marketing Emtrix® in the Israeli market.

Extraordinary shareholders' meeting

Shareholders at the extraordinary shareholders' meeting on September 3, 2010 authorized the Board of Directors to decide to issue new shares, on one or more occasions, with or without pre-emption rights for existing shareholders up to the upper limit for the number of shares specified in the Articles of Association.

Agreement on SEK 50 million loan facility

The company entered into a SEK 50 million loan facility agreement with Sheikh Mohammed H. Al-Amoudi. The credit can be used from January 1, 2011 and is due for repayment on June 30, 2012. The facility may be used to fund the company's day-to-day operations.

Distribution agreement for Portugal and certain countries in Central America, Africa and the Caribbean

A distribution agreement was concluded with Laboratório Edol Produtos Farmacêuticos S.A. for marketing the company's nail preparation Emtrix® in Portugal and ten markets in Africa and Central America.

Distribution agreement for Switzerland and Liechtenstein

A distribution agreement was signed with Gebro Pharma AG for Kaprolac® Dandruff Shampoo, Kaprolac® Scalp Solution and Emtrix®.

CLINICAL PHASE II TRIAL INITIATED

The Swedish Medical Products Agency authorized Moberg Derma to initiate phase II trials for its MOB-015 product candidate. The purpose of the trial, which involves 250 patients, is to evaluate three months' and nine months' treatment with MOB-015 to obtain clinical evidence for the product concept and guidance for future clinical phase III trials. An international patent application for the formulation technology on which MOB-015 is based was submitted.

Stock exchange listing withdrawn

The Board of Directors of Moberg Derma AB (publ) decided to withdraw the planned listing on NASDAQ OMX Stockholm.

EVENTS AFTER THE YEAR-END

New clinical data for Emtrix®

The company reported positive results from a clinical study of Emtrix®. The study comprised 75 patients with onychomycosis and showed that 92 percent of patients experienced an improvement after eight weeks of treatment. An improvement was also seen in 77 percent of patients after just two weeks.

Distribution agreement for the United Kingdom

An agreement was entered into with HairXpertise Ltd. for sales of Emtrix® in the UK.

Distribution agreement for Spain

An agreement was entered into with AG Farma for sales of Emtrix® in Spain.

Company relocation

The company has moved into new premises at Alviks Torg in Bromma, a suburb of Stockholm.

Decision on new issue of shares

The Board of Directors decided to issue up to 414,508 B shares in order to raise a potential SEK 12 million.

INSURANCE

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

ENVIRONMENT

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

DISPUTES

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

WORK OF THE BOARD IN 2010

At the Annual General Meeting in 2010 six Directors were elected for the period until the next AGM. The Directors' expertise covers the fields of drug development, medical research as well as marketing, financial and strategic issues. The Board held 17 minuted meetings in 2010, of which four meetings were held per capsulam and four conference calls. Reports at the meetings were presented mainly by the CEO but also by other members of the management team.

The main focus of the Board's work in 2010 has been on strategic issues, particularly matters relating to product development, business development and financing, and the further development of the company's business plan. The Board's work follows established rules of procedure, which regulate areas such as the division of responsibility, the number of compulsory meetings, the form of convening notices, fundamental documentation and minutes, conflicts of interest, obligatory matters that the CEO should submit to the Board and authorized company signatories. The Board handles on an ongoing basis matters such as the current business situation, closing of accounts for each period, budget, strategies and external information.

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

For detailed information about Board members, see page 31.

THE NOMINATING COMMITTEE

Prior to the 2011 annual general meeting the nominating committee consists of three members: Mats Pettersson, Per-Olof Edin, representing the Foundation for Baltic and East European Studies (Östersjöstiftelsen), and Fredrik Granström, where the latter served as chairman of the committee. The nominating committee submits proposals for the appointment of a Chairman and other Directors Board members as well as proposals on fees and other remuneration to be paid to Board members. The nominating committee also presents proposals for the appointment and remuneration of the company's auditor. The nominating committee's proposals will be presented in the notice of the 2011 AGM.

CORPORATE GOVERNANCE

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

OUTLOOK FOR 2011

Moberg Derma's future depends on its ability to develop new products, enter into partnerships for its projects, successfully drive its projects to market launch and sales, and secure funding for operations. The progress of existing and future partnerships will have a significant impact on Moberg Derma's revenues and cash flow. A top priority during 2011 is to support the Group's distributors to enable a successful launch of Emtrix® and Kaprolac® products, and to secure distribution in additional markets. It is not possible, however, to specify the timing of expected income streams. Furthermore, the Group plans to raise additional capital to finance continued development of Moberg Derma's operations.

The Board deems that currently available funds are sufficient to finance operations for the next 12 months.

THE PARENT COMPANY MOBERG DERMA AB (PUBL)

Moberg Derma AB (publ), corp. reg. no. 556697-7426, is the parent company of the Group. Operations in the group are conducted primarily in the parent company and consist of research and development and administrative functions. The parent company generated net sales of SEK 8.5 million (1.6) in 2010. Operating expenses amounted to SEK 41.4 million (26.1) and loss after financial items amounted to SEK –31.0 million (–24.2). Cash and cash equivalents at year-end amounted to SEK 2.7 million (33.0).

PROPOSED APPROPRIATION OF RETAINED EARNINGS

The Annual General Meeting is asked to decide on the appropriation of:

Share premium reserve	114,857,539
Accumulated deficit	–83,742,436
Loss for the year	–31,031,240
	83,863

The Board of Directors and Chief Executive Officer propose that the accumulated deficit and share premium reserve will be carried forward.

RISK FACTORS

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

CLINICAL TRIALS

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

REGULATORY ACTIONS

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

COMPETITION AND PRICING

Future products under development by other companies

The drug industry is a highly competitive industry. In most indications a number of companies are competing to develop new, improved products with the aim of achieving a high market share and a favorable price. It cannot be guaranteed that Moberg Derma's products will be preferred to other existing or new products in the market. Price pressures for medical products in Moberg Derma's indication areas is considerable and is expected to remain so in the future. Future products currently being developed by other companies may entail a further increase in competition and diminished opportunity for Moberg Derma to achieve or retain an attractive market share and price for its products.

PARTNERS AND DISTRIBUTORS

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

PRODUCT LIABILITY AND INSURANCES

Moberg Derma conducts clinical trials and sells medical products, which entails risks associated with product liability. Moberg Derma 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. Despite this cover, it cannot be guaranteed that Moberg Derma will avoid liability claims in the event of injuries caused by the group's products or product candidates.

PATENTS AND TRADEMARKS

In the type of operations conducted by Moberg Derma there is always a risk that the Group's patents or other intellectual property rights do not sufficiently protect the Group or that the Group's rights cannot be asserted. Furthermore, patent infringement may occur, which may lead to costly disputes. The outcome of such disputes cannot be guaranteed in advance. 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.

KEY INDIVIDUALS

Moberg Derma's success depends on its ability to attract and retain key individuals. The departure of key individuals could adversely affect the Group's commercial opportunities.

FUNDING AND FINANCIAL RISK FACTORS

Moberg Derma will on one or several occasions seek to raise additional external funding in the capital market. It cannot be guaranteed that Moberg Derma will succeed in attracting investors or that such financing can take place on attractive terms.

For information on financial risk factors, see Note 27.

THE SHARE AND SHAREHOLDERS

SHAREHOLDERS WITH OWNERSHIP STAKES OR VOTING RIGHTS EXCEEDING 10%

	No. Series A shares	No. Series B shares	Share of voting rights	Ownership stake
Östersjöstiftelsen (Baltic Sea Foundation)	300,000	1,629,352	22.1 %	31.6 %
Bank von Roll AG	150,000	1,377,170	13.7 %	25.0 %
Mobederm AB	600,000	268,800	29.9 %	14.2 %
Wolco Invest AB	600,000	0	28.6 %	9.8 %

At December 31, 2010, Moberg Derma's share capital amounted to SEK 611,398.80. The total number of shares at year-end was 6,113,988, comprising 1,650,000 Series A shares and 4,463,988 Series B shares. Members of the company's management team and Board of Directors hold a total of 600,000 Series A shares and 193,270 Series B shares, representing 29.5 percent of the votes and 13.0 percent of the total number of shares outstanding.

