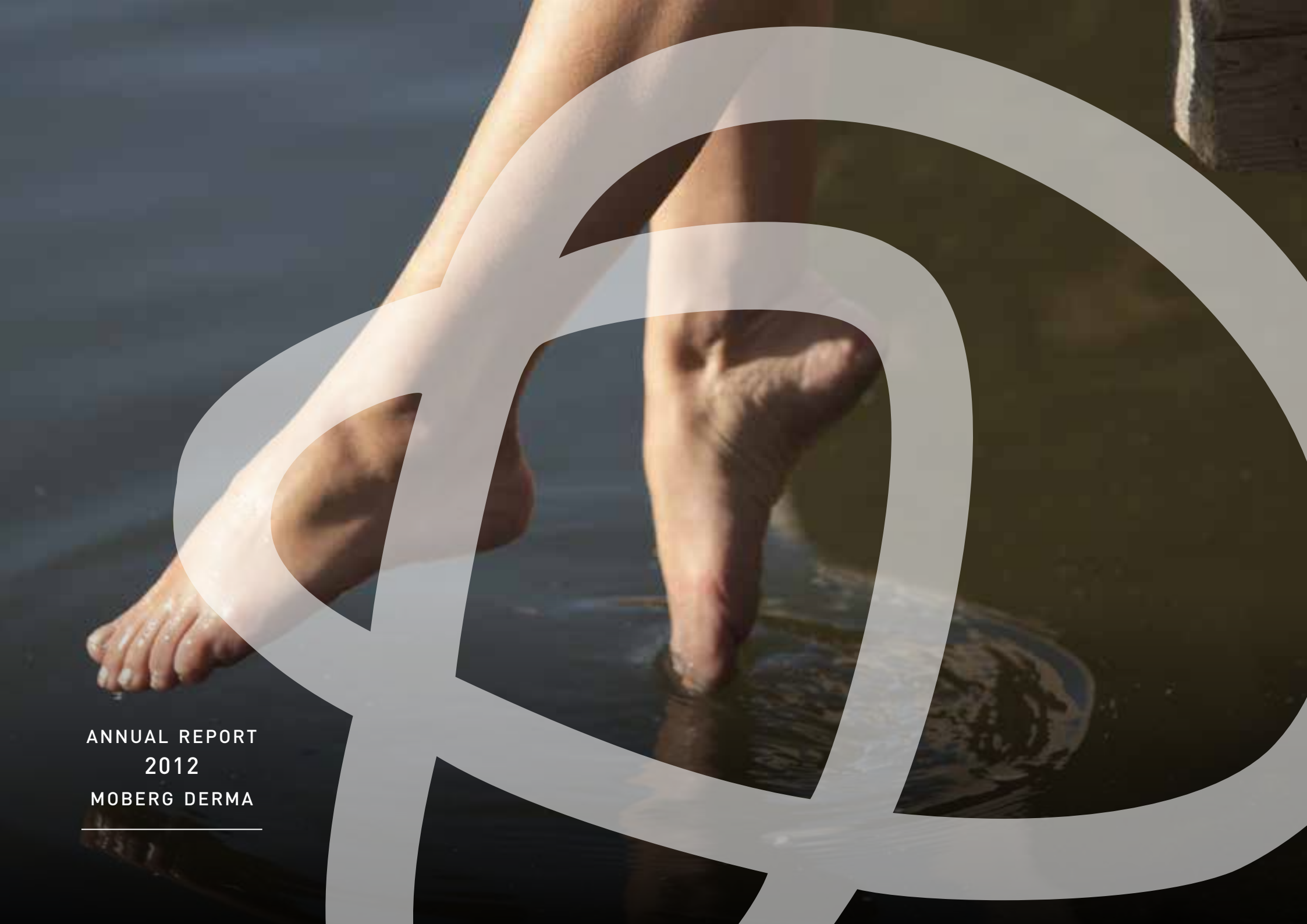

ANNUAL REPORT 2012

MOBERG DERMA

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A DIFFERENT PHARMACEUTICAL COMPANY

BUSINESS MODEL

Moberg Derma commercializes proprietary, acquired and licensed pharmaceuticals and brands in the global market. The company conducts its own distribution and marketing in the U.S. and has an established network of market partners in large parts of the rest of the world. Contract manufacturers conduct production.

GOALS ACHIEVED IN 2012

- Revenue rose 101 percent
- Establishment in the U.S. through the acquisition of Alterna LLC
- Commencement of clinical trial for an improved formulation of MOB-015
- Expanded product and project portfolio

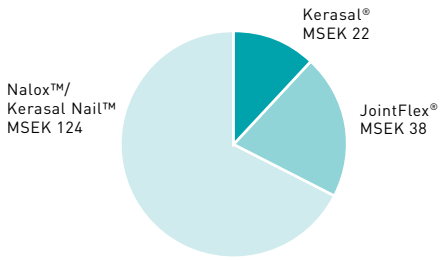
FOCUS AREAS IN 2013

- Support Moberg Derma's distributors in their efforts to gain continuing successful launches
- Finalize integration of the company's U.S. operations and ensure continuing growth
- Identify future growth opportunities

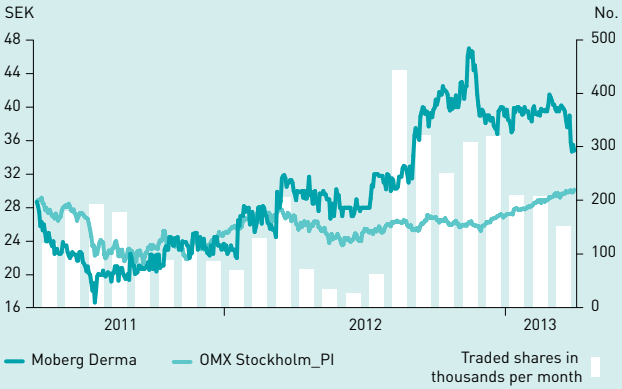
PRODUCT PORTFOLIO

Nalox™/ Kerasal Nail™	Nail damage caused, for example, by nail fungus or psoriasis	Proprietary sales in the U.S. Launched by 10 partners on 20 markets
Kerasal®	Products for dry feet and cracked heels	Proprietary sales in the U.S. Launched by 13 partners on 14 markets
JointFlex®	Products for joint and muscle pain	Proprietary sales in the U.S. Launched by 14 partners on 18 markets
Kaprolac®	Products for various types of skin complaints	Launched in Switzerland

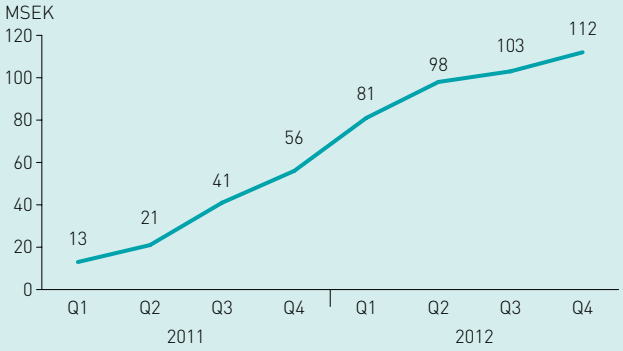
BREAKDOWN OF PRODUCT SALES (PRO FORMA 2012)



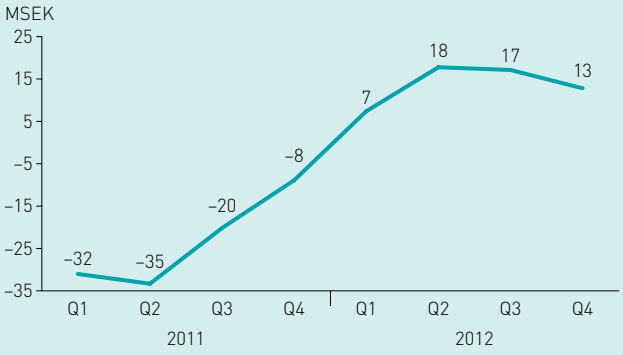
SHARE PRICE PERFORMANCE SINCE LISTING



SALES REVENUE, ROLLING 12 MONTHS



OPERATING PROFIT/LOSS, ROLLING 12 MONTHS



101 %
REVENUE INCREASE

2012 IN FIGURES

Revenue	MSEK 112.5 (55.9)
Gross profit	MSEK 87.6 (39.3)
EBITDA	MSEK 13.3 (–7.1)
Profit after tax	MSEK 35.8 (–6.4)
Earnings per share	SEK 3.68 (–0.82)

LARGEST SHAREHOLDERS

Shareholders	% of votes and capital
Östersjöstiftelsen	21.03%
SIX SIS AG	17.05%
JPM Chase NA (Altaris Capital Partners)	7.64%
Mobederm AB	6.60%
Wolco Invest AB	5.55%

FINANCIAL CALENDAR

Annual General Meeting	April 23, 2013
Interim report for January – March	May 21, 2013
Interim report for January – June	August 6, 2013
Interim report for January – September	November 5, 2013

HISTORY

2012
Broadening of the distribution network for Nalox™ through agreement with Paladin. The product is launched on 20 markets, with a strong sales trend.

2011
Distribution agreement with Meda and Menarini for Nalox™ for markets with 600 million inhabitants.
Launch of Kerasal Nail™ in USA.
Listing on NASDAQ OMX. Nalox™ continues to grow sharply, with manifold expansion in the Nordic market.

2010
Nalox™ receives market approval and becomes market leader in the Nordic region after one quarter of the year.

2009
Distribution agreement for the Nordic region signed with Antula (currently Meda OTC) for Nalox™.

2008
Clinical phase III trial for Nalox™ completed.

2007
Peter Wolpert and Marie Moberg establish Moberg Derma.

2006

DOUBLED REVENUE AND POSITIVE EARNINGS ONE YEAR AHEAD OF SCHEDULE

Successes in 2012 were enabled by the continuing growth for Nalox™, our proprietarily developed and unique nail fungus product. We also established – through a corporate acquisition – an independent presence in the world's largest pharmaceuticals market and broadened our portfolio of products and brands. A twofold increase in sales, positive earnings and an independent presence in the U.S. provide a platform for continuing growth.

TWOFOLD INCREASE IN NALOX™ SALES

Revenue from Nalox™ doubled during 2012 to more than MSEK 100. In the U.S., we now conduct sales in a proprietary basis, while in other markets we cooperate with partners and distributors, and these were also successful during the year – for example, we received all milestone payments from our largest partner, Meda.

In the Nordic region, where Nalox™ is market leader, as well as in other markets, the product contributed to a sharp increase in the overall market for nail fungus treatment. A key factor is that the nail fungus market has been dormant – despite the fact that 10 percent of the population is affected – whereby only a minority of patients was previously treated. Using Nalox™ as a new, effective product that is superior in solving the patients' problems, we have succeeded in attracting new patients.

In the U.S., distribution was expanded to more than 25,000 sales outlets, including almost all Walmart stores. Increased distribution among the major retailers and successful marketing also contributed to the product attaining the ranking of number two in its category during the year among U.S. drugstores[1].

During 2012, we worked intensively to support our partners and distributors, not least in conjunction with launches in 12 new markets, including France, Germany, Netherlands, Italy and Austria. We also signed new distribution agreements in Canada, South Africa and Iran. Launches in major markets remain to be conducted and, assuming a similar pattern as previously, sales in existing and future markets will contribute to the company's growth during the years ahead.

> "Revenue from Nalox™ doubled during 2012 to more than MSEK 100"

MOBERG PHARMA NORTH AMERICA

During the autumn, we established a presence in the U.S. through the acquisition of Alterna LLC – a fundamental step in our business strategy. Via an efficient market organization, our proprietary

[1] IRI data, December 2, 2012

Peter Wolpert

brands Kerasal®, Kerasal Nail™ (Nalox™ in Sweden) and JointFlex® are sold in the world's largest pharmaceuticals market.

Proprietary sales create new strategic opportunities. We are deepening our insight into end customer requirements, have the capacity to launch proprietary brands, will retain a larger share of earnings and will independently control market investments and sales efforts. During 2012, 42 percent of total revenue (pro forma) was derived from sales in the U.S. market.

We see potential to create significant value through our own brands. The core of the brand strategy is to establish confidence among patients, physicians and retailers by delivering products with unique characteristics that solve patients' problems and whose benefits can be demonstrated in clinical trials. The successful launch of Kerasal Nail™ is an excellent example of how the confidence developed for the Kerasal® brand helped to prepare the way for the nail product.

> "Our establishment of a presence in the U.S. is a fundamentally strategic step that creates new opportunities to develop our business"

OUR INNOVATION ENGINE OFFERS A BROADER PRODUCT PALETTE

The Innovation Engine is our structured working method designed to create and assess a continuous flow of new ideas and products. In addition to acquisitions and in-licensing, our internal development is a key source of new products to extend the product portfolio. Regardless of the route we select, our ability to combine financial, market and development perspectives is crucial to the success of acquisitions and development programs.

Our focus is to satisfy patients' requirements for new treatments in commercially attractive niches. We are particularly interested in brands and products that are not only capable of capturing market share but that, through unique benefits, can grow their niches. Our development project in the clinical phase – MOB-015 (nail fungus) – meets these requirements and has the potential to change the treatment pattern in its particular area. In the case of MOB-015, the unsatisfactory results during the year provided the basis for an improved formulation to be tested in a new phase II trial. In March 2013, we decided to discontinue the development of Limtop, our project for treatment of actinic keratosis (sun damaged skin), as the efficacy in a completed phase II trial did not reach the predefined target.

BUILDING A DIFFERENT PHARMACEUTICAL COMPANY

During the year, not only did we succeed in raising sales sharply but also – via increased volumes and production improvements – in raising the gross margin from 70 to 78 percent. The combination of additional launches of Nalox™, growth in launched markets and the acquisition of Alterna is expected to result in strong growth during 2013 too. We continue to identify additional strategic opportunities. I am delighted that we were able to complete the acquisition of Alterna, with an improved financial strength and capital structure – while also resulting in limited dilution for existing shareholders.

> "The work involved in building a different pharmaceutical company continues"

To reflect the Group's broader approach following the acquisition of Moberg Pharma North America LLC (previously Alterna LLC), the Board will propose to the 2013 Annual General Meeting that the Parent Company be renamed Moberg Pharma AB.

Our existing portfolio and the opportunities we see in acquisitions/in-licensing offer a strong base to take the company forward towards our financial objective – an EBITDA margin of 25 percent within 2–4 years, combined with continuing strong growth. Our efforts to build a different pharmaceutical company continues!

PETER WOLPERT, CEO AND FOUNDER

KEY BUSINESS EVENTS IN 2012

FEBRUARY

- Moberg Derma is expected to show profitability in 2012 and the Board hence updated the company's financial goals, to achieve an operating margin of at least 25 percent with continued strong growth in the long term (3–5 years).

MARCH

- Distribution agreement with Pharmaplan for Nalox™/Emtrix® in South Africa.
- The board considered that the company, as a result of future taxable profit could recognize a tax receivable that affected earnings positively by MSEK 29.6 in the first quarter.

APRIL

- The 2012 Annual General Meeting. Geert Cauwenbergh elected to the Board.

JUNE

- License agreement with Ana Darou for Nalox™/Emtrix® in Iran.

AUGUST

- Distribution of Kerasal Nail™ in the U.S. expanded from 1,300 to 3,500 Walmart stores.
- All remaining milestone payments in the agreement with Meda were deemed to be achievable during 2012 as a result of successful launches in a number of markets in Europe.

OCTOBER

- Decision to acquire Alterna LLC in order to establish the company's market presence in the U.S. and expand the product portfolio. Financing through non-cash share issue, private placement and a loan from Swedbank.
- Private placement of MSEK 31.8, before issue expenses, to Handelsbanken Funds, Third Swedish National Pension Fund and Rhenman & Partners Asset Management AB.

NOVEMBER

- New phase II trial commenced with an improved formulation of MOB-015 for the treatment of nail fungus.
- Moberg Derma establishes own market presence in the U.S. through acquisition of Alterna LLC.

DECEMBER

- Distribution agreement with Paladin Labs for Nalox™/Emtrix® in Canada.

MARKET AND SALES

Moberg Derma has its own organization for marketing and sales in the U.S. In other markets, the company's products are commercialized via distributors. The company is active in niches in which there often is less competition from global companies.

IN NICHES, ALSO SMALL COMPANIES CAN ACHIEVE GREAT RESULTS

Competition in the global pharmaceuticals markets is razor-sharp and the requisite investments are high. The leading multinational companies invest vast resources in the contest for market share in the major therapeutic areas, such as the treatment of high blood pressure, excessive blood cholesterol, cancer and immunological diseases. These areas require enormous investments in research, development, marketing and infrastructure to be successful, while public authorities and insurance companies are simultaneously struggling to minimize treatment costs.

However, in narrower niches, such as the treatment of certain skin complaints, the situation is different and in these areas Moberg Derma has already been successful. The commercial potential for small companies is also substantial, since the market is fragmented and specialized players, such as Moberg Derma, can add value by offering globally accessible products. The route to success in these types of niches is to be able to develop or acquire products with unique characteristics that meet explicit or implicit requirements among patients, using limited funds and without assuming excessive risk. This is exactly what Moberg Derma has demonstrated. Not by chance or luck but through a structured and target-oriented work method. This is described in more detail in the "New products and business opportunities" section on page 18.

> "Through a structured and target-oriented work method, Moberg Derma has achieved success in selected niches"

THE MARKET FOR DERMATOLOGICAL PHARMACEUTICALS

Diseases that attack the skin are common and affect several hundred million people.

The U.S. is the largest market – fungal infections most prevalent

Although the segment for dermatological pharmaceuticals corresponds to slightly less than 3 percent of the total drugs market, the sale of prescription and over-the-counter (OTC) products in 2011 amounted to about BUSD 20[2,3]. The prescription products are prescribed by general practitioners and dermatologists (skin specialists), while the OTC products are bought directly by end customers at pharmacies, convenience goods stores and via dermatologists and podiatrists. The most common treatment-requiring disorder is infections (mainly fungal infections), an area that generated sales revenue of some BUSD 4 in 2010. Eczema, acne, psoriasis and sun-related damage are other common conditions that require treatment. The U.S. is the largest geographical market, accounting for 46 percent of global sales in 2010[4].

[2] Visiongain, Dermatological Drugs: World Market Prospects 2013–2022
[3] IMS Health market prognosis, May 2012
[4] Business Insights, Dermatology Market Outlook to 2016

Aging population and improved therapy are driving growth
The occurrence of many dermatological diseases, including nail fungus, increases in line with age.

The dermatology area is marked in most sub-areas by older, non-patent protected products and generic competition. Since few new dermatological drugs have been launched in recent years, the need for new pharmaceuticals and treatment methods is considerable. Future growth will be driven in those areas in which patented-protected products become leading treatment methods. New products include both improved formulations and completely new compounds. The scope for new formulation technologies is increasing steadily as the number of proven compounds that lose patent protection rises.

"There is a major need for improved formulations of proven compounds to treat dermatological disorders"

20 BUSD
MARKET FOR DERMATOLOGICAL DRUGS

Topical treatment of pain
Joint and muscle pain are really not dermatological conditions as such, but by conveying pain-relieving compounds via the skin (topically) favourable treatment results can be attained without having to subject the entire body to pharmaceutical exposure. Through new technologies that improve the skin's absorption of pain-killing substances, topical therapy can be further improved to provide faster alleviation and reduce the risk of systemic side effects. The OTC portion of this niche generated sales exceeding MUSD 300 in the U.S. during 2012[5].