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

SHARE HISTORY

Date[1]	Transaction	Change in no. of shares	Change in share capital	No. of Series A shares	No. of Series B shares	Total share capital SEK	Par value SEK	Subscription price SEK	Invested capital
Jan 2006	Shelf company acquired	1 000 000	100 000,00	–	–	100,000,00	0,10	0,10	100,000
Mar 2006	Conversion into A and B shares	0	0,00	600,000	400,000	100,000,00	0,10	0,10	–
May 2006	Directed issue	47,984	4,798,40	600,000	447,984	104,798,40	0,10	15,00	719,760
Dec 2006	Directed issue	171,120	17,112,00	683,910	535,194	121,910,40	0,10	33,10[2]	5 334 072
Sept 2007	New issue	613,866	61,386,60	750,000	1,082,970	183,297,00	0,10	45,12	27,697,634
Jan 2008	New issue	305,457	30,545,70	825,000	1,313,427	213,842,70	0,10	65,50	20,007,434
Apr 2008	New issue	305,457	30,545,70	825,000	1,618,884	244,388,40	0,10	65,50	20,007,434
Aug 2009	New issue	458,492	45,849,20	825,000	2,077,376	290,237,60	0,10	65,50	30,031,226
Dec 2009	New issue	144,723	14,472,30	825,000	2 222,099	304,709,90	0,10	65,50	9,479,357
Jun 2010	New issue[3]	9,895	989,50	825,000	2,231 994	305,699,40	0,10	65,50	648,123
Nov 2010	Bonus issue	3,056,994	305,699,40	1,650,000	4,463,988	611,398,80	0,10	–	–

1) Refers to the date of registration at the Swedish Companies Registration Office.
2) Also includes a directed issue for strategic reasons of 10,000 Series B shares to Karolinska Institutet Holding at an issue price of SEK 0.10.
3) Share offering aimed at attracting individuals with particular expertise to the company.

SHARE OFFERINGS IN 2010

On April 22, 2010 the Annual General Meeting of Moberg Derma AB resolved to authorize a share offering aimed at attracting key individuals to the company. The share offering was executed in April/May 2010 and was registered on June 16, 2010. The offering had a subscription price of SEK 65.50[1)] per share and raised SEK 0.6 million.

Shareholders at an extraordinary meeting on September 3, 2010 authorized the Board to issue new shares on one or more occasions. The EGM also resolved to authorize a bonus issue in which each existing share would entitle the holder to one new share, thus doubling the total number of outstanding shares from 3,056,994 to 6,113,988. The purpose of the bonus issue was to raise the share capital above SEK 500,000 as the company ceased to be a private limited company and became a public limited company.

WARRANTS OUTSTANDING

At the beginning of 2010 there were 196,422 outstanding warrants in Moberg Derma AB.

During the year it was decided to issue 163,747 warrants to the company's wholly owned subsidiary Moberg Derma Incentives AB and to introduce two employee stock option schemes, 2010:1 and 2010:2. 89,501 options have been allocated under Employee Stock Option Scheme 2010:1 and 40,576 under Employee Stock Option Scheme 2010:2.

Through an agreement entered into on July 7, 2010 the company acquired all outstanding warrants in Warrant Scheme 2007:1. A total of 113,000 warrants were acquired for SEK 124,300 and cancelled thereafter. The warrants were acquired from the following persons in the company's management team and Board of Directors: Kjell Rensfeldt, Martin Ingman, Anna Ljung and Bertil Karlmark.

The total number of outstanding warrants at the end of the period was 247,169. If all warrants were to be exercised to subscribe for shares the total number of shares would increase by 494,338, from 6,113,988 to 6,608,326, representing a dilution of 7.5 percent. The stock options allocated to employees under the company's incentive schemes represent a maximum dilution of 5 percent. The remaining stock options, representing a dilution of 2.7 percent, are owned by the company's subsidiary, Moberg Derma Incentives AB, for the purpose of securing funds for future social-security contributions payable upon redemption of employee stock option schemes.

For more information about the company's warrant and stock option schemes, see Notes 7 and 20.

SHAREHOLDER AGREEMENTS AND OTHER MATERIAL AGREEMENTS CONCERNING SHARE TRANSACTIONS

On June 15, 2010 the company's four largest owners concluded a shareholder agreement which replaces a partner agreement between Mobederm AB and Wolco Invest AB, with the exception of Section 7 of the partner agreement, which regulates access to information about the company's activities. The shareholder agreement also replaces the minority shareholder agreements that have been concluded with most minority shareholders. All except five of the company's shareholders are covered by the new shareholder agreement. Moberg Derma has no other material agreements that would be affected in the event of a change in control over Moberg Derma, for instance as a result a takeover bid.

1) Which represents a share price of SEK 32.75 after a bonus issue

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(SEK)	Note	Jan–Dec 2010	Jan–Dec 2009
Net sales	2	8,511,787	1,616,359
Cost of goods sold		–2,849,268	0
Gross profit/loss		**5,662,519**	**1,616,359**
Marketing and administrative expenses		–19,551,041	–10,298,337
Research and development expenses		–18,992,402	–15,706,124
Other operating income	4	2,785,352	179,529
Other operating expenses		–23,354	–67,660
Operating profit/loss	**5–9**	**–30,118,926**	**–24,276,233**
Interest income		164,860	83,562
Interest expense	10	–1,076,637	–42,180
Profit/loss before tax		**–31,030,703**	**–24,234,851**
Income tax	11	0	0
Profit/loss for the year		**–31,030,703**	**–24,234,851**
Other comprehensive income		**0**	**0**
COMPREHENSIVE INCOME FOR THE YEAR		**–31,030,703**	**–24,234,851**
Profit/loss attributable to parent company shareholders		–31,030,703	–24,234,851
Profit/loss attributable to non-controlling interests		0	0
Comprehensive income attributable to parent company shareholders		–31,030,703	–24,234,851
Comprehensive income attributable to non-controlling interests		0	0
Basic earnings per share	**12**	**–5.08**	**–4.45**
Diluted earnings per share	**12**	**–5.08**	**–4.45**
Average number of shares		6,109,041	2,723,398
Number of shares at year-end		6,113,988	3,047,099

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(SEK)	Note	2010.12.31	2009.12.31
ASSETS			
Non-current assets			
Intangible assets			
Patents, licenses and similar rights	13	271,429	285,714
Tangible assets			
Equipment and tools	14	410,974	382,777
Financial assets			
Other financial assets		1,000	1,000
Total non-current assets		**683,403**	**669,491**
Current assets			
Inventories	15	244,365	0
Current receivables			
Trade receivables	16	6,637,961	369,083
Other receivables	17	1,168,525	443,466
Prepaid expenses and accrued income	18	887,455	737,070
		8,693,941	1,549,619
Cash and bank balances	19	2,760,822	33,078,062
Total current assets		**11,699,128**	**34,627,681**
TOTAL ASSETS		**12,382,531**	**35,297,172**
EQUITY AND LIABILITIES			
Equity	**20**		
Equity attributable to equity holders of the parent (100%)			
Share capital		611,399	304,710
Other contributed capital		114,857,539	113,655,043
Loss brought forward including loss for the year		–114 781 240	–83 750 537
Total equity		**687,698**	**30,209,216**
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	21	150,000	302,500
Total non-current liabilities		**150,000**	**302,500**
Current liabilities			
Accounts payable		4,898,225	673,917
Other current liabilities	21,22	1,377,987	1,228,848
Accrued expenses and deferred income	23	5,268,621	2,882,691
Total current liabilities		**11,544,833**	**4,785,456**
Total liabilities		**11,694,833**	**5,087,956**
TOTAL EQUITY AND LIABILITIES		**12,382,531**	**35,297,172**
Pledged assets	24	119,240	69,240
Contingent liabilities	24	0	0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the parent			
Amounts in SEK	**Share capital**	**Other contributed capital**	**Retained earnings incl profit/loss for year**	**Total equityl**
Opening balance, January 1, 2009	**244,388**	**74,501,128**	**–59,515,686**	**15,229,830**
Share offerings	60,322	39,450,261		39,510,583
Transaction costs, share offerings		–1,157,431		–1,157,431
Employee stock option schemes		861,085	3	861,085
Total	60,322	39,153,915	0	39,214,237
Comprehensive income for 2009			–24,234,851	–24,234,851
Closing balance, December 31, 2009	**304,710**	**113,655,043**	**–83,750,537**	**30,209,216**
Opening balance, January 1, 2010	**304,710**	**113,655,043**	**–83,750,537**	**30,209,216**
Share offering	990	647,133		648,123
Transaction costs, share offering[1)]		0		0
Bonus issue	305,699	–305,699		0
Employee stock option schemes		985,362		985,362
Repurchase and cancellation of warrants		–124,300		–124,300
Total	306,689	1,202,496	0	1,509,185
Comprehensive income for 2010			–31,030,703	–31,030,703
Closing balance, December 31, 2010	**611,399**	**114,857,539**	**–114,781,240**	**687,698**

For more information about Moberg Derma's shares and share history, see page 40.

1) No transaction costs were associated with the share offering.

CONSOLIDATED STATEMENT OF CASH FLOWS

(SEK)	Note	Jan–Dec 2010	Jan–Dec 2009
OPERATING ACTIVITIES			
Operating profit/loss before depreciation and amortization		–30,118,926	–24,276,233
Financial items received and paid		88,223	41,382
Adjustments for non-cash items:			
Depreciation and amortization	9	144,727	132,259
Expenses for employee stock option schemes		985,362	861,085
Cash flow before changes in working capital		–28,900,614	–23,241,507
Change in working capital			
Increase (–)/Decrease(+) in inventories		–244,365	0
Increase (–)/Decrease (+) in operating receivables		–7,144,322	54,616
Increase (+)/Decrease (–) in operating liabilities		5,876,877	–2,070,662
Cash flow from operating activities		**–30,412,424**	**–25,257,553**
INVESTING ACTIVITIES			
Investments in equipment and tools	14	–158,639	–23,080
Cash flow from investing activities		**–158,639**	**–23,080**
FINANCING ACTIVITIES			
Repayment of loans (–)	21	–270,000	–197,500
Issue of shares		648,123	38,353,152
Repurchase of warrants		–124,300	0
Cash flow from financing activities		**253,823**	**38,155,652**
Changes in cash and cash equivalents		**–30,317,240**	**12,875,019**
Cash and cash equivalents at beginning of year		33,078,062	20,203,043
Cash and cash equivalents at end of year	19	2,760,822	33,078,062
Additional disclosures to the statement of cash flows – Interest paid			
Interest received		83,583	83,562
Interest paid		–42,180	–42,180

CONSOLIDATED STATEMENT OF CASH FLOWS

(SEK)	Not	Jan–Dec 2010	Jan–Dec 2009
Net sales	2	8,511,787	1,616,359
Cost of goods sold		–2,849,268	0
Gross profit/loss		**5,662,519**	**1,616,359**
Marketing and administrative expenses		–19,551,041	–10,298,337
Research and development expenses		–18,992,402	–15,706,124
Other operating income	4	2,785,352	179,529
Other operating expenses		–23,354	–67,660
Operating profit/loss	**5–9**	**–30,118,926**	**–24,276,233**
Interest income		164,323	83,046
Interest expense	10	–1,076,637	–42,180
PROFIT/LOSS		**–31,031,240**	**–24,235,367**
Tax on results for the year	11	0	0
RESULTAT		**–31,031,240**	**–24,235,367**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

(SEK)	Jan–dec 2010	Jan–dec 2009
Profit/loss for the year	**–31,031,240**	**–24,235,367**
Other comprehensive income	0	0
COMPREHENSIVE INCOME FOR THE YEAR	**–31,031,240**	**–24,235,367**

PARENT COMPANY BALANCE SHEET

(SEK)	Note	2010.12.31	2009.12.31
ASSETS			
Non-current assets			
Intangible assets			
Patents, licenses and similar rights	13	271,429	285,714
Tangible assets			
Equipment and tools	14	410,974	382,777
Financial assets			
Interests in Group companies	25	100,000	100,000
Other financial assets		1,000	1,000
Total non-current assets		**783,403**	**769,491**
Current assets			
Inventories	15	244,365	0
Current receivables			
Trade accounts receivable	16	6,637,961	369,083
Other receivables	17	1,168,525	443,466
Prepaid expenses and accrued income	18	887,057	737,070
		8,693,543	1,549,619
Cash and bank balances	19	2,668,784	32,986,163
Total current assets		**11 606 692**	**34,535,782**
TOTAL ASSETS		**12 390 095**	**35 305 273**
EQUITY AND LIABILITIES			
Equity	20		
Restricted equity			
Share capital		611,399	304,710
Total restricted equity		611,399	304,710
Non-restricted equity			
Share premium reserve		114,857,539	113,655,043
Accumulated deficit		–83,742,436	–59,507,069
Loss of the year		–31,031,240	–24,235,367
Total non-restricted equity		83,863	29,912,607
Total equity		**695,262**	**30,217,317**
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	21	150,000	302,500
Total long-term liabilities		**150,000**	**302,500**
Current liabilities			
Accounts payable		4,898,225	673,917
Other current liabilities	21,22	1,377,987	1,228,848
Accrued expenses and deferred income	23	5,268,621	2,882,691
Total current liabilities		**11,544 833**	**4,785,456**
Total liabilities		**11,694 833**	**5,087,956**
TOTAL EQUITY AND LIABILITIES		**12,390,095**	**35,305,273**
Pledged assets	24	119,240	69,240
Contingent liabilities	24	0	0

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

(SEK)	Share capital	Share premium reserve	Accumulated deficit	Profit/loss for the year	Total equity
Opening balance, January 1, 2009	**244,388**	**74,501,128**	**–24,174,812**	**–35,332,257**	**15,238,447**
Share offerings	60,322	39,450,261			39,510,583
Transaction costs, share offerings		–1,157,431			–1,157,431
Employee stock option schemes		861,085			861,085
Total	60,322	39,153 915	0	0	39,214,237
Treatment of profit/loss:					
Transfer of previous year's results			–35,332,257	35,332,257	0
Loss for the year 2009				–24,235,367	–24,235,367
Closing balance, December 31, 2009	**304,710**	**113,655,043**	**–59,507,069**	**–24,235,367**	**30,217,317**
Opening balance, January 1, 2010	**304,710**	**113,655,043**	**–59,507,069**	**–24,235,367**	**30,217,317**
Share offering	990	647,133			648,123
Transaction costs, share offering[1)]		0			0
Scrip dividend	305,699	–305,699			0
Employee stock option schemes		985,362			985,362
Repurchase and cancellation of warrants		–124,300			–124,300
Total	306,689	1,202,496	0	0	1,509,185
Treatment of profit/loss:					
Transfer of previous year's results			–24 235 367	24 235 367	0
Loss for the year 2010				–31 031 240	–31 031 240
Closing balance, December 31, 2010	**611,399**	**114,857,539**	**–83,742,436**	**–31,031,240**	**695,262**

1) No transaction costs were associated with the share offering.

PARENT COMPANY CASH FLOW STATEMENT

(SEK)	Note	Jan–Dec 2010	Jan–Dec 2009
OPERATING ACTIVITIES			
Operating profit/loss before financial items		–30,118,926	–24,276,233
Financial items received and paid		87,686	40,866
Adjustments for non-cash items:			
Depreciation and amortization	9	144,727	132,259
Expenses for employee stock option schemes		985,362	861,085
Cash flow before changes in working capital		–28,901,151	–23,242,023
Change in working capital			
Increase (–)/Decrease(+) in inventories		–244,365	0
Increase (–)/Decrease (+) in operating receivables		–7,143,924	54,616
Increase (+)/Decrease (–) in operating liabilities		5,876,877	–2,070,662
Cash flow from operating activities		**–30,412,563**	**–25,258,069**
INVESTING ACTIVITIES			
Investments in equipment and tools	14	–158,639	–23,080
Investments in subsidiaries	26	0	0
Cash flow from investing activities		**–158,639**	**–23,080**
FINANCING ACTIVITIES			
Repayment of loans (–)	21	–270,000	–197,500
Issue of shares		648,123	38,353,152
Repurchase and cancellation of warrants 2007:1		–124,300	0
Cash flow from financing activities		**253,823**	**38,155,652**
Change in cash and cash equivalents		**–30,317,379**	**12 874,503**
Cash and cash equivalents at beginning of year		32,986,163	20,111,660
Cash and cash equivalents at end of year	19	2,668,784	32,986,163

NOTES

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

NOTE 1. ACCOUNTING POLICIES

Information about the company

The Annual Report for Moberg Derma AB for 2010 was approved for publication in accordance with a Board decision on March 18, 2011. The Annual Report will be submitted to the Annual General Meeting for adoption on April 18, 2011. Moberg Derma AB, corporate registration number 556697-7426, is a limited liability company registered in Stockholm, Sweden. The company's main business is described in the Board of Directors' Report.