Self-care is growing steadily
The emergence of the Internet and other media entails that patients of today are better informed and thus inclined to diagnose themselves and personally select treatment for simpler ailments.

[5] Retail Sales Food/Drug/Mass excluding Walmart 52 Weeks Ending October 7, 2012 as reported by IRI.

This behaviour pattern, combined with greater access to products, is generating growth in the market for self-care products with a medical profile. OTC pharmaceuticals and self-care products represent 12 percent of the total pharmaceuticals market and have expanded faster than prescription drugs during the past five-year period[6]. Growth is expected to continue, driven by the reclassification of an increasing number of pharmaceuticals from prescription to OTC drugs, increasing investment in strong brands and growing demand in emerging countries. Public agencies are contributing to the self-care segment by steadily reducing subsidies and encouraging the industry to provide OTC preparations for less complicated ailments. Dermatology products represent one of the fastest growing categories, due, for example, to the increasing focus on a young and healthy appearance. Moberg Derma's assessment is that the trend will continue and that more dermatological products will be sold without subsidies. Through the acquisition of Alterna, Moberg Derma is well poised to capitalize on this trend in the world's largest market.

Small and midsize companies dominate – consolidation continues

No multinational pharmaceutical companies specialize in dermatological diseases. Among the major multinational companies, Merck, Novartis and GSK/Stiefel Laboratories are active in the segment. A number of midsize pharmaceutical companies are also active in the area, such as Galderma, Leo, Almirall, Astellas, Bayer HealthCare (Intendis), Meda, Valeant and regional dermatology companies. Consolidation in the dermatology area has continued in recent years. Valeant Pharmaceuticals has conducted several acquisitions, including that of Medicis, while Galderma acquired Q-Med. Moberg Derma's partner Meda has expanded through the acquisition of products in the U.S.; in turn, Menarini has expanded towards the East through its acquisition of Invida in the Asia-Pacific region, and Paladin is expanding in Latin America and Africa.

The dermatology market offers favourable potential to generate values for a specialized player such as Moberg Derma. The need for new, innovative products is considerable in a number of indication areas, both for prescription and self-care products. The current restructuring of the industry is also creating attractive business opportunities.

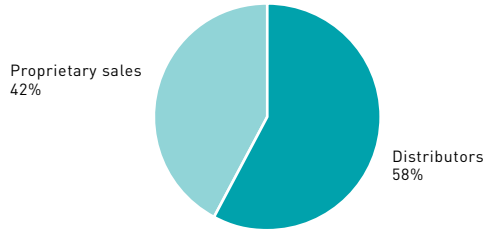
"The dermatology market and self-care offer favourable potential to generate values for a specialist player such as Moberg Derma"

HOW WE REACH THE END CUSTOMER

Moberg Derma's strategy is to limit its risk and avoid excessively large investments in infrastructure. Since the company commercializes its products globally, Moberg Derma's approach differs from that of regional dermatology companies. By focusing on selected niches, combined with a well-conceived application of various channels to the company's end customers, Moberg Derma, using limited resources, has been able to secure a market presence in major regions worldwide in just a few years.

Currently, commercialization is taking the form of proprietary sales in the U.S. and through distributors and partners in other markets. Moberg Derma's key partner is Meda AB, which accounts for the marketing and sale of Nalox™ in 22 countries with a total population of some 550 million.

PRO FORMA SALES 2012



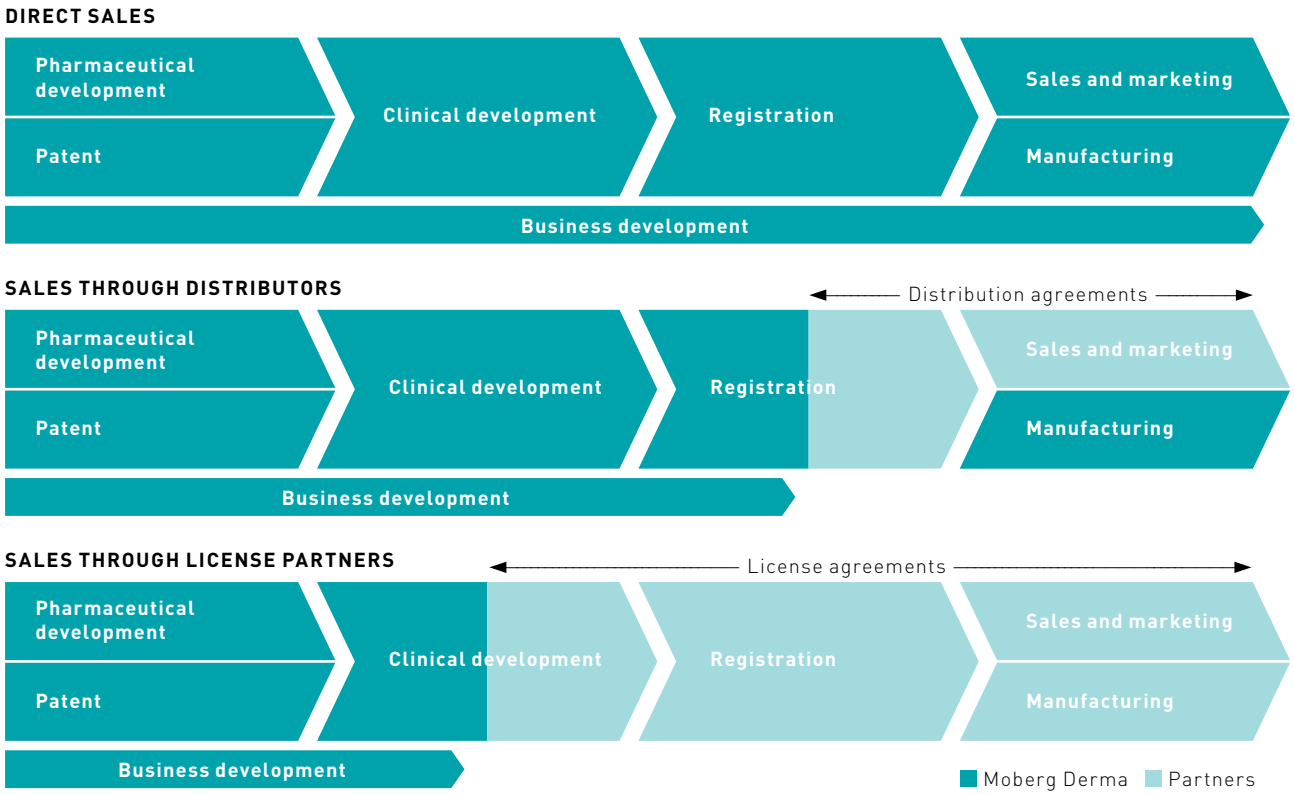
In-house marketing and sales

Moberg Derma has conducted marketing and proprietary sales in the U.S. since winter 2012, when the company acquired its former business partner. The U.S. is the world's largest market for pharmaceuticals and OTC products.

Moberg Pharma North America LLC (formerly Alterna LLC), with its headquarters in Cedar Knolls, New Jersey, is an established supplier that, through successful sales and marketing, has created credibility and good relationships with retailers and consumers in the U.S. A close dialog is established with customers and the feedback is monitored carefully as part of efforts to ensure consumer satisfaction.

The company offers its products to consumers through a large number of retailers, drugstores/pharmacies, podiatrists and Internet traders. Sales optimization, earnings for the company's business partners and value for the consumer are achieved by matching the right products with the right sales channels. Sales to retailers are conducted partly through in-house employees and partly through contracted sales representatives who interface with the major retail

[6] AESGP 2012: IMS - The Rising Tide of OTC in Europe



chains. The network of retailers in the U.S. includes drugstores/pharmacies, such as CVS/Pharmacy, Rite Aid and Wahlgreens and mass retail chains such as Walmart and KMart, wholesalers such as McKesson and Cardinal Health, as well as retail food chains such as Publix, Giant Eagle, Ahold and Supervalue.

"Moberg Pharma North America collaborates with the major wholesalers, retail chains and pharmacies in the U.S."

Distributor and partner agreements

In line with the company's cooperation model with distributors, Moberg Derma is responsible for the manufacture and delivery of finished products, while the distributor is responsible for the sale and financing of marketing programs. Moberg Derma's marketing department supports the distributors in the developing in product and market concepts, positioning and marketing materials.

The distributors' marketing work is targeted at patients, pharmacies and physicians. Since Moberg Derma's current products are OTC, consumer marketing via TV and other media is important. The mix of marketing programs differs among markets, depending on the degree to which patients personally make decisions – in some cases, consultation with physicians or pharmacy personnel plays a greater role in certain countries. For example, it may be noted that physicians in Southern Europe normally have greater influence over the choice of OTC products than is the case in Scandinavia.

At year-end 2012, Moberg Derma had agreements with some 30 distributors for product sales covering more than 60 markets with a population totalling 1.5 billion, in which the most significant markets are the major countries in the EU, Russia, Turkey, Australia and the Middle East. The main cooperation venture to date, namely that with Meda OTC, covers markets with a population of some 550 million. During 2012, Menarini conducted a launch in Italy. With Meda and Menarini, Moberg Derma now has two of the world's two largest pharmaceutical companies as business partners for the sale of Nalox™.

License agreements

Moberg Derma has elected to adopt a different approach to managing risk compared with other companies that pursue pharmaceutical development. By basing the company's product development on well-proven substances, aiming operations at commercially attractive niches and, in selected cases, sharing risks with strong

partners, the company can capitalize on its expertise and better steer its future.

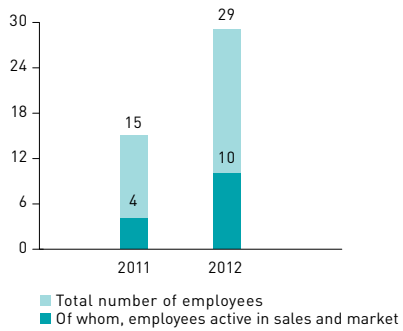
Moberg Derma's objective is to commercialize some of its development projects through license agreements. In such cases, a license partner assumes responsibility for continuing development work, registration and marketing in certain geographic areas, and pays license fees to the company.

A SMALL COMPANY WITH A LARGE RANGE – HOW MOBERG DERMA REACHES U.S. CONSUMERS

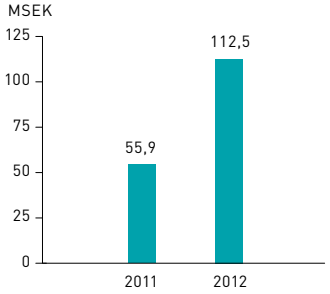
The route from Moberg Derma's development department in Bromma, Sweden, to an individual consumer somewhere on the U.S. continent may appear long. And for a small company like Moberg Derma it is, of course, a major challenge to ensure full cover distribution and effective marketing of products throughout an entire continent. The company solves this task by having its own marketing and operations team in the U.S. that works with an extended network of partners: as a virtual organization. Through cooperation with external manufacturers, logistics companies, wholesalers and specialist sales organizations, Moberg Derma can focus its in-house work on brand building and supporting retailers in their efforts to sell the company's products to end customers in an optimal manner.

"When we launched Kerasal Nail™ last year, we were able to rapidly achieve distribution through more than 25,000 stores – including those of the largest chains such as Walmart, CVS, Walgreens and Rite Aid. After just eight months, Kerasal Nail™ was established as number two in its niche in U.S. drugstores," says Steve Cagle, CEO at Moberg Pharma North America LLC.

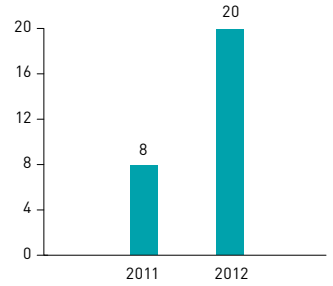
INCREASED RESOURCES IN SALES AND MARKETING



INCREASED REVENUE



NUMBER OF MARKETS IN WHICH NALOX™ HAS BEEN LAUNCHED



"Kerasal Nail™ is now distributed in approximately 25,000 stores, including those of the major chains such as Walmart, CVS, Walgreens and Rite Aid"

Strategic marketing is managed by the company's experienced employees, while external advertising and PR agencies assist with the detailed media planning and ensure that the right advertisement or commercial appears in the right place at the right cost.

"The key factor underlying our success in creating such good relationships with the major retail chains in the U.S. is that the company has supplied them with strong brands that are sold on with a favourable margin. This means that the major players listen to us when we present business proposals," explains Steve Cagle.

"With an established organization in the U.S., we have the potential to rapidly and cost effectively launch new products in connection with future license transactions and acquisitions. Our continuous dialogue with consumers of our products makes us highly aware of their needs, and enable us to promptly and professionally assess new, attractive product opportunities. We are also accustomed to tailoring marketing and distribution to match the conditions associated with individual products."

For example, for the Kerasal® product range, Moberg Derma has aimed consciously at marketing to U.S. podiatrists – physicians who specialize in treating patients with foot disorders – a category that lacks an equivalent in most European countries. Thanks to the positive response among these physicians, the product has gained a quality hallmark, which the company was subsequently able to build on in its marketing to consumers via TV commercials, advertisements and social media.

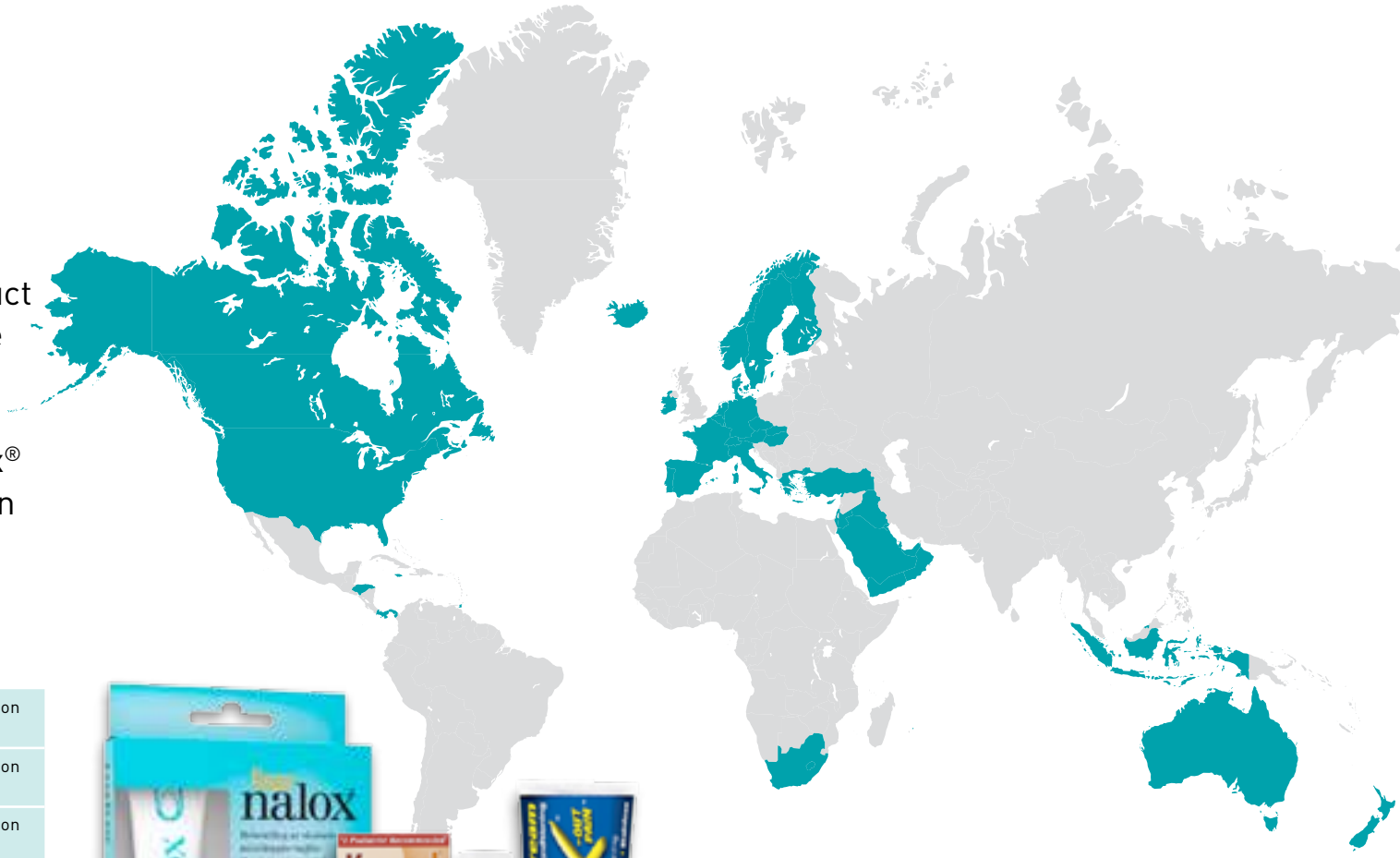
"After just eight months, Kerasal Nail™ was established as number two in its niche in U.S. drugstores"

Steve Cagle

PRODUCTS LAUNCHED

During the year, Nalox™ (Emtrix®/ Kerasal Nail™) was launched in an additional 12 markets and the product is now available in 20 countries. The company's product sales rose 139 percent from the preceding year. During 2012, Kerasal® and JointFlex® were acquired, two strong brands on the U.S. market.

Product	Indication	Status
Nalox™	Nail damage	Launched by 10 partners on 20 markets
Kerasal®	Dry feet and cracked heels	Launched by 13 partners on 14 markets
JointFlex®	Joint and muscle pain	Launched by 14 partners on 18 markets
Kaprolac®	Skin disorders	Launched in Switzerland

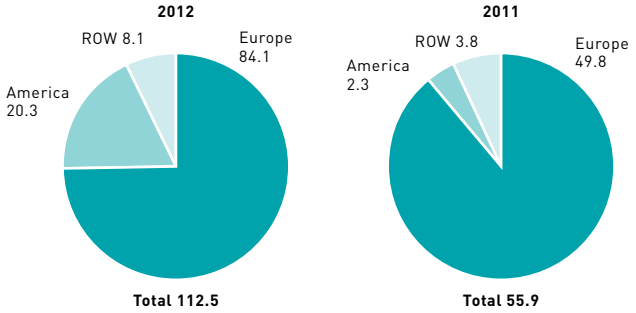


35 markets in which Moberg Derma' products are sold

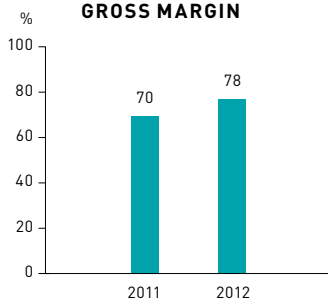
Product sales rose 139 percent compared to 2011. In addition, MSEK 29.8 was received in product-related milestone payments, up 39 percent compared with the preceding year. Net sales for Nalox™/Kerasal Nail™, including milestone payments, accounted for 96 percent of the company's total revenue. The company's product portfolio was expanded during the year from two products/product ranges to four. The Kerasal® and JointFlex® brands were acquired in late November 2012, which is why revenue for just over one month is included in the financial statements for the year. The pace of the company's internal commercialization resulted in the proportion of revenue from non-Nordic markets increasing to 90 percent in 2012, compared with 22 percent in the preceding year. The gross margin rose from 70 to 78 percent.