Basis of the report's preparation and IFRS

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

The consolidated financial statements have been prepared in accordance with international accounting standards, 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. IFRS, as adopted by the EU, have been applied without deviations.

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

The parent company financial statements have been prepared in accordance with Swedish law (the Annual Accounts Act) by application of Recommendation RFR 2 of the Swedish Financial Reporting Board. This means that, as the main rule, the IFRS valuation and disclosure rules, as applied in the consolidated financial statements, also apply to the parent company.

New accounting policies

A number of new or updated accounting recommendations and interpretations are effective for the fiscal year beginning on January 1, 2010. In 2010 the Group introduced the following new and amended standards from IASB and interpretations from IFRIC as of January 1, 2010.

- IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements. (Approved by the EU on June 3, 2009) – IFRS 3R introduces a number of changes in the accounting of business combinations that can affect the size of reported goodwill and reported earnings in the period in which the combination is made as well as future reported earnings.

The application of IFRS 3R and IAS 27R has not affected the financial statements in 2010, as no acquisitions or transactions with minority shareholders were made. The changes in IFRS 3R and IAS 27R will affect the accounting of future acquisitions and disposals and transactions with shareholders without a controlling influence.

Standards, amendments and interpretations which have entered into force in 2010 and been approved by the EU but are currently not relevant for the Group.

- FRS 2 Share-based Payment. Amendment – Group Cash-settled Share-based Payment Transactions
- IAS 39 Financial Instruments: Recognition and Measurement. Amend ment – Exposures Qualifying for Hedge Accounting
- IFRIC 12 Service Concession Arrangements
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 Distribution of Non-cash Assets to Owners
- IFRIC 18 Transfer of Assets from Customers

A number of new or amended accounting standards and interpretations of such standards apply for financial years beginning on January 1, 2011 or later. None of these has been applied in advance by the Group. These recommendations and interpretations are not expected to have any significant effect on Moberg Derma's accounting practices.

Functional currency and reporting currency

Moberg Derma's functional currency is Swedish kronor, which is also the reporting currency for the parent company and Group. Consequently, the company's financial reports are presented in Swedish kronor.

Valuation basis

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

Principles of consolidation

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

Income

Three types of income are included in net sales: product sales, milestone payments and royalties. All revenues are reported at the fair value of the consideration received or that will be received, after deduction of discounts and recorded per invoice date occurring as follows: Product sales are 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 the agreement have been met. Royalties that are based on a business partner's sales income are recognized upon recognition by the partner.

Other income

Government grants and research grants are accounted for as other income in the income statement in the same period as the expenses which the grants are intended to offset.

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:

Patents	10 years
Equipment and tools	5 years

Amortization of patents commences from the time of commercialization. Once commercialization has commenced, patents are amortized on a straight-line basis over 10 years or on a straight-line basis over the term of the patent if this is less than 10 years.

Research and development costs

Research costs are expensed as incurred. Expenditure relating to internally generated development projects is capitalized as an intangible asset to the extent that the expenditure is highly likely 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 Derma's assessment is that the ongoing development projects do not meet all requirements for capitalization pursuant to IAS 38, and no development expenditure has therefore been recognized as an asset. Expenditure relating to acquired development projects are capitalized as intangible assets.

Impairment

At each reporting date the carrying amounts of intangible and tangible assets are tested for impairment. In case of impairment the asset's recoverable amount is determined. 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.

Leases

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 in a straight-line over the leasing period unless another systematic approach better reflects the user's financial utility over time.

Inventories

Inventories are stated at the lower of cost (weighted average price) and net realizable value. Cost is defined as costs for finished goods. Net realizable value is the estimated selling price in the company's operating activities less any applicable variable selling expenses.

Financial instruments

Financial instruments that are accounted for in the balance sheet include trade receivables, cash and bank balances, trade payables, certain accrued expenses and other liabilities. The Group does not have any derivatives.

Trade accounts receivable

Trade accounts receivable are recognized in the balance sheet upon dispatch of invoice. Trade accounts receivable 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.

Cash and cash equivalents

Cash and cash equivalents consist of bank deposits.

Trade accounts payable

The expected maturity of a trade accounts payable is short, and the liability is therefore 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 reported at amortized cost. Interest expenses are reported 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.

Liabilities in foreign currency

Transactions in foreign currency are accounted for in accordance with IAS 21. The company has current liabilities in foreign currency, which have been translated at the closing rates. The exchange rate differences are included in operating profit/loss.

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

Share based payments

Share-based incentive schemes are accounted for in accordance with IFRS 2. Existing share-based incentive schemes consist of Employee Stock Option Schemes 2008:1, 2008:2, 2009:1, 2010:1 and 2010:2.

Under IFRS 2, the cost of share-based payments to employees is recognized at fair value at the allocation date. 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 Derma's estimate of the number of share-based instruments that will ultimately vest.

The company'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 allocation date using the Black-Scholes option pricing model. Vesting conditions are included in assumptions about the number of options that are expected to become

exercisable. These estimates are reviewed on a regular basis. Moberg Derma 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 accounted for in accordance with IAS 19 Employee Benefits and IFRS 2 Share-based Payment. Other disclosures on related-party transactions are reported in accordance with IAS 24 Related Party Disclosures and the Swedish Annual Accounts Act, see Note 29.

Tax

Current tax and changes in deferred tax are reported as Moberg Derma's tax expense or tax income. Current tax is calculated on the taxable profit/loss for the period in accordance with tax regulations. Current tax also includes adjustments from previous tax years.

Deferred tax is the tax calculated based on the taxable or deductible temporary differences between reported and tax values of assets and liabilities. At present, Moberg Derma has no tax expense due to losses. A deferred tax asset is reported to the extent that it is assessed as likely that the loss carryforward will entail lower tax payments in the future.

Significant estimates and judgments

Estimates and judgments are Estimates and assessments are evaluated on a running basis, based on historical experience and other factors as well as expectations of future events that are considered reasonable based on current circumstances. Prospective estimates and assessments are made. Accounting estimates will, by definition, rarely agree with actual outcomes. Estimates and assumptions which involve a significant risk of material adjustments to carrying amounts during the coming financial year are discussed in the following.

Assessment of criteria for capitalization of internal development expenditure
Development costs should 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 circumstances. The earliest assessed timing for capitalization is after phase III studies have been conducted or equivalent final development steps for other types of products than pharmaceuticals. But even after the completion of such completion steps, a number of uncertainty factors could remain so that the criteria for capitalization cannot be considered satisfied.

Given premature capitalization, there is a risk that a project would fail and that the costs offset could not be justified, but would have to be expensed directly. In turn, this would imply that previous and current year profits/losses would be misleading because of an excessively optimistic assessment of the likelihood of success. The Board is of the opinion that the ongoing development projects in the company today do not fulfill all criteria for capitalization.

Tax
The Board of Directors deems that there are no compelling reasons to believe that it will be possible to use the deferred tax asset in the next year. No deferred tax asset has therefore been recognized. Current tax loss carry-forwards can be used for an unlimited period of time.

NOTE 2. SALES

Net sales for 2010 were SEK 8.5 million and comprise product sales of SEK 5.3 million and milestone payments of SEK 3.2 million. In the preceding year net sales were SEK 1.6 million, of which SEK 0 million referred to product sales and SEK 1.6 million to milestone payments.

For 2010 the company had one customer which accounted for 86 percent of consolidated net sales (customer with registered office in Sweden).

Net sales by geographic market	**2010**	**2009**
Europe	8,313,446	1,616,359
America	103,986	0
Asia	0	0
Middle East, Africa	94,355	0
	8,511,787	**1,616,359**

Out of total net sales in Europe in 2010, SEK 7.3 million referred to net sales in Sweden. The corresponding figure for the year before was SEK 1.0 million.

Net sales by product group	**2010**	**2009**
Emtrix	8,307,894	1,616,359
Kaprolac	203,893	0
	8,511,787	**1,616,359**

NOTE 3. SEGMENT INFORMATION

Moberg Derma's activities comprise of the development and commercialization of medical products. As all activities are conducted in one operating segment, there is no separate segment information to report

NOTE 4. OTHER OPERATING INCOME

	2010	**2009**
Grants received	2,700 000	0
Other	85,352	179,529
	2,785,352	**179,529**

NOTE 5. EXPENSES BY NATURE OF EXPENSE

Operating expenses

	2010	2009
Raw materials and consumables	2,849,268	0
Personnel expenses	15,463,585	13,314,909
Depreciation and amortization	144,727	132,259
External R&D expenses	12,678,189	9,510,971
Other external expenses	13,129,564	3,113,982
Total	**41,416,065**	**26,072,121**

Depreciation and amortization by function

	2010	2009
Research and development expenses	93,608	78,111
Marketing and administrative expenses	51,119	54,147
Total	**144,727**	**132,259**

NOTE 6. LEASING

Moberg Derma has no financial lease commitments. Moberg Derma's operating leases are shown below. Lease payments made under an operating lease are expensed on a straight-line basis over the term of the lease. The total amount of future minimum lease payments relating to non-cancellable operating leases at the balance sheet date is as follows:

Operating leases

	Rental agreement, premises	Machinery and equipment
Due for payment within one year	87,244	48,224
Due for payment within one to five years	0	43,147
Due for payment later than five years	0	0
	87,244	91,371

Expenses for operating leases in 2010 were:

Operating lease payments (SEK)

	2010	2009
Rent for premises	326,261	229,962
Rent for parking	26,400	4,800
Cleaning agreement	34,599	33,583
Rent for machinery	49,876	27,586
	437,135	295,931

NOTE 7. EMPLOYEES

Number of employees

	Average number of employees			Number of employees at 31 Dec
	Women	Men	Total	Total
2010	5	5	10	10
2009	5	5	10	10

All personnel are employed in Sweden.

Report on gender distribution in management

	2010-12-31			2009-12-31		
	Women	Men	Total	Women	Men	Total
Board of Directors	1	5	6	0	5	5
Other Senior Executives	1	5	6	1	4	5

Sick leave

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

Total salaries, social-security contributions and pensions

	2010	2009
Salaries and other remuneration including retirement benefit costs	10,527,046	9,108,587
Expenses for employee stock option schemes[1)]	985,362	861,085
Social-security contributions	3,552,594	3,036,354
Training	66,690	42,642
Recruitment	93,020	42,600
Other expenses	238,873	223,641
	15,463,585	**13,314,909**
Of which, retirement benefit costs	1,313,145	1,048,304

1) These expenses entail no payment and do not affect the company's cash flow.

In 2010 variable pay for all employees was SEK 1,476,126, which represents approximately 18 percent of the company's total salary expense. All employees who have been employed for more than six months have a variable salary component, which is linked to the fulfillment of individual and company goals for the year.

Senior executives' benefits

Board and committees

The Chairman and other members of the Board receive Directors' fees in accordance with a resolution of the general shareholders' meeting.

The Chief Executive Officer

For 2010 the company paid a basic salary of SEK 1,121,004 and variable remuneration of SEK 392,351 to the CEO, Peter Wolpert. The CEO has a defined contribution pension, which means that the company has no further pension obligations in addition to those stated here. Annual premium payments equivalent to 25 percent of the basic salary are made.

Other senior executives

The remuneration paid to other senior executives consists of a basic salary, variable remuneration, other benefits and pensions. Other senior executives refer to five individuals who comprise the management team together with the CEO. In addition to the CEO, the management team consists of the following individuals:

- Head of Research & Development
- Director of Investor Relations
- Chief Financial Officer
- Director of Sales & Marketing
- Legal Counsel

The distribution between basic salary and variable pay is proportionate to the executive's responsibilities and authority. In cases where variable remuneration is paid, such remuneration is based partly on the Group's results and partly on individual qualitative parameters. Pension premiums are capped at 25 percent of the basic salary. The pensionable income comprises only the basic salary.

In case of termination by the company senior executives are entitled to severance pay in the amount of three to six months' salary.

Remuneration and other benefits for senior executives in 2010

	Basic salary/ Board fees	Variable salary	Other benefits	Pension expenses	Share-based payment[1]	Other remuneration	Total
Chairman of the Board, Mats Pettersson	130,000	–	–	–	171,326	26,770[2)]	328,096
(appointed with effect from April 22, 2010)		–	–	–		–	
Deputy Chairman of the Board, Wenche Rolfsen (appointed with effect from April 22, 2010)	170,846[3)]				86,612		257,458
Board member, Gustaf Lindewald	78,000	–	–	–	–	6,000[4)]	84,000
Board member, Bertil Karlmark	78,000	–	–	–	–	–	78,000
Board member, Torbjörn Koivisto	78,000	–	–	–	–	–	78,000
CEO, Peter Wolpert	1,121,004	392,351	–	266,358	–	–	1,779,713
Other senior executives (5 persons)	2,806,740	688,482	–	607,614	666,042	1,417,875 [5)]	6,186,753
Total	4,462,590	1,080,833	0	873,972	923,980	1,450,645	8,792,020

1) These expenses do not entail a right to payments and do not affect the company's cash flow. Estimated expenses for social-security contributions are not included in the carrying amounts.
2) Compensation for travel expenses.
3) The Directors' fee paid to Rolfsen Consulting AB includes remuneration corresponding to social-security contributions.
4) Consulting fees have been paid to Gustaf Lindewald Konsult for work performed by Gustaf Lindewald in the remuneration committee.
5) Magnus Persson (Director of Investor Relations) and Fredrik Granström (Legal Counsel) are working on a consultancy basis through Streamson AB.

Drafting and decision-making process
The Board has a remuneration committee, which prepares proposals on remuneration issues. The committee consists of three Directors, Wenche Rolfsen (committee chairman), Mats Pettersson and Gustaf Lindewald. All are independent in relation to Moberg Derma and the company'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 guidelines for remuneration of senior executives that are legally subject to approval by the AGM and of applicable structures and levels of remuneration in the company.

Decisions on remuneration issues must, after drafting by the committee, be adopted by the Board as a whole.

Incentive schemes
Moberg Derma has introduced share-based incentive schemes comprising of employee stock options. The schemes are designed to promote the company's long-term interests by incentivising and rewarding certain Directors, senior executives and other employees. All permanent employees who had been employees of the company for more than 12 months at December 31, 2010 are either shareholders or included in the company's incentive scheme. Holdings of shares and warrants/stock options by Directors, the CEO and other senior executives are shown in the sections Board of Directors on page 31 and Management on page 30. For more information on share-based payments, see Note 20.

NOTE 8. INFORMATION ON REMUNERATION OF THE AUDITOR

Ernst & Young	2010	2009
Audit assignment	180,550	103,900
Auditing in addition to principal assignment	41,200	0
Tax advice	0	0
Other services	354,068	6,300
	575,818	**110,200**

Audit assignment refers to the audit of the annual report and accounting records as well as the Board of Directors' and CEO's management of the company, other tasks incumbent upon the company's auditor as well as advice and other assistance occasioned by observations made in the course of such examinations or the carrying-out of such other tasks. Auditing in addition to principal assignment refers to the examination of interim reports. Everything else is defined as other services. For 2010 this refers chiefly to an examination of the company's fulfillment of the listing requirements and of its prospectus prior to an intended listing on the Stockholm Stock Exchange.