Product sales developed favourably, with an average growth of 38 percent per quarter (see diagram). Nalox™ is sold to consumers through pharmacies, convenience goods stores and retail outlets.

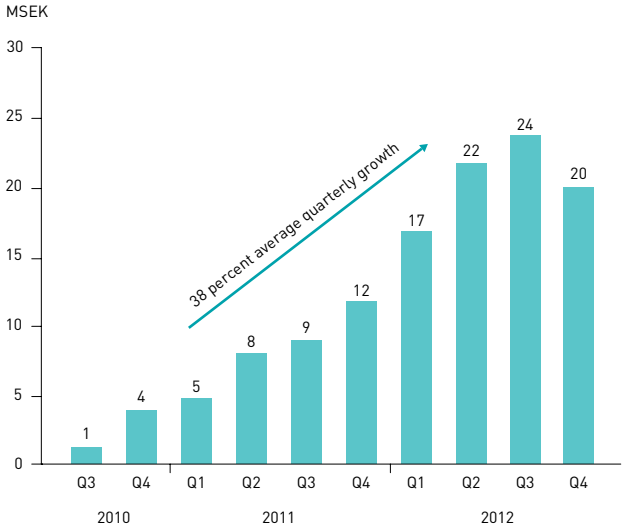
NET SALES BY GEOGRAPHICAL MARKETS (MSEK)



GROSS MARGIN



PRODUCT SALES – GROWTH PER QUARTER



38%

AVERAGE GROWTH IN PRODUCT SALES PER QUARTER

NALOX™– A NEW APPROACH TO TREATING NAIL DISEASES

Nalox™ is used in the treatment of discoloured and damaged nails caused primarily by nail fungus. The product is marketed in the U.S. under the Kerasal Nail™ brand by Moberg Derma's U.S. subsidiary. For the sale of Nalox™ in other countries, Moberg Derma had agreements at year-end 2012 with some ten distributors covering more than 50 markets with a total population of 1.2 billion people, for which the most significant markets are the major countries in the EU, Russia, Turkey, Australia and the Middle East. The most important cooperation to date, with Meda OTC, covers markets with approximately 550 million inhabitants. During 2012, Menarini conducted a launch in Italy. With Meda and Menarini, the company now has two of the world's 50 largest pharmaceutical companies as business partners for the sale of Nalox™.

Nalox™ was launched during autumn 2010 in Sweden, Norway, Denmark and Finland and rapidly secured the position of market leader. In other markets, the product is sold under the names Naloc™, Emtrix®, Cremolan® and Kerasal Nail™. During the past two years, the product has been launched in such markets as the U.S., Australia, Switzerland, Portugal, France, Germany, Netherlands and Italy and the product is now sold in a total of 20 countries. Partners in additional markets are preparing international launches.

In 2012, sales of Nalox™/Kerasal Nail™ totalled MSEK 124, of which MSEK 108 was included in Moberg Derma's financial statements following the acquisition of Alterna LLC[10].

Indication and patient requirements

Nail fungus is the most common cause of damaged nails. The condition is difficult to treat and the treatment period is frequently protracted, since its takes time for a healthy nail to grow out. Existing treatment alternatives to combat nail fungus comprise various anti-fungal preparations. Tablet treatment is efficacious but entails certain risks, such as side effects in the form of gastric and liver problems and interaction with other pharmaceuticals, while topical preparations have historically been viewed as having limited efficacy. Nalox™ meets the need for a new simple and effective topical treatment with a favourable side-effect profile.

Product properties and clinical results

Nalox™ is based on proven compounds which, in a patented combination, displayed strengthened keratolytic, softening and fungus and bacteria-inhibiting properties. The product is a solution that is applied to the damaged nail once daily. Fungal and bacterial attacks are counteracted by the nail's micro-environment being altered and the nail surface strengthened. These properties have proven to be highly significant in attaining clinical efficacy. Nalox™ provides visible improvements already within 2–4 weeks. A total of five clinical trials using Nalox™ and similar formulations have been conducted on more than 600 patients in whom the effects and safety have been confirmed. Since 2010, Nalox™ has been registered as a medical device product (CE marking) and thus the company has a permit to market the product in the EU/EES.

Market for the treatment of nail diseases

The total value of the market for nail fungus is estimated to exceed USD 1.4[7]. Nail fungus is contagious and affects about 10 percent of the adult population in the West[8]. Among the over 50s, the prevalence is estimated to exceed 25 percent[9].

>25 %

OF PEOPLE OVER 50 HAVE NAIL FUNGUS

[7] Arthur D. Little, Product potential assessment 2010. The sales figures have been restated from local currency using the exchange rate at September 30, 2010: EUR/USD 1.31

[8] Treatment of dermatomycoses. Information from the Swedish Medical Products Agency 6:2004, 2004

[9] Gupta et al: International Journal of Dermatology, October 1997

[10] Acquired on November 27, 2012; sales pertains to the period November 27–December 31, 2012

KERASAL® – EFFECTIVE TREATMENT OF FOOT DISORDERS

Kerasal® is a product range offering effective treatment for common foot disorders that are difficult to treat. Previously, Kerasal® could only be bought from podiatrists but today the product is sold in drugstores, convenience goods stores and retail outlets throughout the U.S. Kerasal® also offers professional products that are sold by specialists. The North American rights for Kerasal® were acquired in 2005 from Taro Pharmaceuticals. During 2010, the company expanded the distribution rights to an additional 80 countries through an agreement with Spirig Pharma AG, which originally developed the product. The products are sold by Moberg Derma's subsidiary in the U.S. and by 13 distributors in 14 markets. During 2012, sales of Kerasal® totalled MSEK 22, of which MSEK 1.5 was included in Moberg Derma's financial statements after acquisition of Alterna LLC[10].

Product properties and clinical results

Kerasal® Exfoliation Moisturizer Foot ointment contains salicylic acid, an effective agent in softening the skin's strateum corneum (outermost layer of the epidermis), and urea (carbamide), for moisturizing the skin and assisting in retaining the moistness in new cell layers. Podiatrists recommend Kerasal® products for treating cracked heels, calluses and toenails damaged by fungal infection and psoriasis, for relieving foot pain and for softening and moisturizing dry feet. The manufacturing process is patented. A number of clinical trials have been published that confirm Kerasal's® efficacy in the treatment of extremely dry skin and damaged feet.

[10] Acquired on November 27, 2012; sales pertains to the period November 27–December 31, 2012

JOINTFLEX® – EFFECTIVE TOPICAL TREATMENT OF PAIN

JointFlex® is a topical treatment against joint and muscle pain that offers long-term, improving pain relief. In addition to the original cream formulation, JointFlex® ICE, a cooling lotion that is applied using a roll-on application, has also been available nationally since 2012. JointFlex® is available in drugstores, convenience goods stores and mass retail outlets throughout the U.S. The products are sold by Moberg Derma's subsidiary in the U.S. and by 14 distributors on 18 markets. During 2012, sales of JointFlex® amounted to MSEK 38, of which MSEK 2.7 was included in Moberg Derma's financial statements following the acquisition of Alterna LLC[11].

Product properties and clinical results

The products contain the pain reliever camphor, as well as glucosamine and chondroitin sulphate. JointFlex® is manufactured with the FUSOME™ technology, which improves the skin's absorption of the beneficial ingredients. JointFlex® has been evaluated in placebo-controlled clinical trials of knee arthrosis that showed that the patients experienced significant and prompt pain relief. The trial also showed that the majority of users of JointFlex® gained long-term pain relief.

[11] Acquired on November 27, 2012; sales pertains to the period November 27–December 31, 2012

KAPROLAC® – ENVIRONMENTALLY COMPATIBLE MEDICAL SKIN CARE

Kaprolac® is a medical skin care range for the treatment of common skin complaints such eczema, dandruff, cracked skin and dry skin. Kaprolac® is an environmentally friendly treatment alternative with favourable efficacy and an excellent side effect profile. The products were launched during 2011 in pharmacies in Switzerland via the company's distributor, Gebro Pharma. Moberg Derma is assessing strategic alternatives for the range. The products in the Kaprolac® range are supported by extensive clinical documentation that includes a number of clinical trials with a total of more than 400 patients. During 2012, sales of Kaprolac® amounted to 0.1 MSEK.

NEW PRODUCTS AND BUSINESS OPPORTUNITIES

Expanding the portfolio with products offering unique properties that meet the end customers' explicit or implicit needs secures Moberg Derma's growth and profitability. The company is currently focused on the treatment of various skin complaints, but is also evaluating other attractive niches. Since its inception, the company has worked globally to establish relationships with companies and researchers in the company's areas of interest, thus creating the conditions for acquisitions and in-licensing of products and technologies.

"A need among consumers in a commercially attractive niche is always the starting point in the business development process"

>100

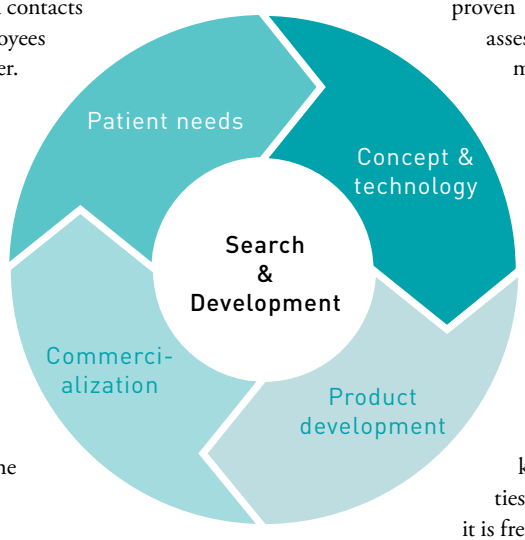
NEW BUSINESS OPPORTUNITIES TO BE EVALUATED DURING 2013

INNOVATION ENGINE
The "Innovation Engine" is Moberg Derma's structured model for business development. The hub in the Innovation Engine is Moberg Derma's continuous seeking of new business opportunities, combined with the company's expertise in marketing and product development.

Patient needs – what does the customer want?
An explicit or implicit need among consumers in a commercially attractive niche is always the starting point in the business development process. The need may have been identified and channelled via someone in the company's international network, such as scientific advisors, business partners or distributors. In other cases, the company has itself captured signals in its own contacts with consumers. Naturally, it may also involve an idea from one of the employees in research, development or the market departments, or from a Board member.

Before Moberg Derma invests in a new project concept, it conducts an in-depth study of the relevant sub-market in an effort to assess the commercial viability. Moberg Derma finds it particularly attractive to identify and analyze "underserved markets", in which the company seeks the potential for rapid market growth, assuming that a better treatment can be made available.

Commercialization – What is the best route to the end customer?
Since Moberg Derma has established a work method by which the company commercializes its projects through direct sales, distributors or business partners (and occasionally a combination of these channels), the company can select the most favourable route to the market for each individual project. All of this is targeted at maximizing the return on the company's investments as fast as possible, with acceptable risk exposure.



Concepts and technologies – How can Moberg Derma satisfy customer requirements?
Moberg Derma searches internally and externally when attempting to identify a good starting point for a new product. The company's team combines competencies in marketing, medicine, regulatory issues and drug delivery. In this context, drug delivery refers to the capacity to convey a proven substance to or through the skin. In addition to internal technologies, an assessment is also made of external technologies and projects that have already made some progress towards launching. The company also looks through its network for already marketed products in order to increase the commercial value through repositioning. This may be performed through in-licensing or by acquisition.

Product development – How to minimize risk and time to market
Moberg Derma has a different strategy than many other pharmaceutical companies and, thus, focuses on projects that can reach the market in a relatively short time and at a limited cost and risk level. A key factor in this respect is to work with proven substances whose effects on people are already known, and through advanced drug delivery to improve the product's properties in respect of efficacy, side effects and convenience. For these type of projects, it is frequently possible to shorten the development period and relatively rapidly commence a phase II trial to evaluate the product among a limited number of patients, thus reducing the time to market and costs. Moberg Derma works with products that can be registered as pharmaceuticals, medical device products or cosmetics.

MORE PRODUCTS AND STRONG PARTNERS OFFER CONTINUING GROWTH

When it comes to the generation and commercialization of new products, Moberg Derma compares internal with external alternatives. Commercial potential, resource requirements and risk profile are key criteria in making the correct selection.

For the past five years, Martin Ingman has been the VP of Sales and Marketing at Moberg Derma. He has a long track record from similar positions at Q-Med and Astra AB (currently AstraZeneca). This is how he explains the company's approach to expanding its product portfolio and identifying appropriate partners and distributors.

"Ever since the company was established, we have purposefully worked on building up a broad international network. We interact daily with a large number of life science companies of various sizes worldwide in our search for new, attractive business opportunities. Our efforts to date have resulted in more than ten distributor- and partnership agreements and, during the autumn, we completed our first major corporate acquisition, which was preceded by highly successful and fruitful cooperation during the initial launch phase in the U.S. Through the acquisition of Alterna, we gained our own channel to the world's largest market and the rights to two strong brands in the dermatology area," says Martin Ingman.

> "Our efforts to date have resulted in more than ten distributor- and partnership agreements and, during the autumn, we completed our first major acquisition"

Externally focused work increases the number of business opportunities

Many of the ideas for new products are generated internally and are linked to the company's own competency in dermatology and drug delivery. Meanwhile, however, it is important to broaden the view and see the opportunities that may exist outside the walls of the company. In addition to systematically screening the market for interesting products and technologies, the company also uses external advisors who specialize in searching for business opportunities. Evaluation of business opportunities is conducted on the basis of a structured model that involves employees and external consultants with commercial, scientific and regulatory competencies. The focus is on identifying projects or products with unique benefits in their niches and which can be commercialized at a limited cost and risk by utilizing the company's strengths.

"There are many attractive niches in the dermatology area in which there is a major need for better treatment, not least acne, hair loss, vitiligo (loss of pigmentation) and hyperpigmentation. During this current year, we expect to evaluate more than a hundred products, technologies and projects, but only a few will progress to an assessment by the Board. Precision is a virtue in these contexts and many hurdles need to be overcome. Naturally, it is in the nature of pharmaceutical development that all projects will not be successful, but we make sure we do our homework and have a clear picture of the possibilities and the risks before we make our investments," says Martin Ingman.

Martin Ingman

Marie Scherlund och Kjell Rensfeldt

Finding the right partners

To avoid substantial investment in infrastructure and to commercialize the company's product as soon as possible, Moberg Derma has elected to cooperate with partners and distributors, in addition to its direct sales. Partners and distributors are identified by means of developed networks and are evaluated carefully ahead of the signing of any agreement. Within a short period, Moberg Derma has succeeded in establishing cooperation with, for example, Meda, Menarini and Paladin, companies with considerable resources and impressive track records in terms of the ability to commercialize products.

OUR APPROACH TO PRODUCT DEVELOPMENT

Moberg Derma develops new products, preferably with proven pharmaceutical compounds, meaning substances for which the patent period has expired and that have already been used in registered products. This permits the use of existing documentation during the development and registration process, thus substantially reducing time to market, costs and development risk.

Dr. Kjell Rensfeldt is the VP of R&D and Chief Medical Officer at Moberg Derma and is responsible for the development of new products and addressing medical issues. He previously worked at the pharmaceutical company Biogen Idec and the medical device company Q-Med. He also has experience as a practicing physician. Dr. Marie Scherlund is Project Director at Moberg Derma with solid project management experience from AstraZeneca and APL (Apotek Produktion och Laboratorier).

> "With the focus on patient needs, a concept is developed for developing improved products offering unique benefits"

Kjell Rensfeldt explains how Moberg Derma works continuously to take its products to market as soon as possible:

"Since we work with topical preparations that mainly have a local effect, our development work is simplified compared with oral preparations that more readily affect many body organs. We also proceed on the basis of using well-proven substances. This means that we can reduce the development period by making certain trials less extensive or going directly to clinical phase II with the support of previous documentation."

Patient needs and concept

The foundation for Moberg Derma's product development is in-depth insight into unmet medical needs among patients. The needs may be attributable to the existing preparations having insufficient efficacy or significant side effects, but also to inconvinient treatment or a long treatment period. With the focus on patient needs, a concept is developed for developing improved products offering unique benefits.

"The concept is based on our extensive in-house competencies in pharmacology and formulation development, especially in topical preparations and drug delivery technology. We are focusing on drug delivery to and through the skin. This competency is combined with clinical development and registration skills, commercial expertise and a clear business focus in order to establish the right target profile for the development work," Kjell Rensfeldt explains.

Moberg Derma's strategy is to actively search for new concepts and technologies from external researchers that complement the ideas generated internally – for Moberg Derma this involves 'search and develop' instead of 'research and develop'. This strategy

enables the company to avoid the costly and time-consuming preclinical research phase and the higher development risk associated with conventional pharmaceutical development.

> "For Moberg Derma this involves 'search and develop' instead of 'research and develop'"

Pharmaceutical and preclinical development

The company's development work focuses initially on pharmaceutical development, meaning developing a formulation that delivers the active substance to the right place in the skin or other parts of the body.

"The development work is controlled by the target profile established by the project's steering group. Subsequently, various formulations are tested in preclinical models, for example in terms of penetration capacity, stability and biological activity. The objective in this phase is to develop a product candidate that meets the target profile and can then advance to clinical evaluation," explains Marie Scherlund.

Parallel with the preclinical development work, and in close cooperation with external patent experts, the company's patent strategy is refined. News searches are conducted in an effort to deepen the assessment regarding patentability and ensure that Moberg Derma avoids encroaching on existing patents. When the final product candidate has been defined, additional patent applications can be submitted in certain cases.

"During the past year, we achieved a number of significant innovations and worked intensively with supplementing the company's patent portfolio, which amounts to eight patent families," notes Marie Scherlund.

Clinical development

Clinical development is aimed at generating documentation that demonstrates the product candidate's efficacy and safety for the patient. In the case of current substances, existing documentation is utilized, which can reduce the number and scope of the clinical trials that must be conducted. This reduces the development period and costs (see diagram).

"We are careful in always designing our clinical strategy for the development project in close cooperation with medical specialists in each illness area and we frequently use contract research companies for conducting large parts of the clinical trials. But we always retain the overriding project management responsibility," notes Kjell Rensfeldt.

Registration

To receive market approval, the registration application is submitted to the relevant pharmaceutical authorities. The work involved in registration application is normally less extensive for proven substances, since available documentation for the substances can be referred to.

Scientific advisors

Moberg Derma cooperates with several scientific advisors, including Professor Eggert Stockfleth, Director Skin Cancer Center, Charité University Hospital Berlin; Professor Mona Ståhle, Senior Physician at the Department of Dermatology and Venereology at the Karolinska University Hospital; Professor Jan Faergemann, Senior Physician at the Department of Dermatology at the Sahlgrenska University Hospital; Professor Howard Maibach, University of California in San Francisco; Professor Lennart Emtestam, Senior Physician at the Karolinska University Hospital; Johan Heilborn, Senior Physician and Head of the Tumor section at the Dermatology Center in Hagastaden; and Professor Bernt Lindelöf, Senior Physician at the Dermatology Clinic at the Karolinska University Hospital.