NOTE 9. DEPRECIATION OF TANGIBLE ASSETS AND AMORTISATION OF INTANGIBLE ASSETS

	2010	2009
Equipment and tools	130,442	117,973
Intangible assets	14,285	14,286
	144,727	**132,259**

NOTE 10. INTEREST EXPENSE

	2010	2009
Interest expense	76,637	42,180
Other financial expenses	1,000,000	0
	1,076,637	**42,180**

NOTE 11. TAX

Tax recognized in the income statement

	2010	2009
Current tax	0	0
Deferred tax	0	0
Applicable tax rate in Sweden	26,3%	26,3%

Difference between tax recognized in the income statement and tax based on applicable tax rate

	Parent company		Group	
	2010	2009	2010	2009
Profit/loss before tax	–31,031,240	–24,235,367	–31,030,703	–24,234,851
Tax at applicable tax rate	8,161,216	6,373,902	8,161,075	6,373,766
Non-taxable income	0	36	0	36
Non-deductible expenses	–441,878	–301,818	–441,878	–301,818
Other	629,037	–104,839	629,037	–104,839
Tax effects of deficit for which tax asset is not taken into account	–8,348,375	–5,967,281	–8,348,234	–5,967,145
Reported effective tax	0	0	0	0

Deferred tax

	Parent company		Group	
	2010	2009	2010	2009
Tax losses brought forward	–79,166,682	–56,477,405	–79,174,783	–56,486,022
Tax loss for the year	–31,742,872	–22,689,277	–31,742,335	–22,688,761
Tax losses carried forward	–110,909,554	–79,166,682	–110,917,118	–79,174,783

The Board of Directors deems that there are no compelling reasons to believe that it will be possible to use the tax losses in the next year. No value has therefore been assigned to these. Current tax losses can be used without limitation in time.

The temporary difference between carrying amounts and tax bases for 2010 was SEK 0 (SEK 398,630 for 2009). The temporary difference does not give rise to a deferred tax asset in the balance sheet, as Moberg Derma does not capitalize the total tax losses shown above

NOTE 12. EARNINGS PER SHARE

Calculations have been made in accordance with IAS 33 Earnings per Share. Basic earnings per share are calculated by dividing the profit/loss for thepe-riod by a weighted average number of shares outstanding during the year.

	2010	2009
Net consolidated profit/loss	–31,030,703	–24,234,851
Weighted average number of basic shares	6,109,041	2,723,398
Dilution effect of warrant/stock option schemes	–	–
Weighted average number of diluted shares	6,109,041	2,723,398
Basic earnings per share	–5,08	–4,45
Diluted earnings per share	–5,08	–4,45

As the Group reports a negative result, the outstanding warrants do not give rise to dilution. This is because dilution is only reported when a potential conversion into ordinary shares would result in lower earnings per share. In total, there are 247,169 outstanding warrants which could be converted into 494,338 shares, resulting in a dilution of 7.5 percent.

Earnings per share for 2009 have been adjusted for a scrip dividend to ensure comparability with figures for 2010.

NOTE 13. PATENTS, LICENCES AND SIMILAR RIGHTS

	2010	2009
Opening accumulated acquisition cost	300,000	300,000
Acquisitions during the year	0	0
Closing accumulated cost	300,000	300,000
Amortization at beginning of year	–14,286	0
Amortization for the year	–14,285	–14,286
Amortization at end of year	–28,571	–14,286
Carrying amount at end of period	**271,429**	**285,714**

If the intellectual property rights acquired in 2006 were to generate revenues in excess of SEK 10,000,000 a supplemental purchase amount would be payable to Mobederm AB, which, as a major shareholder, is a related party to the parent company. The supplemental purchase amount has not been recognized as a liability, is payable in the form of royalties on revenues and is capped at SEK 5,000,000.

Externally acquired patents are amortized as of the commercialization date. After commercialization patents are amortized on a straight-line basis over 10 years or on a straight-line basis over their anticipated useful life if the anticipated useful life is less than 10 years.

NOTE 14. TANGEBLE ASSETS

	2010	2009
Opening acquisition value	610,246	587,166
Investments	158,639	23,080
Sales/disposals	0	0
Closing acquisition value	768,885	610,246
Opening depreciation	–227,469	–109,496
Depreciation for the year	–130,442	–117,973
Closing depreciation	–357,911	–227,469
Carrying amount at end of period	**410,974**	**382,777**

NOTE 15. INVENTORIES

Moberg Derma's inventories consist only of finished goods. Inventories at December 31, 2010 were SEK 244,365.
The corresponding figure for the year before was SEK 0.

NOTE 16. TRADE ACCOUNT RECEIVABLES

	2010	2009
Trade account receivables	6,637,961	369,083
Of which, trade receivables past due	4,912,041	113,297

No provisions have been made for estimated bad debts.

Age structure of trade receivables past due

	2010	2009
Less than 3 months	4,895,796	113,297
3 to 6 months	16,245	0
More than 6 months	0	0
	4,912,041	**113,297**

NOTE 17. OTHER RECEIVABLES

	2010	2009
Value-added tax claim	1,118,406	432,176
Other receivables	50 119	11,290
	1,168,525	**443,466**

NOTE 18. PREPAID EXPENSES AND ACCRUED INCOME

	Parent company		Group	
	2010	**2009**	**2010**	**2009**
Accrued income	343,503	0	343,901	0
Rent for premises	148,293	69,240	148,293	69,240
Other property expenses	12,123	6,472	12,123	6,472
Insurance costs	220,150	124,977	220,150	124,977
Pension expenses	139,583	111,228	139,583	111,228
Other prepaid expenses	23,405	425,153	23,405	425,153
	887,057	**737,070**	**887,455**	**737,070**

NOTE 19. CASH AND CASH EQUIVALENTS

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

	Parent company		Group	
	2010	**2009**	**2010**	**2009**
Cash and bank balances	2,668,784	32,986,163	2,760,822	33,078,062
Carrying amount	2,668,784	32,986,163	2,760,822	33,078,062

NOTE 20. SHARE-BASED PAYMENTS

Warrants

	Subsidiary	**Total**
2008 – Closing date for subscriptions: 31 Dec 2018 Issue price SEK 0.10	61,573	61,573
2009 – Closing date for subscriptions: 31 Dec 2019 Issue price SEK 0.10	21,849	21,849
2010 – Closing date for subscriptions: 31 Dec 2019 Issue price SEK 0.10	163,747	163,747
	247,169	**247,169**

Employee stock options

	2008:1	**2008:2**	**2009:1**	**2010:1**	**2010:2**
Start date	2008-06-30	2008-06-30	2009-04-20	2010-05-19	2010-05-19
Closing date	2018-12-31	2018-12-31	2019-12-31	2019-12-31	2019-12-31
Vesting date	direct and 2009-12-31	2009-12-31	2010-12-31	2011-12-31 /2012-12-31	2011-12-31 /2012-12-31
Exercise price, SEK per share	16,55	32,75	32,75	32,75	32,75
Number originally allocated	30,000	16,498	13,833	89,501	40,576
Outstanding, January 2010	30,000	13,832	13,833	0	0
Allocated in 2010	0	0	0	89,501	40,576
Forfeited in previous years	0	2,666	0	0	0
Forfeited in 2010	0	0	333	0	0
Exercised in 2010	0	0	0	0	0
Expired in 2010	0	0	0	0	0
Outstanding, December 31, 2010	30 000	13,832	13,500	89,501	40,576
Number of shares subscribable through employee stock options	**60,000**	**27,664**	**27,000**	**179,002**	**81,152**
Vested, December 31, 2010	30 000	13,832	13,500	0	0

In the financial year 2007 the incentive scheme comprised warrants for ordinary shares that were issued directly to employees, Directors and other individuals. Through an agreement entered into on July 7, 2010 the company has acquired all outstanding warrants in Warrant Scheme 2007:1. A total of 113,000 warrants were acquired for SEK 124,300 and then cancelled.

In the financial years 2008–2010 Moberg Derma's incentive scheme was altered to allow for the allocation of employee stock options, which were structured as call options on such warrants.

For employee stock options entitling the holder to acquire warrants which automatically and simultaneously are exercised to subscribe for new shares Moberg Derma is required to pay social-security contributions on the difference between the market price of the share at the time 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.