THE ROAD TO REGISTRATION

Moberg Derma's drug development is based on proven compounds and topical treatment

Drug development based on new compounds

[1] The Swedish Life Science Organization. Costs include failed projects

NEW PROJECTS AND BUSINESS OPPORTUNITIES

ONGOING PROJECT

The company is currently developing MOB-015 for the treatment of nail fungus. A phase II clinical trial is ongoing.

MOB-015 – potential future market leader in nail fungus

Invention and project

The objective of MOB-015 is to create the first topical preparation that can provide similar or superior efficacy in the treatment of nail fungus compared with tablet-based treatment but without the risk of serious side effects. The drug is applied in the form of a solution that is brushed onto the nail. The company's patent-pending formulation permits high concentrations of the antifungal agent terbinafine to be transported into and through the nail. MOB-015 also uses the Nalox™ capacity to remove dead cells from the skin's outer layer (keratolysis), which, in combination with high concentrations of terbinafine, offers the potential for substantially superior efficacy than competing products.

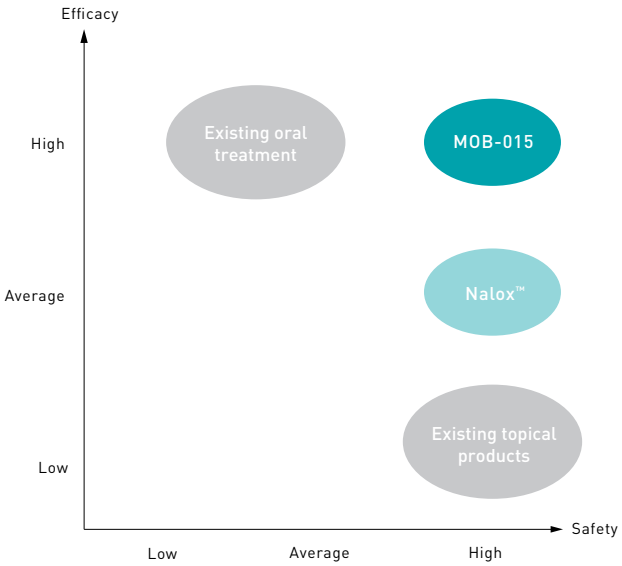
Moberg Derma has submitted two international patent applications in respect of the technologies that form the basis for product development.

Status and results

In preclinical trials of human nails, MOB-015 achieves concentrations of terbinafine in nails that are up to a thousand times higher than that achieved in tablet-based treatment.

Autumn 2012 saw the completion of a phase II trial involving 237 patients, who were monitored over a period of twelve months. While the clinical efficacy of MOB-015 was viewed as insufficient, the trial provided significant information for continuing development work. Already in December a new phase II trial commenced using an improved formulation that increases the substance's penetration capacity. This trial will include a total of 35 patients.

TARGET PROFILE FOR MOB-015 COMPARED WITH COMPETITORS



ORGANIZATION AND EMPLOYEES

The Group currently has 36 associates, of whom 29 are permanently employed, with the remainder active on a part-time basis as consultants. Amid continuing growth, Moberg Derma's aim is to maintain the advantages of a small company with a flat organization and short decision-making paths.

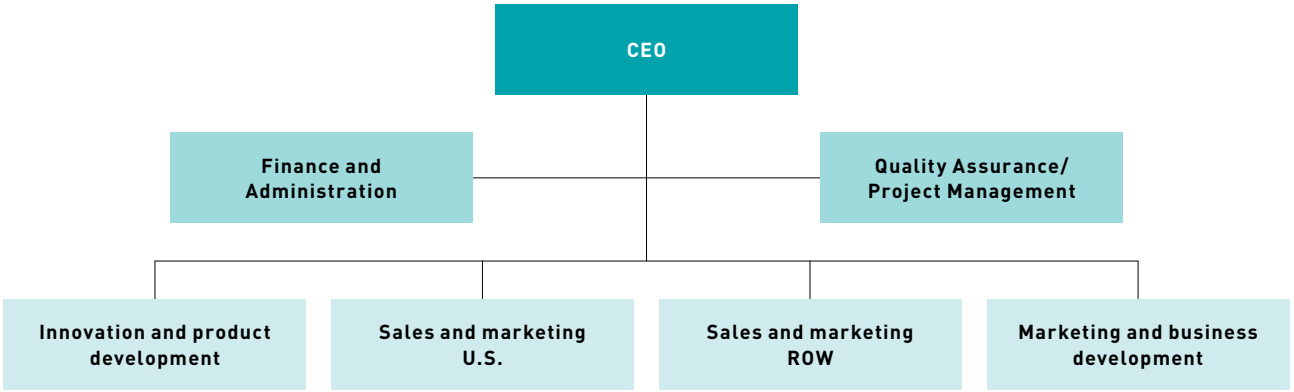
Moberg Derma's explicit strategy is to work with a small internal team with high management capacity, while parts of the company's operations are outsourced to partners with specialized expertise. Small groups of employees steer, manage and conduct projects in such areas as preclinical and clinical development, out-licensing, business development, sales and marketing, quality, regulatory issues, and production. This working approach offers the company high flexibility, facilitating reallocation of resources among projects whenever required.

Moberg Derma conducts marketing and distribution on a proprietary basis in the U.S. For other markets, partners and distributors are used to ensure effective commercialization of the company's products. As a result, the company's international market department can concentrate on providing support to existing and new distributors.

EMPLOYEES

Individuals with a range of specialist expertise and extensive experience from the pharmaceutical industry work together at Moberg Derma. Management focuses on creating and maintaining an innovative and high-performing corporate culture. To ensure leading-edge competency and access to expertise, Moberg Derma pursues an active exchange of knowledge with an international network of specialists in dermatology and drug development. The company's employees have a high level of education, which is described in greater detail in the diagram on the next page.

Moberg Derma's employees are united behind a set of values important in achieving the company's goals. Some of the key values are strategic focus, drive and individual commitment. The company's management and Board have formulated corporate objectives, based on which executives in each department are responsible for formulating individual goals in consultation with their co-workers. At the end of each fiscal year, the company and the employees jointly assess goal fulfilment. This assessment subsequently provides the basis for a pay review. Moberg Derma works towards shared goals, while rewarding results and performance.

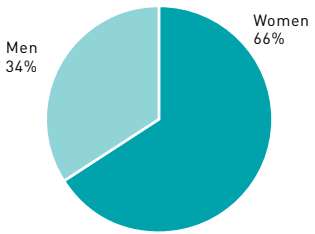


WORKING AT A DIFFERENT PHARMACEUTICAL COMPANY

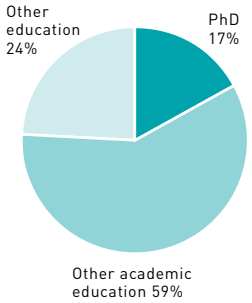
Ingela Berglund has worked since 2010 as International Marketing Manager at Moberg Derma. She feels the company's culture and work method offer her the conditions to deliver results. "The combination of shared values, clear strategic goals and co-workers with solid experience make our decision-making processes prompt and flexible," explains Ingela. She has experience of having previously worked both in small biotech companies and in substantially larger pharmaceutical companies and feels that Moberg Derma's size is an advantage: "As a company with fast decision-making processes, we have been able to link up with first-class partners and external expertise to drive our projects forward in the optimal manner." Ingela believes that one reason for the company's success is its ability to attract employees with lengthy experience and high competency. "It's fantastic working with colleagues who all have solid experience of every stage of product development, from preclinical development and all the way to product launch. We have a broad network in the industry and know what we want in our search for new business partners or in the procurement of external resources. We cannot do everything ourselves, but we retain control of projects and products internally."

> "The combination of shared values, clear strategic goals and co-workers with solid experience make our decision-making processes prompt and flexible"

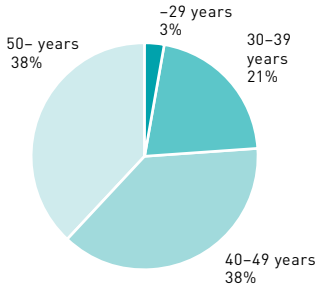
GENDER BREAKDOWN*



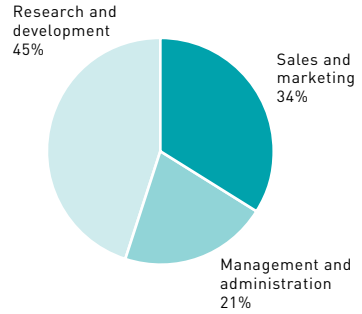
EDUCATION LEVEL*



AGE STRUCTURE*



BREAKDOWN BY FUNCTION*



*Based on 29 employees

HEALTH AND WORK ENVIRONMENT

As part of efforts to recruit and retain employees, Moberg Derma endeavours to be a valued workplace with a safe and healthy work environment. The company believes that a good work environment is conducive to job satisfaction, reduces sickness absenteeism and strengthens the employees' work efforts. The work situation should be individualized, facilitating a balance between work and leisure time. All employees are offered ergonomic working tools as part of efforts to avoid work-related repetitive-strain injuries. Health awareness is also encouraged through preventive healthcare and health promoting activities.

EQUALITY AND DIVERSITY

Moberg Derma's policy is to offer equal opportunity to all employees and job applicants regardless of ethnic background, religion, gender, sexual orientation, nationality, age or disability.

Sahar Ashkar, Fredrik Netzel and Ingela Berglund

SUSTAINABLE DEVELOPMENT

As a pharmaceutical company, Moberg Derma seeks to contribute to society at large by reducing the suffering and improving the quality of life of patients. The pharmaceutical industry is largely governed by legislation or by public authorities. Based on these regulatory structures, the company has established principles and policies that regulate and control operations.

QUALITY CONTROL AND ENVIRONMENTAL IMPACT

Moberg Derma conducts quality control based on the company's management system, which is structured and certified in accordance with the ISO 13485 standard. The company's quality policy entails that executive management and employees work in a target-oriented manner to offer high-quality products that meet customer requirements, and also work continuously to improve the company's products, service and quality management system.

Using the company's financial and technical resources, Moberg Derma's operations are pursued with the minimum environmental impact. Moberg Derma promotes long-term environmental programs and a sustainable society both in everyday operations and in cooperation with business partners, researchers and consultants. The company's sustainability programs will be continuously developed on the basis of new knowledge and experience. Each employee should feel a personal responsibility for helping the company meet its goals. Moberg Derma does not conduct proprietary manufacturing and the company's direct environmental impact is deemed low. Like most other companies, however, Moberg Derma's operations have some impact on the environment, mainly from emissions from travel and transport, and energy consumption in premises. Some environmental impact may also occur in connection with the outsourced manufacturing of Moberg Derma products as well as in conjunction with outsourced research activities.

ETHICAL CONDUCT OF CLINICAL TRIALS

Since Moberg Derma's work has a major impact on peoples' lives and health, it is imperative that the company not only complies with applicable legislation and regulations but also, in a broader sense, acts in a responsible and ethical manner. Preclinical and clinical trials involving the company's pharmaceutical candidates are conducted in cooperation with partners such as contract research companies and research teams associated with universities.

Clinical trials must always be designed in consultation between Moberg Derma and the partners and be approved by Moberg Derma. Clinical trials are conducted in accordance with Good Clinical Practice (GCP) and are carried out in collaboration with well-established contract research companies. Implementation is regulated by Standard Operating Procedures, and quality contracts to ensure that Moberg Derma's clinical trials are always conducted according to standard practice and that legislation and regulations are observed.

Ewa Karlsson and Maria Edlund

PATENTS AND BRANDS

Moberg Derma works continuously to expand and strengthen the company's intellectual property rights through trademarks, patents, in-licensing and acquisitions. In addition to in-house resources, experienced experts are used for the application, maintenance and defense of patents and brands.

BRAND STRATEGY

Moberg Derma's strategy is to create significant value through proprietary brands. The core of the company's brand strategy is to establish confidence among patients, physicians and retailers by delivering products with unique properties that solve patients' problems and whose benefits can be demonstrated in clinical trials. Each of the company's brands has its own identity, for which the strategy for the specific brand is designed to match its target group.

TRADEMARKS AND DOMAIN NAMES

Moberg Derma is the holder of a number of trademarks, of which Emtrix®, Kerasal®, Kerasal Nail™, JointFlex® and Kaprolac® are currently used. In addition to the domain names www.mobergpharma.se, www.mobergpharma.com, www.mobergderma.se, www.mobergderma.com and www.alternallc.com, Moberg Derma also has prioritized domain names linked to the company's trademarks.

The company's partners are holders of the trademarks Nalox™/Naloc® in the Nordic region and Cremolan® in Switzerland to which Moberg Derma has no ownership rights.

PATENTS

Moberg Derma's patent rights cover five technologies and consist of eight patent families. The patent families include a total of 15 approved national patents designated in Europe, the U.S. and Canada. In addition, the company owns a number of international and national patent applications.

Patent work is led by the company's patent manager, who implements the company's patent strategy in close cooperation with reputable Swedish and international patent agencies. For each product and project, news and data searches are performed repeatedly to establish a basis for analyses of assessments of patentability and Freedom-to-Operate (independency of patents held by others).

DIRECTORS' REPORT

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, 2012 to December 31, 2012 fiscal year.

DEFINITIONS OF KEY FIGURES

Net receivables – Cash and cash equivalents less interest-bearing liabilities

Debt/equity ratio – Interest-bearing liabilities in relation to shareholders' equity

Equity/assets ratio – Shareholders' equity at year-end in relation to total assets

Return on equity – Income/loss for the year divided by equity

Earnings per share – Profit after tax divided by the average number of shares outstanding after dilution

Equity per share – Equity divided by the number of outstanding shares at year-end

FINANCIAL OVERVIEW 2008–2012

A five-year financial overview of the Group's operations is provided below.

FROM THE STATEMENT OF COMPREHENSIVE INCOME (KSEK)	**2012**	**2011**	**2010**	**2009**	**2008**
Net sales	112,469	55,943	8,512	1,616	–
Gross profit	87,592	39,313	5,663	1,616	–
Operating profit/loss	12,594	–7,598	–30,119	–24,276	–36,701
Net profit/loss for the year	35,813	–6,384	–31,031	–24,235	–35,341
Comprehensive income/loss	32,984	–6,384	–31,031	–24,235	–35,341
FROM THE STATEMENT OF FINANCIAL POSITION (KSEK)	**2012**	**2011**	**2010**	**2009**	**2008**
Non-current assets	179,507	755	683	669	779
Inventories	9,739	1,239	244	–	–
Current receivables	38,093	16,407	8,694	1,550	1,604
Cash and bank balances	53,423	74,052	2,761	33,078	20,203
Total assets	280,762	92,453	12,383	35,297	22,586
Shareholders' equity	178,234	76,787	688	30,209	15,230
Long-term liabilities	42,270	–	150	303	678
Current receivables	60,258	15,666	11,545	4,785	6,679
Total equity and liabilities	280,762	92,453	12,383	35,297	22,586
FROM THE STATEMENT OF CASH FLOWS (KSEK)	**2012**	**2011**	**2010**	**2009**	**2008**
Cash flow from operating activities	9,476	–9,020	–30,412	–25,258	–34,891
Cash flow from investing activities	–97,696	–535	–159	–23	–446
Cash flow from financing activities	67,590	80,846	254	38,156	20,457
Cash flow for the year	–20,629	71,291	–30,317	12,875	–14,880
KEY FIGURES	**2012**	**2011**	**2010**	**2009**	**2008**
Net receivables (KSEK)	13,423	73,902	2,421	32,466	19,393
Debt/equity ratio	22%	0%	49%	2%	5%
Equity/assets ratio	63%	83%	6%	86%	67%
Return on equity	20%	neg	neg	neg	neg
Research and development expenses (KSEK)	–30,782	–26,808	–18,992	–15,706	–26,186
Personnel expenses (KSEK)	–27,952	–19,075	–15,464	–13,315	–10,639
Number of employees at year-end	29	15	12	10	11
Share data					
Earnings per share before dilution (SEK)[1]	3.85	–0.82	–5.08	–4.45	–7.39
Earnings per share after dilution (SEK)[2]	3.68	–0.82	–5.08	–4.45	–7.39
Equity per share (SEK)	16.48	8.46	0.11	4.96	3.12
Dividend per share	–	–	–	–	–
Number of shares at year-end	10,812,572	9,079,020	6,113,988	3,047,099	2,443,884

[1] Figures for 2008–2009 have been adjusted for a bonus issue to ensure comparability with figures for 2010–2012.

[2] In those periods where a consolidated loss is recognized, no dilution arises. This is because dilution is recognized only when potential exists for conversion to common shares in the event that lower profit is recognized. Figures for 2008–2009 have been adjusted for a bonus issue to ensure comparability with figures for 2010–2012.

Amounts are stated in thousands of Swedish Kronor (KSEK) unless otherwise stated. Amounts and figures in parentheses refer to comparative figures for the corresponding period of the preceding year.

OPERATIONS

Moberg Derma AB (publ) was formed in 2006 and is a rapidly growing Swedish pharmaceutical company with direct sales through a proprietary sales organization in the U.S. and sales via distributors in more than 35 countries. The Company's product portfolio includes topical products for the treatment of skin conditions and pain under the brands Kerasal®, JointFlex®, Nalox™/Emtrix® and Kaprolac®. Nalox™/Emtrix® is the leading pharmaceutical for treatment of nail diseases in the Nordic region. The portfolio is being developed through acquisitions and the licensing-in of products, as well as through product development with a focus on innovative drug delivery of proven substances. Moberg Derma has offices in Stockholm and New Jersey.

COMPANY INFORMATION

The Group is active as a limited liability company registered in Stockholm, Sweden. The Group's operations are conducted primarily in Sweden and the U.S. The office's address is Gustavlundsvägen 42, 5th floor, 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, as well as Moberg Pharma North America LLC (formerly Alterna LLC). The sole business conducted by Moberg Derma Incentives AB is administration of Moberg Derma's employee stock option program. The operations of Moberg Pharma North America LLC comprise marketing and sales of non-prescription drugs. Consolidated financial statements have been submitted from 2008 and onwards.

RESULTS AND FINANCIAL POSITION

The subsidiary Moberg Pharma North America LLC (formerly Alterna LLC) was acquired on November 27, 2012 and its operations are included in the income statement from this date.

SALES

Consolidated net sales amounted to MSEK 112.5 (55.9) for 2012, up 101 percent. The majority, MSEK 78.5 (34.3), derived from the strong sales growth for Nalox™/ Kerasal Nail®. The Company also had product sales revenues from products newly added in connection with the acquisition of Moberg Pharma North America, namely MSEK 2.6 from sales of JointFlex® and MSEK 1.5 MSEK from sales of Kerasal®. Furthermore, the Company received milestone payments of MSEK 29.8 (21.4) for meeting sales volume targets in the collaboration with Meda. Other operating income mainly comprised research grants of MSEK 1.5 and foreign exchange gains of MSEK 1.1.