Each year the Board of Directors decides on the allocation of employee stock options to employees. If the employment is terminated, any allocated, unvested employee stock options are forfeited. The fair value of the options allocated during the period was determined using the Black-Scholes valuation model with SEK 19.56 per option in Schemes 2010:1 and 2010:2. Key input data used in the model were market price per share SEK 65.50, exercise price of SEK 65.50, volatility 25 percent, expected term approximately 5.9 years, staff turnover 0 percent and no dividend payments.

The Group's expenses for employee stock option schemes (including estimated expenses for social-security contributions) for January to December 2010 were SEK 1.2 million, compared with SEK 1.1 million for the same period the year before.

A total of 247,169 warrants have been issued to the subsidiary company Moberg Derma Incentives AB. These warrants are intended to be transferred and used for subscription of new shares upon exercise of the same number of employee stock options and to cover any social-security contributions incurred upon exercise of the employee stock options.

At December 31, 2010 a total of 187,409 allocated employee stock options were outstanding (of which, 57,332 were vested), representing 374,818 potential shares, which represents a dilution of 5.8 percent, while 59,760 warrants have been set aside to cover future social-security contributions for these employee stock options.

If all 247,169 outstanding warrants were to be exercised to subscribe for shares the total number of shares would increase by 494,338, from 6,113,988 to 6,608,326 shares, representing a dilution of 7.5 percent.

NOTE 21. INTEREST-BEARING LIABILITIES

Moberg Derma's interest-bearing liabilities consist of two conditional loans[1] from ALMI Företagspartner, a loan of SEK 40,000 relating to Emtrix® and a loan of SEK 300,000 relating to the development of a hand disinfectant product. The loans have been carried at fair value. SEK 190,000 of the loans is due for repayment within one year and has been accounted for as a current liability while SEK 150,000 has been accounted for as a long-term liability. No portion of the loans is due for repayment later than five years from the balance sheet date. The loans are variable-rate loans with interest rates of 9.1 percent and 8.1 percent, respectively, at December 31, 2010. No collateral is pledged for the loans.knutna till lånen.

NOTE 22. OTHER CURRENT LIABILITIES

	2010	2009
Current portion of conditional loans from ALMI	190,000	310,000
Employee withholding taxes	253,642	258,326
Settled social-security contributions	207,536	192,718
Provision for social-security contributions in respect of employee stock option schemes	726,809	467,698
Other current liabilities	0	106
	1,377,987	**1,228 848**

1) Conditional loan, as provided for in the Swedish Ordinance on Government Funding through Regional Development Assistance (SFS 1994:1100). If the project cannot be utilized commercially, ALMI may grant exemption from payment of the loan and interest.

NOTE 23. ACCRUED EXPENSES

	2010	2009
Accrued R&D expenses	510,712	518,996
Accrued personnel expenses	3,177,719	2,188,256
Accrued Board expenses	247,109	57,296
Accrued auditing fee	90,000	48,500
Other accrued expenses	1,243,081	69,643
	5,268,621	**2,882,691**

Accrued personnel expenses

	2010	2009
Of which, accrued salaries	1,476,126	985,231
Of which, accrued vacation pay liability	948,702	466,849
Of which, accrued social-security contributions	463,799	309,560
Of which, accrued retirement benefit costs	7,016	65,035
Of which, accrued payroll tax on retirement benefit costs	282,076	361,581
	3,177,719	**2,188,256**

NOTE 24. PLEDGED ASSETS AND CONTINGENT LIABILITIES

Moberg Derma has no contingent liabilities. The company has pledged assets in the form of a deposit of SEK 69,240 under a rental agreement and frozen bank deposits of SEK 50,000.

NOTE 25. INTERESTS IN GROUP COMPANIES

Interests in subsidiaris

	Corp. Reg. No.	Regd office	No. of shares/ Share of total	Nom.value	Carrying amount
Moberg Derma Incentives AB	556750-1589	Solna	1,000,000 / 100%	100,000	100,000

Changes in carrying amounts, shares in subsidiaries

	2010	2009
Opening acquisition value	100,000	100,000
Acquisitions	0	0
Closing accumulated acquisition value	100,000	100,000
Carrying amount at end of year	**100,000**	**100,000**

NOTE 26. IMPACT ON CASH FLOW FROM INVESTMENTS IN SUBSIDIARIES

	2010	2009
Acquisition of shares in subsidiaries	0	0
Existing cash in acquired company	0	0
Impact on consolidated cash flow	**0**	**0**

NOT 27. FINANCIAL RISKS AND FINANCIAL POLICY

Financial risk management

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

Through its activities Moberg Derma is exposed to various financial risks, such as fluctuations in the company's earnings and cash flow caused by changes in exchange rates and interest rates as well as refinancing risk. Currently Moberg Derma's policy is to not hedge financial risks relating to loans, and transaction and translation exposures. This decision has been taken with regard to the current portion that is exposed in the Group and the cost of hedging any risks.

Refinancing risk

Moberg Derma's activities are development-intensive and based on investments aimed at generating future revenues. This means that liquid assets are consumed. The company's activities are largely funded through equity contributions from shareholders through the issuance of new shares.

Refinancing risk refers to the risk that Moberg Derma will be unable to meet its obligations and continue to develop its business due to difficulties in finding providers of capital or lenders who are prepared to invest in the company or because existing loans are called.

The company's liabilities comprise conditional loans. The Group has no short-term loan funding arrangements in the form of overdraft facilities. Moberg Derma has an unused credit facility in the amount of SEK 50 million provided by Mohammed Al-Amoudi. The Board of Directors deems that Moberg Derma's refinancing risk is limited, as the company has limited fixed costs and because the company is now entering a commercial phase and is expected to generate revenues.

Interest risk and liquidity risk

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

Outstanding interest-bearing liabilities are accounted for in Note 21. Moberg Derma's financing cost may be affected by changes in market interest rates, although this impact is very limited, as the Group's sources of funding mainly comprise equity capital and fixed-interest loan facilities.

Currency risk

Currency risk is the risk that changes in exchange rates will have a negative impact on Moberg Derma's income statement, financial position and/or cash flows. Exchange rate risks exist in the form of transaction and translation risks. The Group currently has a relatively limited currency exposure, as the company's operating activities are mainly conducted in Sweden and the company has limited revenues in foreign currency.

The company's licensing agreements with counterparties outside Sweden are often concluded in another currency than Swedish kronor. As revenues from such agreements grow the company's currency exposure will gradually increase. The company's earnings are also exposed to changes in exchange rates in connection with the purchase of clinical trials, research services and material. The largest portion of Moberg Derma's purchases is made in Swedish kronor (SEK). Certain consulting services are purchased in Euros (EUR), British pounds (GBP) or US dollars (USD).

The Group has not used currency hedging in 2010 but will regularly review the need for currency hedging as the business expands. Operating expenses for the financial year were SEK 41.4 million, of which about 4 percent refers to expenses in foreign currency. Out of total net sales in 2010 of SEK 8.5 million, about 8 percent referred to revenues in foreign currency (EUR and CAD).

Changes in exchange rates had a net impact of SEK –23,354 on the operating result for the financial year. Future income and expenses will be affected by fluctuations in foreign exchange rates.

Counterparty risk

Counterparty risk is the risk that a party to a transaction with financial instruments will be unable to meet its obligations and thus incur a loss for the other party. Moberg Derma is exposed to counterparty risks primarily in connection with licensing agreements and financial investments. The Group always carries out an assessment of potential counterparties, before entering into licensing agreements. The Group limits its current counterparty risk in connection with financial investments by investing excess liquidity with counterparties with very high creditworthiness.

Currency effect (SEK)

Effect on consolidated income and operating profit/loss of a strengthening of the Swedish krona by 10 percent

Currency	Income	Operating expenses	Operating profit/loss
Euro	–59,586	18,225	–41,361
GBP	0	51,762	51,762
USD	0	34,444	34,444
DKK	0	52 646	52,646
Other currencies	–10,399	115	–10,284
Total	**–69,985**	**157,192**	**87,207**

NOTE 28. EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred after the end of the period other than those described in the Directors' Report, see page 26.

NOTE 29. RELATED-PARTY TRANSACTIONS

In 2010 Moberg Derma completed the following transactions with related parties, as defined in IAS 24 Related Party Disclosures:

Magnus Persson and Fredrik Granström (members of the company's management team) work for Moberg Derma on a consultancy basis through Streamson AB. The company has ongoing service contracts with Streamson AB. The service contracts, which were initiated in 2006, have been renewed repeatedly. The services have been and continue to be performed by Magnus Persson and Fredrik Granström, who both hold stakes in Streamson AB as well as indirect shareholdings, through Streamson AB, in the company.