RESULTS

The cost of goods sold was MSEK 24.9 (16.6), of which royalty payments constituted MSEK 2.4. As a result of royalty payments made, the Company fulfilled its obligation toward Mobederm AB and future sales revenue will no longer be charged with royalty payments to Mobederm AB.

Operating expenses, excluding the cost of goods sold, totaled MSEK 77.8 for January to December 2012, compared with MSEK 50.4 in 2011. Transaction expenses of MSEK 6.6 resulting from the acquisition of Moberg Pharma North America are included in business development and administration expenses.

The largest item in operating expenses comprised research and development expenses, which in 2012 amounted to MSEK 30.8 (26.8), of which external R&D and suppliers accounted for MSEK 18.0 (MSEK 18.6). The reason for the increased costs during the year was expansion of the workforce in order to handle the development portfolio and also for product care of launched products.

Consolidated profit after financial items amounted to MSEK 14.7 for the January to December period, compared with a loss of MSEK 6.4 for 2011. Earnings improved, primarily as a result of the higher sales revenue from Nalox™ and milestone payments from concluded agreements.

During the period, the Company also reported a positive impact on earnings from deferred tax assets of MSEK 31.8, since the Board considers that there are convincing reasons to believe that future taxable profit will be available that can be offset against unutilized tax losses. To this should be added a reduction of MSEK 5.3 in tax on profit for the year as well as an effect of a reduction of MSEK 4.3 in the income tax rate from 26.3 percent to 22.0 percent, which will come into force in fiscal year 2014. The reduction in the tax rate entails a corresponding reduction in the capitalized value of the loss carryforwards. Accordingly, tax recognized in profit or loss was MSEK 21.1 and profit after tax for the year was MSEK 35.8 (loss: 6.4) for the 12-month period, or MSEK 42.4 excluding acquisition-related costs. Other comprehensive income includes negative translation differences of MSEK 2.8 arising from the translation of foreign operations. The translation difference has no cash impact but affected comprehensive income, which totaled MSEK 33.0 (loss: 6.4)

CAPITAL EXPENDITURES

Investments in subsidiaries relate to the acquisition of Moberg Pharma North America; cash-flow investments amounted to MSEK 97.1 (0) for the full-year. The acquisition price was MSEK 170 on a debt-free basis, including a contingent consideration of not more than MUSD 5 and an initial consideration of MSEK 138, of which MSEK 39 comprised 825,652 shares in the Company issued in kind. The remaining consideration is paid in cash.

In 2012, the Company invested MSEK 0.6 in property, plant and equipment, compared with MSEK 0.5 in the preceding year. Moberg Derma also has research and development costs that are expensed directly in the statement of comprehensive income.

LIQUIDITY AND FINANCIAL POSITION

To date, Moberg Derma's operations have been financed by shareholder contributions through new issues, loan financing and revenue generated by product sales. Going forward, investments are expected to be financed by existing funds and revenue from product sales. Should the opportunity arise for faster growth, for example through acquisitions, Moberg Derma may need to raise additional capital through new share issues or loans.

At year-end, the equity/assets ratio was 63 percent (83 percent). Cash flow from operations amounted to MSEK 9.5 for 2012, compared with a negative MSEK 9.0 in the preceding year. Cash and cash equivalents amounted to MSEK 53.4 at year-end compared with MSEK 74.1 at the end of 2011.

KEY EVENTS IN 2012

Establishment of proprietary market presence in the U.S.

- In October, the Company decided to acquire its US partner, Alterna LLC. As a result of the acquisition, Moberg Derma gains access to a well-developed distribution network in the U.S. for non-prescription drugs and a portfolio of established brands, including rights to Kerasal Nail™ (Nalox™ in Sweden). Alterna has established contacts with all the major U.S. retail chains. Its infrastructure and competence in marketing and distribution are tried and tested, as shown by the successful launch of Kerasal Nail™. The acquisition price was MSEK 170 on a debt-free basis, which includes a possible contingent consideration of not more than MUSD 5 and an initial consideration of MSEK 138, of which MSEK 39 comprised 825,652 shares in the Company issued in kind. The remaining consideration is paid in cash. The cash portion of the consideration was financed through a private placement of 907,900 shares to certain Swedish institutional investors that contributed approximately MSEK 32, before issue expenses and bank financing of MSEK 40 from Swedbank as well as own funds.

Continued success for Nalox™/Kerasal Nail™

- In August, distribution of Kerasal Nail™ was expanded from 1,300 to 3,500 Wal-Mart stores. Wal-Mart is one of the leading retail chains in the U.S. and the increase in distribution is a key step towards Moberg Derma's goal of advancing Kerasal Nail™ to a market-leading position in the U.S.
- In the same month, the Company announced that all remaining milestones in the agreement with Meda would be achieved in 2012 as a result of successful launches in several European markets.

Distribution agreement for South Africa, Iran and Canada

- In March, a new distribution agreement was signed with Pharmaplan (Pty) Ltd, which was granted the exclusive rights to market and sell Nalox™/Emtrix® in South Africa. Moberg Derma assumes production and supply responsibility.
- In June, a distribution agreement was signed granting Ana Darou P.J.S. the exclusive rights to market and sell Nalox™/Emtrix® in Iran. Moberg Derma assumes production and supply responsibility.
- In December, a distribution agreement for Canada was entered into with Paladin Labs Inc, which was granted the exclusive rights to market and sell Nalox™/Emtrix® in Canada. Nalox™/Emtrix® was approved by Health Canada in June 2012 and the launch is planned for the second half of 2013. Canadian studies indicate that more than two million people suffer from nail fungus in Canada.

Product and project development

- Enrolment to a phase II study of Limtop –for the treatment of Actinic Keratosis (AK), genital warts and basal cell cancer – commenced in May. The aim of the study was to evaluate the efficacy and safety of three different dose regimens of Limtop on 97 patients with actinic keratosis on the head or face. The study was completed in March 2013, after the year-end. As the efficacy in the study did not reach the preset target, the company decided to discontinue the further development of Limtop.
- In November, it was announced that the final results of a phase II study of MOB-015 on patients with onychomycosis were in line with previously communicated interim results. Since the clinical efficacy of the studied formulation was deemed insufficient, the Company decided to initiate a new phase II study with an improved formulation. The first of a total of 35 patients were enrolled in December. MOB-015 is based on Moberg Derma's patent-pending formulation technology, which has been shown in pre-clinical studies to transport high concentrations of a fungicidal substance in and through nail tissue. Since MOB-015 is applied locally, the side effects associated with oral treatment are avoided.

Financial performance and corporate governance

- In October, the Board of Directors decided, with the support of the authorization granted by the 2012 Annual General Meeting, to carry out a private placement of 907,900 shares to Handelsbanken Funds, The Third Swedish National Pension Fund and Rhenman & Partners Asset Management AB for a value of approximately MSEK 31.8 before issue expenses.
- At an Extraordinary General Meeting on November 19, it was resolved to approve the Board's decision to acquire Alterna LLC and to authorize the Board to execute an issue in kind of not more than 825,652 shares as part of the purchase consideration for the acquisition of Alterna LLC. The sellers have undertaken not to sell, transfer, pledge or otherwise dispose of the shares in Moberg Derma for a period of twelve months after completion of the acquisition.

- The Extraordinary General Meeting also resolved to increase the number of Directors to eight. George Aitken-Davies, Managing Director and co-founder of Altaris Capital Partners, was elected a new Board member.
- Geert Cauwenbergh was elected to Moberg Derma's Board of Directors at the Annual General Meeting in April. Dr. Cauwenbergh is Managing Partner of Phases123 LLC (USA) and Board Member of Ablynx (Belgium) and RXi Pharmaceuticals (USA). He formerly served as Chairman and President of Barrier Therapeutics (USA) and in senior positions at the Johnson & Johnson Group in the U.S. At the same time, Bertil Karlmark left the Board, having declined re-election.

EVENTS AFTER THE YEAR-END

In March 2013, the company decided to discontinue development of the project Limtop – a drug candidate for the treatment of actinic keratosis (sun damaged skin) – as the efficacy in a completed phase II study did not reach the preset target.

INSURANCE

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

ENVIRONMENT AND LIABILITY

Moberg Derma conducts no operations that involve particular environmental risk or that require environmental permits or decisions from authorities. Moberg Derma's assessment is that the Company generally operates under applicable health and safety regulations and offers its employees a safe and healthy working environment.

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 a 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 2012

At the Annual General Meeting in 2012, seven Directors were elected for the period until the next AGM. An Extraordinary General Meeting on November 19 resolved to increase the number of Directors to eight. The Directors' expertise encompasses the fields of drug development, medical research, marketing, financial and strategic issues. The Board held 13 minuted meetings during the year, of which two were held by correspondence and one via a conference call. 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 2012 was on strategic issues, particularly matters relating to company acquisitions, product development, business development and capital procurement, as well as the further development of the Company's business plan. The Board's work follows established rules of procedure, which regulate such areas as the division of responsibility, the number of compulsory meetings, the format of convening notices, fundamental documentation and minutes, conflicts of interest, compulsory business that the CEO has to submit to the Board and appointing authorized company signatories. On an ongoing basis, the Board handles such matters 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 matters. Other than this, all issues have been addressed by the Board as a whole.

For detailed information about Directors, see page 71.

NOMINATION COMMITTEE

The Nomination Committee for the 2013 Annual General Meeting consists of four members: Per-Olof Edin, Håkan Åström, Conny Bogentoft and Mats Pettersson. The Nomination Committee submits proposals for the appointment of a Chairman and other Directors, as well as proposals on fees and other compensation to be paid to Directors. The Nomination Committee also presents proposals for the appointment and remuneration of the Company's auditor. The Nomination Committee's proposals will be presented in the notice of the 2013 AGM.

CORPORATE GOVERNANCE

Moberg Derma has applied the Swedish Corporate Governance Code since May 26, 2011, the date when Moberg Derma's share was listed on NASDAQ OMX Stockholm. See page 63 for the Corporate Governance Report.

INFORMATION DISCLOSURE

Moberg Derma strives to uphold good communication with shareholders. Company information must be correct, clear, factual, credible and timely. Communication from the Company must also be

characterized by openness, with regular interim and Annual Reports in Swedish and English. Events considered to influence the value of the share are to be announced in a press release.

PROPOSAL TO THE AGM 2013 – BOARD OF DIRECTORS' PROPOSAL FOR RESOLUTION ON PRINCIPLES FOR REMUNERATION OF SENIOR EXECUTIVES

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

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

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

OUTLOOK FOR 2013

Moberg Derma's goal is to create value and generate a solid return for shareholders through the profitable growth of the novel topical pharmaceuticals that are delivered to the global market. The ability to secure continued organic growth through direct sales and partners, and to commercialize new products through acquisitions and internal development, is crucial to Moberg Derma's future success. The Company's financial objective is to attain an operating margin (EBITDA in relation to sales) of 25% within two to four years, while displaying continued strong growth.

In 2013, the focus will be on integrating the acquired US operation, identifying further business opportunities and supporting the Company's distributors to facilitate successful product launches. The performance of the partnerships entered into will have a major impact on Moberg Derma's income and cash flow. Our assessment is that sales growth combined with profitability will continue.

THE PARENT COMPANY, MOBERG DERMA AB (PUBL)

Moberg Derma AB (publ), Corp. Reg. No. 556697-7426, is the Parent Company of the Group. Group operations are pursued primarily in the Parent Company (in addition to the sales organization in the U.S.) and comprise research and development, marketing and administrative functions. Parent Company net sales amounted to MSEK 109.5, compared with MSEK 55.9 in 2011. Operating expenses, excluding the cost of goods sold, amounted to MSEK 68.4 (MSEK 50.4) and profit after financial items to MSEK 23.0 (loss: 6.4). Net profit amounted to MSEK 44 (loss: 6.4). Cash and cash equivalents were MSEK 50.1 (74.0) at year end.

PROPOSED DISTRIBUTION OF EARNINGS (KSEK)

The amount available for appropriation by the Annual General Meeting comprises the following unrestricted reserves, accumulated losses and the current year's profit in the Parent Company:

Share premium reserve	265,305
Accumulated deficit	–121,158
Net profit for the year	43,984
	188,131

The Board of Directors proposes that the accumulated loss be deducted from the premium reserve and that the net profit be carried forward as retained earnings. Following the appropriation, unrestricted shareholders' equity amounts to:

Share premium reserve	144,147
Amount brought forward	43,984
	188,131

RISK FACTORS

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

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

RISK RELATED TO THE OPERATIONS				RISKS RELATED TO THE COMPANY'S SHARES
Development of new products	**Marketing and sales**	**Organization**	**Financial risks**	
• Preclinical and clinical studies • Official decisions	• Side-effects • Competition and pricing • Proprietary sales • Business partners • Disputes • Product liability • Patents and trademarks • Manufacturing • Inventories	• Dependence on key individuals • Recruitment requirements	• Currency risk • Tax loss carryforwards • Economic cycle • Future capital requirement • Tax • Non-sustainable sources of income • Goodwill • Financial obligations • Intangible non-current assets	• Share performance and liquidity • Dividend • Shareholders with significant influense
RISK MANAGEMENT AND CONTROL STRATEGIES				
• Policy documents, manuals and recommendations • Internal control activities, either preventive or detective • Analyses • Quality control in accordance with ISO13485		• Regulatory documentation prepared in parallel with clinical studies • Reduce dependence on partners through acquisition of proprietary sales organization in the US • Product liability insurance • Cooperation with renowned patent representatives • Structured investment decisions aided by Innovation Engine		

RISK MANAGEMENT AND CONTROL STRATEGIES

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

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

DEVELOPMENT OF NEW PRODUCTS

Preclinical and clinical studies

Moberg Derma engages in the development of new pharmaceuticals and other medical products. To obtain permits from authorities to commence sales, Moberg Derma – or potential partners – must prove the efficacy and safety of potential pharmaceuticals for 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.

Official decisions

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

Moberg Derma's commercialized medical device products have been approved by an independent regulatory body, allowing the products to be marketed throughout the EU/EEA. The possibility cannot be excluded that national authorities may take a contrary view or act to stop the product being sold in the country, which could lead to delays or a loss of marketing approval.

Since certain of the products marketed by Moberg Derma are currently classified as cosmetics, which do not require approval in certain countries, the possibility cannot be excluded that in the future public authorities may arrive at a different assessment, which could prohibit sales of the products.

MARKETING AND SALES

Competition and pricing

The pharmaceutical industry is a highly competitive industry. It cannot be guaranteed that Moberg Derma's products will be preferred to other existing or new products in the market. Price pressure 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 could entail an increase in competition and result in diminished opportunities for Moberg Derma to achieve or retain attractive market shares and prices for its products.

Proprietary sales

Moberg Derma conducts proprietary sales operations in the U.S. Should one of the Company's resellers decide to no longer offer any of Moberg Derma's products, the Company is obligated to repurchase and destroy unsold products, a factor that – in addition to reduced sales – could have an adverse impact on Moberg Derma's operations, earnings and financial position.

Moberg Derma maintains inventories for proprietary sales, which could entail exposure to the risk of obsolescence and an increase in tied-up capital.

Moberg Derma produces and distributes marketing material. The possibility cannot be excluded that competitors or national authorities could demand damages or amendment of such marketing material in the event that, for example, it is deemed to contravene applicable marketing legislation.

Partners and distributors

Moberg Derma depends on cooperation and distribution agreements with partners or distributors for the marketing and sale of its products in certain markets. It cannot be guaranteed that such agreements can be entered into on favorable conditions or that counterparties will meet their obligations in accordance with concluded agreements, which could include registration of the products in the said country.

Accordingly, Moberg Derma's growth is highly dependent on the ability to uphold such partnerships and their implementation. If important partnerships cannot be concluded, are terminated or function unsatisfactorily, this could have an adverse impact on the Company's continued development, growth and financial position. It cannot be guaranteed that future launches and sales of the product will generate results at the level achieved to date.

Disputes

The possibility cannot be excluded that Moberg Derma could become involved in legal processes associated with the Company's operating activities. Such legal processes could include disputes involving infringements of intellectual property and the validity of certain patents (see "Patents and brands" below) as well as commercial disputes.

Side-effects

There is a risk that patients who use the Company's products, participate in clinical studies or in some other manner come into contact with the Company's products could be exposed to side-effects. The consequences of such potential side-effects could delay or halt continued product development, and could restrict or prevent the commercial use of products. Another consequence that cannot be excluded is that the Company could be sued by patients suffering from side-effects, whereby the Company could become subject to damages.

Product liability and insurance

Moberg Derma engages in sales and clinical trials of medical products, thus entailing 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. The Company's current product liability insurance provides protection up to MSEK 75 per claim and a maximum of MSEK 75 annually and is valid worldwide. Despite this coverage, it cannot be guaranteed that the insurance will provide sufficient cover against claims for damages in the event of injuries caused by the Company's products or product candidates. In the future, Moberg Derma could also fail to obtain or maintain insurance cover on acceptable terms.

Moberg Derma conducts operations in the US, where the risk of lawsuits and legal processes is much more common than in, for example, Europe and often entails significant amounts.

Patents and trademarks

In the type of operations conducted by Moberg Derma there is always a risk that the Company's patents, brands or other intellectual property rights will not sufficiently protect the Company or that the Company's rights cannot be asserted. Furthermore, patent infringement could occur, which could 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. For some of the Company's product candidates, patent applications have been filed, but patents have not yet been granted. Nor can it be guaranteed that these patents will be granted. For the Company's current products in the market, future patent outcomes and the advent of duplicates in the market could have an adverse impact on the Company's sales.

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

Manufacturing
Because Moberg Derma uses contract manufacturers for production, the Company is dependent on external deliveries meeting agreed requirements for quantity, quality and timing. There is no guarantee that Moberg Derma will not be impacted by delayed or failed deliveries, which could impact sales.

ORGANIZATION
Key individuals
Moberg Derma is dependent on the Company's senior executives and other key individuals, in part to be able to engage in high-quality marketing, business and product development and related operations. Should the Company lose one of its key employees, this could delay or cause interruptions in development programs, or the licensing-out or commercialization of the Company's product candidates.

In addition to senior executives, Moberg Derma also depends on certain executives employed by sales and distribution organizations, contract manufacturers and other key suppliers. Since there is no guarantee that these relationships will be maintained over time, this could give rise to costs or reduced revenues for the Company.

Recruitment requirement
There is a risk that Moberg Derma will not be able to recruit the number of new appropriately qualified employees that expansion of the operations requires. Accordingly, there is a risk that recruitment difficulties could have an adverse impact on the Company's growth.

Integration
Integration processes connected to implemented or future company acquisitions could become more costly or time consuming than expected and anticipated synergies could fail to materialize either in full or in part.

FINANCIAL RISKS
For information on financial risk factors, see Note 29.

RISKS RELATED TO THE COMPANY'S SHARES
Share performance and liquidity
Investing in shares is by its very nature exposed to the risk that the value of the investment can decline. There is no guarantee concerning how the price of the Company's shares will perform. The price of the Moberg Derma share has been volatile ever since the share was listed on NASDAQ OMX Nordic Exchange Stockholm. Trading in the Company's shares has generally been low. It is impossible to anticipate the extent to which investor interest in Moberg Derma will lead to active trading in the shares or how trading in the shares will develop in the future. If active and liquid trading does not develop, or at least in a sustainable manner, this could result in difficulties for the holders of shares to sell their shares without this having an adverse impact on the market price, or in selling the shares at all.