Under an agreement entered into on July 7, 2010, the company has repurchased previously issued warrants of series 2007:1 from the warrant holders, who are employees and Directors of the company as well as shareholders. 14,700 warrants of series 2007:1 have been acquired from the Director Bertil Karlmark for a consideration of SEK 16,170, 60,000 warrants of series 2007:1 have been acquired from Kjell Rensfeldt for a consideration of SEK 66,000, 24,000 warrants of series 2007:1 have been acquired from Martin Ingman for a consideration of SEK 26,400 and 14,300 warrants of series 2007:1 have been acquired from Anna Ljung for SEK 15,730.

Information on remuneration paid to the Board of Directors and management is provided in Note 7.

All transactions with related parties have been made on market terms for the company.

No other Directors or senior executives, or related parties to these, have or have had any direct or indirect involvement in any business transactions with Moberg Derma that are or were unusual in terms of their character or contract terms and that took place in the current year. Nor has Moberg Derma made loans, issued guarantees or provided surety bonds to or on behalf of any of the Directors, senior executives or auditors of the company.

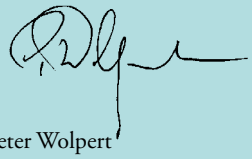
ASSURANCE BY THE BOARD OF DIRECTORS

The Board of Directors and Chief Executive Officer certify that the annual report has been prepared in compliance with generally accepted accounting principles and gives a true and fair view of Moberg Derma's financial position and results and that the Directors' Report gives a true and fair overview of the development of Moberg Derma's business, financial position and results and describes significant risks and uncertainties faced by Moberg Derma.

Solna March 18, 2011

Mats Pettersson
Chairman

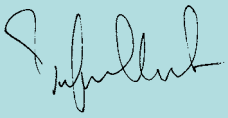
Wenche Rolfsen
Deputy Chairman



Peter Wolpert
Chief Executive Officer and Director

Bertil Karlmark
Director

Gustaf Lindewald
Director



Torbjörn Koivisto
Director

Our audit report was issued on March 18, 2011
Ernst & Young AB

Magnus Fagerstedt,
Authorized Public Accountant

AUDIT REPORT

To the Annual General Meeting of Moberg Derma AB
Corporate registration number 556697-7426

We have examined the annual accounts, consolidated financial statements and accounting records as well as the Board of Directors and Chief Executive Officer's administration of Moberg Derma AB for the financial year 2010. The company's annual accounts and the consolidated financial statements are included in the printed version of this document on pages 35–64. Responsibility for the accounts and administration of the company and for ensuring that the Swedish Annual Accounts Act is applied in preparing the annual accounts and that the International Financial Reporting Standards (IFRS), as adopted by the EU and implemented in the Swedish Annual Accounts Act, are applied in preparing the consolidated financial statements rests with the Board of Directors and Chief Executive Officer. Our responsibility is to express an opinion on the annual accounts, consolidated financial statements and administration of the company on the basis of our audit.

The audit has been conducted in accordance with generally accepted auditing standards in Sweden. This means that we have planned and conducted our audit so as to obtain a high but not absolute degree of certainty that the annual accounts and consolidated financial statements are free from material errors. An audit entails an examination of a selection of evidence supporting the amounts and other disclosures contained in the accounts. It also comprises a review of the accounting policies and the Board of Directors and Chief Executive Officer's adherence to these policies and an assessment of those significant estimates employed by the Board of Directors and Chief Executive Officer in preparing the annual accounts and consolidated financial statements as well as an evaluation of the overall information contained in the annual accounts and consolidated financial statements. As a basis for our statement on release from liability, we have examined significant decisions, actions and circumstances of the company in order to be able to determine the liability, if any, to the company of any Director or the Chief Executive Officer. We have also examined whether any Director or the Chief Executive Officer has in any other way acted in violation of the Swedish Companies Act, the Annual Accounts Act or the company's Articles of Association. We believe our audit gives us a reasonable basis for making the following statements.

The annual accounts have been prepared in accordance with the Annual Accounts Act and provide a true and fair view of the company's results and financial position in accordance with generally accepted auditing standards in Sweden. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU and implemented in the Swedish Annual Accounts Act, and provide a true and fair view of the Group's results and financial position. The Directors' Report is consistent with the other parts of the annual accounts and consolidated financial statements.

We recommend that the Annual General Meeting adopt the income statement and balance sheet and the consolidated statement of comprehensive income and consolidated statement of financial position, and allocate the profit of the parent company in accordance with the proposal in the Directors' Report, and that the members of the Board of Directors and the Chief Executive Officer be released from liability for the financial year.

Stockholm, March 18, 2011
Ernst & Young AB

Magnus Fagerstedt
Authorized Public Accountant

HISTORY

Moberg Derma was founded on March 16, 2006 at the Karolinska Institute by Peter Wolpert and Marie Moberg. Upon its founding, Moberg Derma acquired a patent and project portfolio based on many years of research starting in the 1980s conducted by the late Swedish dermatologist Dr Sven Moberg, who worked at the Sahlgrenska University Hospital among other institutions. The company's portfolio has since been expanded through new innovations, the acquisition of licenses for projects and of a patent portfolio as well as continued development.

In the first half of 2007 a clinical phase II trial of Kaprolac® Dandruff Solution for treatment of seborrhoeic dermatitis was conducted. In 2007–2008 the company conducted a clinical phase III trial on Emtrix® (493 patients). A clinical phase III trial on Kaprolac® Dandruff Solution was also conducted in 2008.

The company's development portfolio was strengthened through the acquisition of all assets from the bankruptcy estate of Zelmic Technologies AB, including the A-Fizz® and Limtop pharmaceutical projects, patent applications and laboratory equipment. Licensing agreements were concluded with MedPharm Ltd in respect of access to a patented formulation technology.

In 2009 the company concluded its first distribution agreement for sales of the company's Emtrix®/Nalox™ nail preparation in the Nordics with Antula Healthcare AB. The company conducted a clinical phase I/II trial for Kaprolac® SRH in atopic dermatitis. The company submitted a new patent application for MOB-015 and received a grant of SEK 4.2 million from Vinnova for development of the project. In November three cosmetic products in the Kaprolac® series were registered with the Swedish Medical Products Agency.

In March 2010 the company received European marketing authorization for Emtrix®/Nalox™ and Kaprolac® Scalp Solution as medical device products (CE mark). In the current year the company has concluded further distribution agreements, which now cover the Nordic countries, Canada, the Middle East and several smaller markets for Emtrix®/Nalox™. In autumn Nalox™ was launched in Sweden, Denmark, Norway and Finland. Already in the first quarter after its launch the product is market leader in the Nordic region and is sold by most of the major pharmacy chains. In November a clinical phase II trial of MOB-015 (250 patients) was initiated.

GLOSSARY

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

ANAL FISSURE
A crack in the anal canal causing inconvenience in the form of bleeding and pain.

ATOPIC DERMATITIS
A chronic, itchy inflammatory skin disease that is both genetic and immunological.

DERMATOLOGY
The science of the skin and its diseases.

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

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

INCIDENCE
The number of persons (or the proportion of persons) in a certain group developing a disease during a specified period of time.

CLINICAL TRIAL
A study of the effects of a pharmaceutical in humans.

SEBORRHOEIC DERMATITIS
Seborrhoeic dermatitis is a common skin disease in which a yeast, Malassezia, is believed to be a contributing factor.

ONYCHOMYCOSIS
A fungal 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. Onychomycosis is normally caused by dermatophytids.

PATENT FAMILY
All patents and patent applications submitted in different countries in respect of a particular invention.

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

SEBORRHOEIC ECZEMA
See Seborrhoeic dermatitis.

TERBINAFINE
An antifungal agent developed by Novartis whose patent has now expired.

MOBERG DERMA AB | TELEFON +46 8 522 30 700 | FAX +46 8 735 20 29 | INFO@MOBERGDERMA.SE | WWW.MOBERGDERMA.SE