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

Shareholders with significant influence
Should the principal shareholders act in unison, they would gain significant influence over the Company and most of the decisions requiring approval by the Company's shareholders. This concentration of ownership could be disadvantageous for other shareholders, should these shareholders' interests differ from those of the principal shareholders.

THE MOBERG DERMA SHARE

On May 26, 2011, the Moberg Derma share was listed on NASDAQ OMX Nordic Exchange Stockholm, main list, under the ticker name MOB.

NEW ISSUES DURING THE YEAR

In October, the Board of Directors decided, with the support of the authorization granted by the 2012[3] Annual General Meeting, to carry out a private placement of 907,900 shares to Handelsbanken Funds, the Third Swedish National Pension Fund and Rhenman & Partners Asset Management AB for a value of approximately MSEK 31.8 before issue expenses.

At an Extraordinary General Meeting on November 19, the Board was authorized to decide on the cash-in-kind issue of 825,652 shares as part of the consideration for the acquisition of Alterna LLC. The sellers have undertaken not to sell, transfer, pledge or otherwise dispose of the shares in Moberg Derma for a period of twelve months after completion of the acquisition.

SHARE PERFORMANCE

The closing price on December 31, 2012 was SEK 37.30, resulting in a market capitalization for Moberg Derma of MSEK 403. In 2012, the price of the Moberg Derma share rose by 52 percent. During the same period, the OMX Stockholm PI (general index) rose by 10 percent. The highest and lowest share prices noted for the Moberg Derma share during the year were SEK 49.00 and SEK 22.00, respectively.

The Moberg Derma share had a total turnover of 2.2 million shares, equivalent to a value of about MSEK 81. The average daily turnover was 8,960 shares. At year-end, Moberg Derma had a total of 1,248 shareholders[4], with the ten largest shareholders accounting for 76.41 percent of the shares in Moberg Derma.

SHAREHOLDERS AT DEC 28, 2012

Shareholders	No. of shares	% of votes and capital
Östersjöstiftelsen	2,273,679	21.03%
SIX SIS AG	1,843,460	17.05%
JPM Chase NA[5]	825,652	7.64%
Mobederm AB	713,978	6.60%
Wolco Invest AB	600,000	5.55%
Avanza Pension	514,078	4.75%
Mohammed Al Amoudi	492,475	4.55%
Third Swedish National Pension Fund	486,000	4.49%
Handelsbanken Fonder AB RE JPMEL	377,514	3.49%
SEB London-Luxemburg (Sicav fond)	135,900	1.26%
Others	2,549,836	23.59%
Total	**10,812,572**	**100.00%**

DIVIDENDS AND DIVIDEND POLICY

Moberg Derma is currently in a phase of expansion. The Board is therefore of the opinion that the Company's earnings will be best used to finance further development and expansion of the business. The Board does not intend to propose any dividend until such time as this is warranted by Moberg Derma's earnings, financial position and capital requirements.

ANALYSTS WHO CONTINUOUSLY MONITOR MOBERG DERMA

Peter Östling, Redeye	**Klas Palin,** Redeye	**Johan Löchen,** Remium

WARRANTS OUTSTANDING

The Annual General Meeting of Moberg Derma AB resolved on April 23, 2012 to implement a private placement of 66,696 warrants (equivalent to 66,696 shares) to the Company's wholly owned subsidiary Moberg Derma Incentives AB and to introduce the employee stock option scheme 2012:1. On November 19, 2012, an Extraordinary General Meeting of Moberg Derma AB voted to implement a private placement of 126,813 warrants (equivalent to 126,813 shares) to the Company's wholly owned subsidiary Moberg Derma Incentives AB and to implement employee stock option program 2012:2, aimed at senior executives in the acquired U.S. operation.

As part of employee stock option program 2012:1, 50,750 employee stock options were granted and 15,946 warrants were reserved to cover future social security expenses for the employee stock options. As part of employee stock option program 2012:2, 125,000 employee stock options were granted and 1,813 warrants were reserved to cover future social security expenses for the employee stock options.

There are already 407,169 warrants outstanding in Moberg Derma (equivalent to 654,338 shares), of which 59,760 warrants (equivalent to 119,520 shares) are reserved to cover future social security contributions for the employee stock options.

The total number of outstanding warrants at the end of the year was 600,678. If all warrants were to be exercised to subscribe to shares, the total number of shares would increase by 847,847 shares, from 10,812,572 shares to 11,660,419 shares, corresponding to dilution of 7.3 percent.

Group costs for the employee stock option program (including estimated social security costs) for the January to December 2012 period were MSEK 1.7. Costs for 2011 were MSEK 1.3.

[3] Authorization up to 10 percent of outstanding shares

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

[5] Shares from cash-in-kind issue related to the acquisition, subject to a lock-up agreement where the sellers of Alterna undertake not to trade the shares for a period of twelve months after completion of the acquisition.

The stock options granted to employees under the Company's incentive program represent maximum dilution of 5.6 percent. The remaining options, representing dilution of 1.7 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 employee stock option program see Notes 7 and Notes 19.

LOCK-UP AGREEMENT

On November 24, 2012, Moberg Derma entered into an agreement concerning the acquisition of all of the shares in Alterna LLC. In connection with the acquisition, each of the sellers – Altaris Capital Partners, certain senior executives in Alterna and the founders of Alterna, who all became shareholders in Moberg Derma in connection with implementation of the cash-in-kind issue – undertook not to sell, transfer, pledge or otherwise dispose of their shares in Moberg Derma for a period of twelve months after completion of the acquisition.

TREND IN SHARE CAPITAL

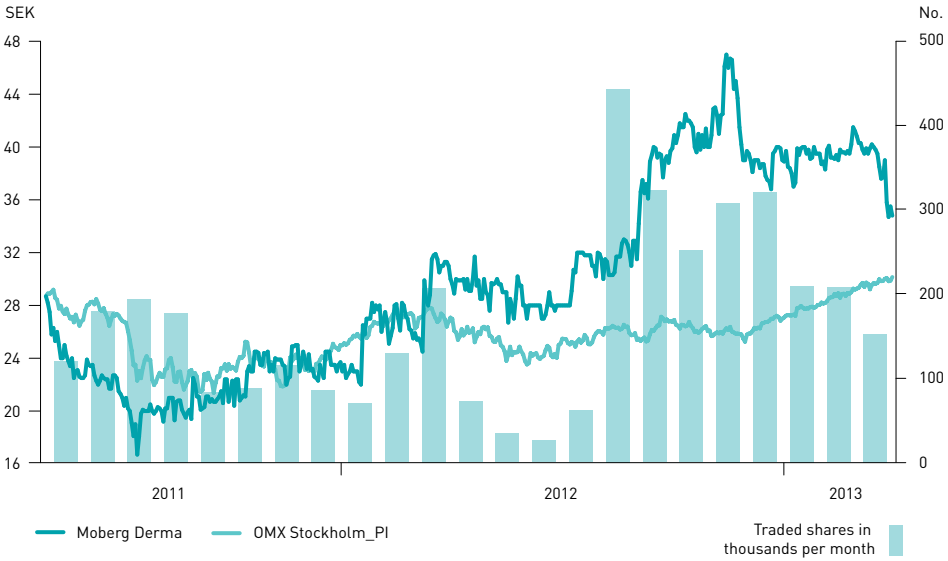
Date[6]	Transaction	Change in number of shares	Changes in share capital	Number of shares	Total share capital, SEK	Quotient value, SEK	Exercise price, SEK	Invested capital
Jan 2006	Ready-made company acquired	1,000,000	100,000.00	1,000,000	100,000.00	0.10	0.10	100,000
May 2006	Private placement	47,984	4,798.40	1,047,984	104,798.40	0.10	15.00	719,760
Dec 2006	Private placement	171,120	17,112.00	1,219,104	121,910.40	0.10	33.10[7],	5,334,072
Sept 2007	New share issue	613,866	61,386.60	1,832,970	183,297.00	0.10	45.12	27,697,634
Jan 2008	New share issue	305,457	30,545.70	2,138,427	213,842.70	0.10	65.50	20,007,434
Apr 2008	New share issue	305,457	30,545.70	2,443,884	244,388.40	0.10	65.50	20,007,434
Aug 2009	New share issue	458,492	45,849.20	2,902,376	290,237.60	0.10	65.50	30,031,226
Dec 2009	New share issue	144,723	14,472.30	3,047,099	304,709.90	0.10	65.50	9,479,357
Jun 2010[8]	New share issue	9,895	989.50	3,056,994	305,699.40	0.10	65.50	648,123
Nov 2010	Bonus issue	3,056,994	305,699.40	6,113,988	611,398.80	0.10	–	–
Mar 2011	New share issue	414,508	41,450.80	6,528,496	652,849.60	0.10	29.00	12,020,735
May 2011	New share issue	2,550,524	255,052.40	9,079,020	907,902.00	0.10	29.00	73,965,196
Oct 2012	Private placement	907,900	90,790.00	9,986,920	998,692.00	0.10	35.00	31,776,500
Nov 2012	Cash-in-kind issue	825,652	82,565.20	10,812,572	1,081,257.20	0.10	40.27	33,249,006

[6] Refers to the date of registration at the Swedish Companies Registration Office

[7] Also includes a directed issue of 10,000 series B shares to Karolinska Institutet Holding at an issue price of SEK 0.10

[8] New issue in order to attract specific expertise to the company

SHARE PRICE DEVELOPMENT



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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(KSEK)	Note	Jan–Dec 2012	Jan–Dec 2011
Net sales	2	112,469	55,943
Cost of goods sold		–24,877	–16,630
Gross profit		**87,592**	**39,313**
Selling expenses		–21,977	–10,020
Business development and administrative expenses		–23,450	–13,235
Research and development costs		–30,782	–26,808
Other operating income	4	2,718	3,536
Other operating expenses		–1,507	–383
Operating profit/loss	5–9	**12,594**	**–7,598**
Interest income and similar items	10	1,844	1,241
Interest expense and similar items	10	244	–28
Profit/loss before tax		**14,682**	**–6,384**
Income taxes	11	21,131	–
Net profit/loss for the year		**35,813**	**–6,384**
Translation differences on translation of foreign operations		–2,829	–
Other comprehensive income		**–2,829**	**–**
COMPREHENSIVE INCOME FOR THE YEAR		**32,984**	**–6,384**
Profit/loss attributable to Parent Company shareholders		35,813	–6,384
Profit/loss attributable to minority interests		–	–
Profit/loss attributable to Parent Company shareholders		32,984	–6,384
Total comprehensive income/loss attributable to minority interests		–	–
Earnings per share before dilution	12	3.85	–0.82
Earnings per share after dilution	12	3.68	–0.82
Average number of shares outstanding before dilution		9,300,650	7,781,910
Average number of shares after dilution		9,742,044	7,826,842
Number of shares at year-end		10,812,572	9,079,020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (KSEK)	Note	**Dec 31, 2012**	**Dec 31, 2011**
Non-current assets			
Intangible non-current assets			
Goodwill	13	70,346	–
Product rights	13	85,382	–
Patents, licenses and similar rights	13	243	257
Total intangible non-current assets		*155,971*	*257*
Tangible non-current assets			
Machinery and equipment	14	1,336	497
Financial and other non-current assets			
Other financial non-current assets		4	1
Deferred tax asset	11	22,196	–
Total other non-current assets		*22,200*	*1*
Total non-current assets		**179,507**	**755**
Current assets			
Inventories	15	*9,739*	*1,239*
Current receivables			
Accounts receivable	16	31,254	10,139
Other receivables	16	513	592
Prepaid expenses and accrued income	17	6,326	5,677
Total current receivables		*38,093*	*16,407*
Cash and bank balances	18	*53,423*	*74,052*
Total current assets		**101,255**	**91,698**
TOTAL ASSETS		**280,762**	**92,453**

SHAREHOLDERS' EQUITY AND LIABILITIES (KSEK)	Note	**Dec 31, 2012**	**Dec 31, 2011**
Shareholders' equity	19		
Shareholders' equity attributable to Parent Company's shareholders			
Share capital		1,081	908
Other capital contributions		265,334	197,044
Translation differences		–2,829	–
Accumulated deficit including net profit/loss for the year		–85,352	–121,165
Total shareholders' equity		**178,234**	**76,787**
Llabilities			
Long-term liabilities			
Interest-bearing liabilities	20	27,778	–
Long-term liabilities	20	14,492	–
Total long-term liabilities		*42,270*	–
Current receivables			
Accounts payable		8,992	7,024
Interest-bearing current liabilities	20	12,222	150
Other current liabilities	21	19,008	1,222
Accrued expenses and deferred income	22	20,036	7,270
Total current liabilities		*60,258*	*15,666*
Total liabilities		**102,528**	**15,666**
TOTAL EQUITY AND LIABILITIES		**280,762**	**92,453**
Assets pledged	23	191,098	702
Contingent liabilities	23	0	0

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Shareholders' equity attributable to Parent Company's shareholders				
(KSEK)	Share capital	Other capital contributions	Translation reserve	Earnings brought forward including profit/loss for the year	Total shareholders' equity
Shareholders' equity on January 1, 2011	**611**	**114,858**	**0**	**–114,781**	**688**
Net profit/loss for the year				–6,384	–6,384
Other comprehensive income					0
Total	**0**	**0**	**0**	**–6,384**	**–6,384**
New share issue[9]	297	85,689			85,986
Transaction expenses, new share issue		–4,950			–4,950
Employee stock options schemes		1,447			1,447
Shareholders' equity on December 31, 2011	**908**	**197,044**	**0**	**–121,165**	**76,787**
Shareholders' equity on January 1, 2012	**908**	**197,044**	**0**	**–121,165**	**76,787**
Net profit/loss for the year				35,813	35,813
Translation differences on translation of foreign operations			–2,829		–2,829
Total	**0**	**0**	**–2,829**	**35,813**	**32,984**
New share issue	173	70,414			70,587
Transaction expenses, new share issues		–4,036			–4,036
Tax on transaction expenses, new share issues		1,061			1,061
Employee stock options schemes		851			851
Shareholders' equity on December 31, 2012	**1,081**	**265,334**	**–2,829**	**–85,352**	**178,234**

[9]Further information on the share and its development is found on pages 36–37.

CONSOLIDATED STATEMENT OF CASH FLOWS

(KSEK)	Note	Jan–Dec 2012	Jan–Dec 2011
Operating activities			
Operating profit/loss before financial items		12,594	–7,598
Financial items received and paid		1,816	214
Taxes paid		–	–
Adjustment for non-cash items:			
Depreciation and amortization	9	713	464
Expenses for employee stock options schemes		851	1,447
Cash flow before changes in working capital		15,973	–5,473
Changes in working capital			
Increase (–) / decrease (+) in inventories		2,116	–995
Increase (–) / decrease (+) in operating receivables		–6,151	–7,713
Increase (+) / decrease (–) in operating liabilities		–2,462	5,162
Cash flow from operating activities		**9,476**	**–9,020**
Investing activities			
Net investments in equipment and tools	14	–630	–535
Net investments in subsidiaries	26, 27	–97,067	–
Cash flow from investing activities		**–97,696**	**–535**
Financing activities			
Loans raised	20	40,000	–
Repayment of loans (–)	20	–150	–190
Issue of shares		31,777	85,986
Issue costs		–4,036	–4,950
Cash flow from financing activities		**67,590**	**80,846**
CHANGES IN CASH AND CASH EQUIVALENTS		**–20,629**	**71,291**
Cash and cash equivalents at the beginning of the year		74,052	2,761
Cash and cash equivalents at the end of the year	18	53,423	74,052
Additional disclosures to the statement of cash flows			
Interest received		1,844	243
Interest paid		–28	–29

PARENT COMPANY INCOME STATEMENT

(KSEK)	Note	Jan–Dec 2012	Jan–Dec 2011
Net sales	2	109,467	55,943
Cost of goods sold		–22,861	–16,630
Gross profit		**86,606**	**39,313**
Selling expenses		–19,708	–10,020
Business development and administrative expenses		–16,389	–13,235
Research and development expenses		–30,782	–26,808
Other operating income	4	2,718	3,536
Other operating expenses		–1,507	–383
Operating profit/loss	5–9, 28	**20,938**	**–7,598**
Interest income and similar items	10	1,850	1,241
Interest expense and similar items	10	244	–28
Profit/loss before tax		**23,032**	**–6,384**
Tax on net profit for the year	11	20,952	–
NET PROFIT/LOSS FOR THE YEAR		**43,984**	**–6,384**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME (KSEK)	Jan–Dec 2012	Jan–Dec 2011
Net profit/loss for the year	**43,984**	**–6,384**
Other comprehensive income	–	–
COMPREHENSIVE INCOME FOR THE YEAR	**43,984**	**–6,384**

PARENT COMPANY BALANCE SHEET

ASSETS (KSEK)	Note	**Dec 31, 2012**	**Dec 31, 2011**
Non-current assets			
Intangible non-current assets			
Patents, licenses and similar rights	13	243	257
Total intangible non-current assets		*243*	*257*
Tangible non-current assets			
Machinery and equipment	14	758	497
Financial non-current assets			
Participations in Group companies	26, 27	178,106	100
Other financial non-current assets		1	1
Deferred tax asset	11	22,014	–
Total financial non-current assets		*200,121*	*101*
Total non-current assets		**201,122**	**855**
Current assets			
Inventories	15	–	*1,239*
Current receivables			
Accounts receivable	16	17,063	10,139
Receivables from Group companies	16	7,781	–
Other receivables	16	497	592
Prepaid expenses and accrued income	17	6,293	5,677
Total current receivables		*31,633*	*16,407*
Cash and bank balances	18	*50,838*	*73,959*
Total current assets		**82,471**	**91,605**
TOTAL ASSETS		**283,593**	**92,460**

SHAREHOLDERS' EQUITY AND LIABILITIES (KSEK)	Note	**Dec 31, 2012**	**Dec 31, 2011**
Shareholders' equity	19		
Restricted shareholders' equity			
Share capital		1,081	908
Total restricted shareholders' equity		*1,081*	*908*
Unrestricted shareholders' equity			
Share premium reserve		265,305	197,044
Accumulated deficit		–121,158	–114,774
Profit/loss for the year		43,984	–6,384
Total unrestricted shareholders' equity		*188,131*	*75,886*
Total shareholders' equity		**189,212**	**76,794**
LIABILITIES			
Long-term liabilities			
Long-term interest-bearing liabilities	20	27,778	–
Long-term liabilities	20	16,250	–
Total long-term liabilities		*44,028*	–
Current receivables			
Accounts payable		8,292	7,024
Interest-bearing current liabilities	20	12,222	150
Other current liabilities	21	19,008	1,222
Accrued expenses and deferred income	22	10,831	7,270
Total current liabilities		*50,353*	*15,666*
Total liabilities		**94,381**	**15,666**
TOTAL EQUITY AND LIABILITIES		**283,593**	**92,460**
Assets pledged	23	198,708	702
Contingent liabilities	23	0	0

PARENT COMPANY CHANGES IN SHAREHOLDERS' EQUITY

(KSEK)	Share capital	Share premium reserve	Unrestricted shareholders' equity	Total shareholders' equity
Shareholders' equity on January 1, 2011	**611**	**114,858**	**–114,774**	**695**
Total comprehensive income for 2011			–6,384	–6,384
New share issues	297	85,689		85,986
Transaction expenses, new share issues[10]		–4,950		–4,950
Employee stock options schemes		1,447		1,447
Shareholders' equity on December 31, 2011	**908**	**197,044**	**–121,158**	**76,794**
Shareholders' equity on January 1, 2012	**908**	**197,044**	**–121,158**	**76,794**
Total comprehensive income for 2012			43,984	43,984
New share issues	173	70,414		70,587
Transaction expenses, new share issues		–4,036		–4,036
Tax on transaction expenses, new share issues		1,061		1,061
Employee stock options schemes		822		822
Shareholders' equity on December 31, 2012	**1 081**	**265,305**	**–77,174**	**189,212**

[10] Resulting in a tax effect of 1,302 KSEK.

PARENT COMPANY CASH FLOW STATEMENT

(KSEK)	Note	Jan–Dec 2012	Jan–Dec 2011
Operating activities			
Operating profit before financial items		20,938	–7,598
Received and paid financial items		1,822	213
Taxes paid		–	–
Adjustments for items not included in cash flow:			
Depreciation/amortization	9	233	464
Costs for Employee stock options schemes		822	1,447
Cash flow before change in working capital		23,815	–5,474
Change in working capital			
Increase (–)/Decrease (+) in inventories		1,239	–995
Increase (–)/Decrease (+) in current receivables		–15,227	–7,714
Increase (–)/Decrease (+) in current liabilities		5,672	5,162
Cash flow from operating activities		**15,499**	**–9,021**
Investing activities			
Net investments in equipment and tools	14	–479	–535
Net investments in subsidiaries	25, 27	–105,731	–
Cash flow from investing activities		**–106,210**	**–535**
Financing activities			
Loans raised (+)	20	40,000	–
Loan repayment (–)	20	–150	–190
Issue of shares		31,777	85,986
Issue expenses		–4,036	–4,950
Cash flow from financing activities		**67,590**	**80,846**
CHANGE IN CASH AND CASH EQUIVALENTS		**–23,121**	**71,290**
Cash and cash equivalents on January 1		73,959	2,669
Cash and cash equivalents on December 31	18	50,838	73,959
Supplementary disclosures to cash-flow statement			
Interest received		1,850	242
Interest paid		–28	–29

NOTES

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

NOTE 1. ACCOUNTING POLICIES

Company information
The Annual Report for Moberg Derma AB for 2012 was approved for publication in accordance with a Board decision on March 27, 2013. The Annual Report will be submitted to the Annual General Meeting for adoption on April 23, 2013. Moberg Derma AB (publ), corporate registration number 556697-7426, is a limited liability company registered in Bromma, Sweden. The Company's main business is described in the Administration Report.

Basis of preparation
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.

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 standards and interpretations are effective for the fiscal year beginning January 1, 2012. All of the standards, amendments and interpretations from IASB and recommendations from IFRIC, which entered into force in 2012 and have been approved by the EU, are currently not relevant for the Group.

- IFRS 7 Financial instruments Disclosures – additional quantitative and qualitative disclosures are to be provided should financial instruments be derecognized from the balance sheet
- IAS 12 Income Taxes: Measurement of deferred tax for investment properties recognized at fair value is to be based on the tax effects resulting from sales

A number of new or amended accounting standards and interpretations of such standards apply for fiscal years beginning on January 1, 2013 or later, such as:

- IFRS 13 Fair Value Measurement
- Amendments to IAS 19 Employee Benefits
- Amendments to IAS 1 Changes to the Presentation of Other Comprehensive Income.
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Interests in Other Entities
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures

None of these has been applied in advance by the Group. The Group will apply the above standards in accordance with decisions made for their application in the EU, whereby the first three mentioned will be applied as of January 1, 2013, and the others as of the fiscal year beginning on January 1, 2014. The assessment is that the standards and amendments to be applied as of January 1, 2013 will not have a material impact on Moberg Derma; in respect of those that will be applied as of January 1, 2014, Moberg Derma has yet to assess the effects.

Translation from foreign currency
Functional currency and reporting value
Items included in the financial statements of the various Group companies are measured in the currency used in the economic environment in which the particular companies are active (functional currency). Moberg Derma AB's functional currency is Swedish kronor (SEK), which also represents the reporting currency of the Parent Company and the Group. Consequently, the Company's financial reports are presented in Swedish kronor and rounded to the nearest thousand unless otherwise stated. Due to the rounding component, totals may not sum up.

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

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

Valuation basis
Moberg Derma uses cost to recognize balance-sheet items unless stated otherwise.

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

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

Revenue
Two types of income are included in revenue: product sales and milestone payments. Revenue is recognized at the fair value of the consideration received or that will be received, after deduction of discounts and recorded as follows:
- Product sales are invoiced upon delivery and recognized in profit or loss 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.

Other income
Government grants and research grants are accounted for in profit or loss as other income in the same period as the expenses that the grants are intended to offset.

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

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

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

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

Product rights	15 years
Patents	10 years
Machinery	7 years
Equipment	5 years
Computer equipment[11]	3 years

[11] PCs are not recognized as assets but are instead recognized in profit or loss as the costs arise

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. Amortization of product rights is applied straight line over 15 years, or straight line over the estimated life if it is less than 15 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. Since Moberg Derma's assessment is that the ongoing development projects do not meet all requirements for capitalization pursuant to IAS 38, no development expenditure has been recognized as an asset. Expenditure relating to acquired development projects is capitalized as intangible assets.

Impairment losses excluding goodwill
At each reporting date, the carrying amounts of intangible and tangible assets are tested for impairment. If an indication of impairment exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of the fair value of the asset less selling expenses and the asset's value in use.
Value in use is determined by estimating and discounting future incoming and outgoing payments generated by the asset. If the recoverable amount is lower than the carrying amount, the asset is written down to the recoverable amount. This impairment loss is recognized directly in the income statement.

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

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 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 and raw materials. 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, accounts payable, certain accrued costs, interest-bearing liabilities and other liabilities. The Group does currently not have any derivative instruments.

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

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

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

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

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

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

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

Employee stock option schemes
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, 2010:2, 2011:1 and 2012:2.

Under IFRS 2, the cost of share-based payments to employees is recognized at fair value at the date of granting. 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 compensation (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 granted employee stock options is recognized in profit or loss as a personnel expense over the vesting period. The fair value of the employee stock options is determined at the date of granting 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 profit or loss along with a corresponding effect in equity during the remainder of the vesting period. Funds received upon exercise of employee stock options, net of any directly attributable transaction costs, are recognized in equity.

Related-party transactions
Remuneration and benefits to senior executives are recognized in accordance with IAS 19 Employee Benefits and IFRS2 Share-based Payment. Other disclosures on related-party transactions are recognized in accordance with IAS 24 Related Party Disclosures and the Swedish Annual Accounts Act; see Note 31.

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

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

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

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

Parent Company accounting policies
The Parent Company's accounting policies are principally consistent with the accounting policies of the Group. For the Parent Company, an income statement and a statement of comprehensive income are presented, while for the Group, this is presented in a single report in the statement of comprehensive income. Furthermore, for the Parent Company, the terms balance sheet and cash flow analysis are used for those statements that in the Group are called statement of financial position and statement of cash flows, respectively. The income statement and balance sheet for the Parent Company are drawn up according to the presentation stipulated in the Annual Accounts Act, while the statement of comprehensive income, the statement of changes in equity and the cash flow analysis for the Group are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows. The differences concerning the Group's statements that are relevant to the Parent Company's income statements and balance sheets consist mostly of the recognition of equity.

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

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

Impairment testing of goodwill
The Group regularly tests goodwill for impairment. The Purchase Price Allocation for the purchase of Moberg Pharma North America (Alterna LLC) was finalized in February 2013. Work to allocate total goodwill among the cash-generating units is still under way. Since there are no indications of a need to impair goodwill, impairment testing was not performed on the balance sheet date. The possibility cannot be excluded that goodwill will have to be impaired, which would have a material impact on Moberg Derma's financial position and earnings. At December 31, 2012, the value of goodwill was MSEK 70.3.

Product rights
The measurement of product rights depends on certain assumptions. These assumptions pertain to forecasts of future sales revenues, contribution to profit and the costs incurred by the particular product. Assumptions are also made concerning discount interest rates, product life and royalty rates. The maximum period of amortization for product rights applied by Moberg Derma is 15 years. The possibility cannot be excluded that the carrying amount of product rights will have to be impaired, which would have a material impact on Moberg Derma's financial position and earnings. At December 31, 2012, the value of product rights was MSEK 85.4.

Assessment of criteria for capitalization of internal development expenditure
Development costs are to be capitalized as intangible assets when it is probable that the project will succeed. Each development project is unique and must be assessed based on its particular merits. The earliest assessed timing for capitalization is on completion of phase III studies or equivalent final development steps for types of products other than pharmaceuticals. But even after completion of such development steps, a number of uncertainty factors could remain so that the criteria for capitalization cannot be considered satisfied. Given premature capitalization, there is a risk that a project will fail and that the costs offset will not be justified, but will have to be expensed directly. In turn, this would imply that previous and current year results would be misleading because of an excessively optimistic assessment of the likelihood of success. The Board is of the opinion that the ongoing development projects in the Company today do not fulfill all criteria for capitalization.

Taxes
Deferred tax assets are recognized insofar as it is probable that tax loss carryforwards will result in lower tax payments in the future. At December 31, 2012, the value of deferred tax assets was MSEK 22.2. In connection with the acquisition of the U.S. operation, push down accounting was applied, which entails that surplus value is recognized in a legal entity. Fair-value adjustment totaling MUSD 17.87 (MSEK 116.2) is expected to be deductible in connection with income taxation in the US, primarily through tax depreciation over a 15-year period following the acquisition.

NOTE 2. SALES

	Parent Company		Group	
Distribution of net sales	**2012**	**2011**	**2012**	**2011**
Sales of products	79,717	34,580	82,719	34,580
Milestone payments	29,750	21,363	29,750	21,363
	109,467	**55,943**	**112,469**	**55,943**

During 2012, the Company had a customer that accounted for 62 percent (85) of the Group's net sales (customer headquartered in Sweden).

	Parent Company		Group	
Net sales by geographical market	**2012**	**2011**	**2012**	**2011**
Europe	84,102	49,842	84,102	49,842
US	17,442	2,329	20,276	2,329
Rest of the world	7,923	3,773	8,091	3,773
	109,467	**55,943**	**112,469**	**55,943**

	Parent Company		Group	
Net sales by product category	**2012**	**2011**	**2012**	**2011**
Nalox	109,369	55,658	108,251	55,658
Kerasal	–	–	1,466	–
JointFlex	–	–	2,653	–
Kaprolac	98	285	98	285
	109,467	**55,943**	**112,469**	**55,943**

The subsidiary Moberg Pharma North America LLC (formerly Alterna LLC) was acquired on November 27, 2012 and its operations are included in profit or loss from this date. Of product sales, one month's sales of the newly acquired products Kerasal® and JointFlex® accounted for MSEK 1.5 and MSEK 2.7, respectively.

NOTE 3. SEGMENT INFORMATION

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

NOTE 4. OTHER OPERATING INCOME

	Parent Company		Group	
	2012	2011	2012	2011
Grants received	1,500	3,519	1,500	3,519
Exchange rate gains	1,107	–	1,107	–
Other	111	17	111	17
	2,718	**3,536**	**2,718**	**3,536**

The research grants received pertain to research grants from Vinnova; Moberg Derma counter-finances the research grants with its own funds. The research grants are disbursed when part and final targets of the projects are reported in accordance with a predetermined time frame.

NOTE 5. COSTS ALLOCATED BY TYPE

	Parent Company		Group	
Operating expenses	2012	2011	2012	2011
Raw materials and supplies	–	–	2,016	–
Goods for resale	22,861	16,630	22,861	16,630
Personnel costs	27,265	19,075	27,952	19,075
Depreciation/amortization	233	464	713	464
External R&D costs	17,795	18,347	17,795	18,347
External selling and marketing costs	12,416	4,396	13,491	4,396
Distribution	–	–	235	–
Other expenses	10,677	8,165	17,529	8,165
	91,247	**67,077**	**102,592**	**67,077**

	Parent Company		Group	
Depreciation/amortization by function	2012	2011	2012	2011
Research and development costs	165	276	165	276
Selling and marketing costs	37	94	517	94
Administrative and business development expenses	32	94	32	94
	233	**464**	**713**	**464**

NOTE 6. LEASING

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

	Parent Company		Group	
Operating leasing	2012	2011	2012	2011
Falls due for payment within one year	2,294	1,629	2,641	1,629
Falls due for payment between one year and five years	5,973	4,989	7,655	4,989
Falls due for payment later than five years	–	–	–	–
	8,267	**6,618**	**10,296**	**6,618**

	Parent Company		Group	
Operating leasing costs during the year	2012	2011	2012	2011
Leasing of premises	1,854	1,365	1,879	1,365
Leasing of parking spaces	113	121	113	121
Cleaning agreement	65	79	65	79
Leasing of machinery	96	91	96	91
	2,128	**1,656**	**2,153**	**1,656**

NOTE 7. PERSONNEL

	2012				2011			
	Average number of employees			Number of employees at Dec 31	Average number of employees			Number of employees at Dec 31
Number of employees	Women	Men	Total	Total	Women	Men	Total	Total
Sweden	14	5	19	21	8	5	13	15
USA	0	0	1	8	–	–	–	–
	14	**5**	**20**	**29**	**8**	**5**	**13**	**15**

	2012		2011	
Reporting of members of Parent Company management by gender	Women	Men	Women	Men
Board of Directors	1	7	1	6
Other senior executives	2	6	1	5

Reporting of members of Group management by gender	2012		2011	
	Women	Men	Women	Men
Boards of Directors[12]	1	7	1	6
Other senior executives[13]	2	7	1	5

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

	Parent Company		Group	
Total salaries, social security expenses and pensions	**2012**	**2011**	**2012**	**2011**
Salaries and other remuneration, including pension costs	18,739	13,153	19,364	13,153
Costs for personnel stock options program	822	1,447	851	1,447
Social security expenses	6,639	3,960	6,672	3,960
Training	112	82	112	82
Recruitment	339	77	339	77
Other expenses	614	356	614	356
Total	**27,265**	**19,075**	**27,952**	**19,075**
Of which, pension costs	2,360	1,601	2,360	1,601

In 2012, variable remuneration for all employees was MSEK 2.8 (2.6), representing approximately 10 percent of the Company's total salary expense. All permanent 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 executive benefits

Board and committees

The Chairman of the Board and other Directors receive director fees in an amount resolved by the AGM.

President and CEO

For 2012, the Company paid CEO Peter Wolpert MSEK 1.7 in basic salary and MSEK 0.8 in variable remuneration. Since the CEO has a defined contribution pension, the Company has no further pension obligations in addition to those stated here. Premium payments corresponded to 27 percent of basic salary for 2012. The notice period is six months if the CEO resigns at his own initiative and nine months if the Company terminates his position.

Other senior executives

The remuneration paid to other senior executives consists of basic salary, variable compensation, other benefits and pension benefits. The term other senior executives in Parent Company pertains to the seven executives who, in addition to the CEO, comprise the Executive Management Group. In addition to the CEO, the Executive Management Group consisted of the following individuals in 2012:

- Vice President, Clinical Development and Medical Affairs
- Director of Investor Relations
- Chief Financial Officer
- Vice President, Sales & Marketing
- Legal Counsel
- Project Director
- President of Moberg Pharma North America

In addition to the Executive Management Group above, the CFO of Moberg Pharma North America is included in the management teams of the Group's operating companies and thus in the senior executives below.

Remuneration of senior executives

At the AGM of April 23, 2012, the following principles were resolved for senior executives of Moberg Derma: The Company is to offer a market-aligned total remuneration package that facilitates the recruitment and retention of qualified senior executives. The remuneration paid to the Chief Executive Officer and other senior executives is to comprise basic salary, variable remuneration, other benefits and pension benefits. The total remuneration is to be based on the basic salary, which must be proportionate to the executive's responsibilities and authority. Variable compensation is capped at 50 percent of each executive's basic annual salary. Variable compensation is to be based on results achieved in relation to individually defined qualitative and quantitative targets as well as the Company's result in relation to goals set by the Board of Directors. Pensionable salary comprises only basic salary. To the extent that Directors perform work for the Company or any other group company, in addition to work on the Board of Directors, a market-aligned consultancy fee may be payable.

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

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

According to what is stated in the Company's principles for remuneration of senior executives, as adopted by the 2012 AGM, the Board of Directors is authorized to deviate from the said principles. The Board has resolved on one such deviation, by approving that the variable salary of the CEO of Moberg's wholly owned subsidiary in the US, Alterna LLC, may amount to 62 percent of the fixed annual salary and that the period of notice may in certain cases amount to 12 months. The reasons for the non-compliance are that there is a strong interest in market aligning remuneration to the terms and conditions prevailing in the U.S. and that the Board of Directors found that the non-compliance was warranted to ensure sufficient focus on high-priority areas in respect of sales in the North American market. The currently agreed possibility to receive variable, performance-based salary is one of the components in what the Board of Directors believes is a reasonable total solution in terms of this CEO's remuneration.

Remuneration and other benefits for senior executives during the year

	Basic salary /Directors' fees	Variable salary	Other benefits	Pension expenses	Share-based remuner-ation[14]	Other remu-neration	Total
Chairman of the Board, Mats Pettersson	300				100		400
Deputy Chairman of the Board, Wenche Rolfsen	329[15]				51	5[16]	385
Director, Gustaf Lindewald	150						150
Director, Peter Rotschild	150						150
Director, Torbjörn Koivisto	150						150
Director, Geert Cauwenbergh (elected April 23, 2012)	187[17]					209[18]	396
Director, George Aitken-Davies (elected November 27, 2012)	–						0
CEO, Peter Wolpert	1,680	759		446	97		2,982
Other senior executives (8 pers)	4,070	1,131		878	462	2,207[19]	8,748
	7,016	**1,890**	**0**	**1,324**	**710**	**2,421**	**13,361**

Incentive schemes

Moberg Derma has introduced share-based incentive schemes comprising warrants and employee stock options. The schemes are designed to promote the Company's long-term interests by incentivizing and rewarding certain Directors, senior executives and other employees. All permanent employees who have been employed by the Company for at least 12 months at December 31, 2012 are either shareholders or covered by the Company's incentive schemes. The number of shares held by Directors, the CEO and other senior executives is presented in the overview of the Board on page 71 and management on page 70. For more information on share related remuneration, please see Note 19.

[14] 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.

[15] The Directors' fee paid to Rolfsen Consulting AB also includes remuneration corresponding to social security contributions.

[16] Remuneration for travel expenses.

[17] The Directors' fee paid to Phases123 LLC also includes remuneration corresponding to social security contributions.

[18] Remuneration for travel expenses and consulting fees.

[19] Magnus Persson (Director of Investor Relations) and Fredrik Granström (Legal Counsel) work on a consultancy basis through TolvPlus4 AB. The line also includes remuneration of SEK 81,000 to Steve Cagle (President of Moberg Pharma North America) and SEK 16,000 to Jim Barton (CFO of Moberg Pharma North America) in the form of expensed portion of the purchase consideration for the acquisition of the US operation (purchase consideration that is conditional upon continued employment in the Company being entered as salary during the vested period).

NOTE 8. INFORMATION ON REMUNERATION OF THE AUDITOR

	Parent Company		Group	
	2012	**2011**	**2012**	**2011**
Ernst & Young				
Audit assignment	354	169	354	169
Auditing in addition to principal assignment	621	211	621	211
Tax advice	14	56	14	56
Other services	1,148	48	1,148	48
	2,137	**484**	**2,137**	**484**
McGladrey				
Audit assignment	–	–	325	–
Auditing in addition to principal assignment	–	–	65	–
Tax advice	–	–	65	–
Other services	–	–	–	–
	0	**0**	**455**	**0**
Total	**2,137**	**484**	**2,592**	**484**

Audit assignments are defined as the examination of the Annual Report and accounting records and of the Board of Directors and CEO's administration of the Company, other tasks incumbent on the auditor as well as advice and other assistance occasioned by observations made in the course of such examinations or the performance of such other tasks. Audit work in addition to the assignment comprises examinations of interim reports, prospectus, pro forma and issue-in-kind certificates and preparing other opinions in accordance with the Companies Act. Other services were primarily connected to the acquisition of Moberg Pharma North America (Alterna LLC).

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

	Parent Company		Group	
	2012	**2011**	**2012**	**2011**
Equipment and tools	219	449	222	449
Intangible assets	14	14	491	14
	233	**464**	**713**	**464**

NOTE 10. FINANCIAL ITEMS

	Parent Company		Group	
Interest income and similar items	**2012**	**2011**	**2012**	**2011**
Interest income	1,825	1,241	1,819	1,241
Other financial income	25	–	25	–
	1,850	**1,241**	**1,844**	**1,241**

	Parent Company		Group	
Interest expense and similar items	**2012**	**2011**	**2012**	**2011**
Interest expense	285	28	285	28
Exchange-rate gains/losses on liabilities	–550	–	–550	–
Costs for loans raised	17	–	17	–
Other financial expenses	4	–	4	–
	–244	**28**	**–244**	**28**

NOTE 11. TAX

	Parent Company		Group	
Tax recognized in profit or loss	**2012**	**2011**	**2012**	**2011**
Current tax	–	–	–3	–
Deferred tax	20,952	–	21,134	–
	20,952	**–**	**21,131**	**–**
Applicable tax rate in Sweden	26.3%	26.3%	26.3%	26.3%

	Parent Company		Group	
Difference between tax recognized in profit or loss and tax based on applicable tax rate	**2012**	**2011**	**2012**	**2011**
Profit/loss before tax	23,032	–6,384	14,682	–6,384
Tax at applicable tax rate for the Parent Company	–6,057	1,679	–3,861	1,679
Effects of other tax rates for foreign subsidiaries	N/A	N/A	96	–
Effects from the utilization of non-capitalized loss carryforwards	–	–	–	–
Non-taxable income	–	1	–	1
Non-deductible expenses	–466	–375	–2,543	–375
Costs that are deducted but included in the income statement	–	1,305	–	1,305
Other	–	–	–2	–
Tax effects of deficit for which tax assets is not taken into account		–2,610	–	–2,610
Capitalized value of loss carryforwards from prior years	31,778	–	31,780	–
Effect of changed tax rate	–4,303		–4,339	–
Tax recognized	**20,952**	**0**	**21,131**	**0**

	Parent Company		Group	
Deferred tax	**2012**	**2011**	**2012**	**2011**
Opening loss carryforward	–120,832	–110,910	–120,839	–110,917
Change in loss carryforwards for the year	20,428	–9,922	20,145	–9,921
Closing loss carryforward	**–100,404**	**–120,832**	**–100,694**	**–120,839**

Deferred tax assets are recognized insofar as it is considered likely that the loss carryforwards will result in lower tax payments in the future. At year-end 2011, the Board's assessment was there was no convincing reason that the losses could be utilized, which is why they are not assigned any value in the 2011 fiscal year. In March 2012, the Board assessed that the Company's development makes it likely that future taxable profit will be generated and can be offset with the unused tax losses, which is why the losses were assigned a value for the 2012 fiscal year. Current operating loss carryforwards may be utilized indefinitely.

	Parent Company		Group	
	2012	**2011**	**2012**	**2011**
Temporary differences between carrying amount and the tax value	–	–	101	–

NOTE 12. EARNINGS/LOSS PER SHARE

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

Earnings per share	2012	2011
Consolidated net profit/loss	35,813	–6,384
Weighted average number of shares before dilution	9,300,642	7,781,910
Dilution effect of employee stock option schemes	441,394	–
Weighted average number of shares after dilution	9,742,036	7,781,910
Earnings/loss per share before dilution	3.85	–0.82
Earnings/loss per share after dilution	3.68	–0.82

Since the Group reported a loss for 2011, the outstanding warrants did not generate any dilution effect for the year. This is because the dilution effect is only recognized when a potential conversion into common shares would result in lower earnings per share.

In total, there were 600,678 outstanding warrants at the end of the period. If all the warrants were to be exercised to subscribe for shares, the number of shares would increase by 847,847, from 10,812,572 to 11,660,419 shares, corresponding to dilution of 7.3 percent.

NOTE 13. INTANGIBLE NON-CURRENT ASSETS

	Parent Company		Group	
Goodwill	**2012**	**2011**	**2012**	**2011**
Opening accumulated cost	–	–	–	–
Acquisitions for the year attributable to business acquisitions	–	–	71,536	–
Translation difference	–	–	–1,190	–
Carrying amount at the end of the period	**–**	**–**	**70,346**	**–**

The Purchase Price Allocation analysis for the acquisition of Moberg Pharma North America LLC (Alterna LLC) was finalized in February 2013. Work is still in progress to distribute the total goodwill amount on cash-generating units. Since there are no indications of impairment requirements pertaining to goodwill, no impairment testing was implemented at the balance-sheet date.

	Parent Company		Group	
Product rights	**2012**	**2011**	**2012**	**2011**
Opening accumulated cost	–	–	–	–
Acquisitions for the year attributable to business acquisitions	–	–	87,311	–
Translation difference	–	–	–1,453	–
Closing accumulated cost	–	–	*85,859*	–
Opening amortization	–	–	–	–
Amortization for the year	–	–	–477	–
Closing amortization	–	–	*–477*	–
Carrying amount at the end of the period	**–**	**–**	**85,382**	**–**

Specification of product rights	2012	Rate of amortization, year	Remaining amortization period, year
Product rights for Kerasal	57,800	15	14.9
Product rights for JointFlex	27,582	15	14.9
Carrying amount at the end of the period	**85,382**		

	Parent Company		Group	
Patent, licenses and similar rights	**2012**	**2011**	**2012**	**2011**
Opening accumulated cost	300	300	300	300
Acquisitions for the year	–	–	–	–
Closing accumulated cost	*300*	*300*	*300*	*300*
Opening amortization	–43	–29	–43	–29
Amortization for the year	–14	–14	–14	–14
Closing amortization	*–57*	*–43*	*–57*	*–43*
Carrying amount for the end of the period	**243**	**257**	**243**	**257**

NOTE 14. TANGIBLE NON-CURRENT ASSETS

	Parent Company		Group	
	2012	**2011**	**2012**	**2011**
Opening cost	1,304	769	1,742	769
Investments	479	585	630	585
Translation difference	–	–	–7	–
Divestments/disposals		–50	–	–50
Closing cost	*1,784*	*1,304*	*2,365*	*1,304*
Opening depreciation	–807	–358	–807	–358
Depreciation for the year	–219	–449	–222	–449
Closing depreciation	*–1,026*	*–807*	*–1,029*	*–807*
Carrying amount at the end of the period	**758**	**497**	**1,336**	**497**

NOTE 15. INVENTORIES

	Parent Company		Group	
	2012	2011	2012	2011
Raw materials	–	–	3,242	–
Finished products and goods for resale	–	1,239	6,497	1,239
	–	**1,239**	**9,739**	**1,239**

NOTE 16. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	Parent Company		Group	
	2012	2011	2012	2011
Accounts receivable	17,063	10,415	31,371	10,415
Provision for doubtful receivables	0	–277	–117	–277
Carrying amount at the end of the period, accounts receivable	**17,063**	**10,139**	**31,254**	**10,139**
Receivables from Group companies	7,781	–	N/A	N/A
Other receivables	496	592	513	592
	25,340	**10,731**	**31,767**	**10,731**

The fair value for accounts receivables corresponds to the carrying amount. The maximum exposure to credit risk at the balance-sheet date corresponds to the carrying amount of accounts receivables and other receivables.

Major outstanding accounts receivable:	Outstanding accounts receivable, Dec 31	% of total accounts receivable
Company A	12,380	41%
Company B	4,626	15%
Company C	3,747	13%
Company D	2,874	10%

As of December 31, 2012, accounts receivable amounting to MSEK 17.9 (2.7) fell due without any need for impairment. The age analysis is presented below.

	Parent Company		Group	
Age analysis of accounts receivable, overdue	2012	2011	2012	2011
Less than 3 months	3,792	2,681	16,403	2,681
3 to 6 months	–	–	1,487	–
More than 6 months	–	–	–	–
	3,792	**2,681**	**17,891**	**2,681**

	Parent Company		Group	
Changes in the provision for doubtful accounts receivable	2012	2011	2012	2011
As of January 1	–277	–	–394	–
Additional provision for doubtful receivables	–	–277	–	–277
Receivables depreciated during the year as non-recoverable debt	–	–	–	–
Reversal of unutilized amount	277	–	277	–
Carrying amount at the end of the period	**–**	**–277**	**–117**	**–277**

	Parent Company		Group	
Accounts receivable excluding overdue accounts receivable and financial statements receivable with impairment requirements	2012	2011	2012	2011
Accounts receivable excluding overdue accounts receivable and financial statements receivable with impairment requirements	18,539	7,458	12,054	7,458

NOTE 17. PREPAID EXPENSES AND ACCRUED INCOME

	Parent Company		Group	
	2012	2011	2012	2011
Accrued income	3,117	3,802	3,059	3,802
Rent for premises	652	440	652	440
Other property expenses	18	19	18	19
Insurance expenses	553	301	553	301
Pension expenses	190	133	190	133
Other prepaid expenses	1,763	981	1,854	981
	6,293	**5,677**	**6,326**	**5,677**

NOTE 18. CASH AND CASH EQUIVALENTS

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

	Parent Company		Group	
	2012	2011	2012	2011
Cash and bank balances	50,838	73,959	53,423	74,052

NOTE 19. SHARE-BASED REMUNERATION

Employee stock options	2008:1	2008:2	2009:1	2010:1	2010:2	2011:1	2012:1	2012:2
Start day	Jun 30, 2008	Jun 30, 2008	Apr 20, 2009	May 19, 2010	May 19, 2010	Apr 18, 2011	Apr 23, 2012	Nov 27, 2012
Closing day	Jun 30, 2016	Jun 30, 2016	Jun 30, 2017	Jun 30, 2018	Jun 30, 2018	Dec 31, 2015	Dec 31, 2016	Dec 31, 2018
Vesting date	direct and Dec 31, 2009	Dec 31, 2009	Dec 31, 2010	Dec 31, 2011/ Dec 31, 2012	Dec 31, 2011/ Dec 31, 2012	Dec 31, 2013	Jun 30, 2015	¼ each Dec 31, 2014, 2015, 2016 and 2017
Exercise price, SEK per share	16.55	32.75	32.75	32.75	32.75	29.00	32.22	42.81
Number originally allocated	30,000	16,498	13,833	89,501	40,576	121,747	50,750	125,000
Outstanding, January 2012	30,000	13,499	13,833	89,501	40,576	121,747	0	0
Allocated in 2012	0	0	0	0	0	0	50,750	125,000
Forfeited in previous years	0	2,999	333	0	0	0	0	0
Forfeited in 2012	0	0	0	0	0	747	15,750	0
Exercised in 2012	0	0	0	0	0	0	0	0
Due in 2012	0	0	0	0	0	0	0	0
Outstanding, December 31, 2012	30,000	13,499	13,500	89,501	40,576	121,000	35,000	125,000
Number of shares that may be subscribed through employee stock options	**60,000**	**26,998**	**27,000**	**179,002**	**81,152**	**121,000**	**35,000**	**125,000**
Vested, December 31, 2012	30,000	13,499	13,500	89,501	40,576	0	0	0

The employee stock options are issued by the subsidiary Moberg Derma Incentives AB. The employee stock options may be exercised by the holder at any time after the vesting day through the closing date, with each employee stock option entitling the holder to subscribe for one warrant. Each warrant in turn entitles the holder to subscribe for two common shares in Moberg Derma, with the exception of the 2011:1, 2012:1 and 2012:2 employee stock option programs, which entitle holders to one common share per warrant. If employment is terminated, any granted, unvested employee stock options are forfeited.

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

The fair value of the employee stock options granted during the period was determined using the Black-Scholes valuation model at SEK 5.73 per option in the 2012:1 program and SEK 9.01 per option in the 2012:2 program. Key input data used in the model for the 2012:1 option program was the market price per share of SEK 29.29, exercise price of SEK 32.22, risk-free interest of 1.1 percent, volatility 25 percent, expected term 4.7 years, staff turnover 0 percent and no dividend. Key input data used in the model for the 2012:2 option program was the market price per share of SEK 38.92, exercise price of SEK 42.81, risk-free interest of 1.1 percent, volatility 25 percent, expected term 6.1 years, staff turnover 0 percent and no dividend.

The Group's expenses for employee stock option schemes (including estimated expenses for social security contributions) for 2012 amounted to MSEK 1.7, compared with MSEK 1.3 in the preceding year.

In total, 600,678 warrants have been issued to the Moberg Derma Incentives AB subsidiary. 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 arising from the utilization of employee stock options.

Warrants

Outstanding warrants	Moberg Derma Incentives AB	Total
2008 – Closing date for subscription: Dec. 31, 2018 Subscription price SEK 0.10	61,573	61,573
2009 – Closing date for subscription: Dec. 31, 2019 Subscription price SEK 0.10	21,849	21,849
2010 – Closing date for subscription: Dec. 31, 2019 Subscription price SEK 0.10	163,747	163,747
2011 – Closing date for subscription: Dec. 31, 2015 Subscription price SEK 0.10	160,000	160,000
2012:1 – Closing date for subscription: Dec. 31, 2016 Subscription price SEK 32.22	66,696	66,696
2012:2 – Closing date for subscription: Dec. 31, 2018 Subscription price SEK 42.81	126,813	126,813
	600,678	**600,678**

If all 600,678 outstanding warrants were to be exercised to subscribe for shares, the total number of shares would increase by a total of 847,847, from 10,812,572 shares to 11,660,419 shares, corresponding to dilution of 7.3 percent.

NOTE 20. LONG-TERM LIABILITIES

	Parent Company		Group	
	2012	2011	2012	2011
Long-term bank loans	27,778	–	27,778	–
Contingent purchase consideration	16,250	–	14,492	–
Carrying amount at the end of the period	**44,028**	**–**	**42,270**	**–**

	Parent Company		Group	
	2012	2011	2012	2011
Maturity period for long-term liabilities:				
Date of maturity 1–2 years from the balance-sheet date	29,583	–	27,825	–
Date of maturity 2–5 years from the balance-sheet date	14,445	–	14,445	–
Date of maturity, more than 5 years from the balance-sheet date	–	–	–	–
Carrying amount at the end of the period	**44,028**	**–**	**42,270**	**–**

	Parent Company		Group	
	2012	2011	2012	2011
Carrying amount in MSEK, per currency, for long-term liabilities:				
SEK	27,778	–	27,778	–
USD	16,250	–	14,492	–
	44,028	**–**	**42,270**	**–**

The Group has loan financing totaling MSEK 40 from Swedbank as at December 31, 2012. Credit facilities are available providing the Company fulfills certain financial covenants pertaining to the ratio between net indebtedness and EBITDA and cash flow from operating activities to total net financial items and contractual amortization. The loan carries variable interest rates. The loan matures on January 30, 2016, with quarterly amortization from April 30, 2013.

The contingent purchase consideration pertains to the long-term portion of the supplementary purchase consideration in connection with the acquisition of Moberg Pharma North America; refer to Note 27.

NOTE 21. CURRENT LIABILITIES

	Parent Company		Group	
Interest-bearing current liabilities	2012	2011	2012	2011
Current bank loans	12,222	–	12,222	–
Current conditional loans[20]	–	150	–	150
Carrying amount at the end of the period	**12,222**	**150**	**12,222**	**150**

	Parent Company		Group	
Other current liabilities	2012	2011	2012	2011
Employee withholding taxes	518	327	518	327
Settled social security contributions	381	267	381	267
Provision for social security contributions for employee stock option schemes	1,509	628	1,509	628
Contingent purchase consideration	16,250	–	16,250	–
Other current liabilities	350	–	350	–
	19,008	**1,222**	**19,008**	**1,222**

[20] Conditional loans as stated in the Swedish Ordinance on Government Funding through Regional Development Assistance (SFS 1994:1100). If the project cannot be utilized commercially, ALMI may waive repayment of the loan and interest.

Contingent purchase consideration pertains to the current portion of the contingent purchase consideration in connection with the acquisition of Moberg Pharma North America; see Note 27.

NOTE 22. ACCRUED EXPENSES AND DEFERRED INCOME

	Parent Company		Group	
	2012	2011	2012	2011
Deferred income	–	1,402	–	1,402
Accrued personnel expenses	5,140	3,843	5,140	3,843
Accrued Board expenses	745	497	745	497
Audit	305	155	305	155
Marketing Development Funds	–	–	3,090	–
Accrued marketing expenses	–	–	1,434	–
Returns and discounts	–	–	1,069	–
Other accrued expenses	4,641	1,373	8,254	1,373
	10,831	**7,270**	**20,036**	**7,270**

	Parent Company		Group	
Accrued personnel expenses	2012	2011	2012	2011
Of which, accrued salaries	2,786	2,061	2,786	2,061
Of which, accrued vacation pay liability	1,008	838	1,008	838
Of which, accrued social security contributions	832	645	832	645
Of which, accrued pension costs	115	35	115	35
Of which, accrued payroll tax on pension costs	399	263	399	263
	5,140	**3,843**	**5,140**	**3,843**

NOTE 23. PLEDGED ASSETS AND CONTINGENT LIABILITIES

Moberg Derma has no contingent liabilities. As collateral for the loan financing totaling MSEK 40 raised in 2012, Moberg Derma pledged the Company's corporate mortgages totaling MSEK 20 and pledged shares in Moberg Pharma North America LLC (Alterna LLC) of MSEK 178 for the Parent Company and MSEK 170 for the Group. In addition, there are previously blocked bank deposits of MSEK 0.7.

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

December 31, 2012	Assets measured at fair value in profit or loss	Loans and receivables	Other financial liabilities	Total
Assets in the balance sheet				
Accounts receivable and other receivables (excluding interim receivables)		31,767		31,767
Cash and cash equivalents		53,423		53,423
Total		**85,190**		**85,190**
Liabilities in the balance sheet				
Borrowings		54,492	54,492	–
Liabilities pertaining to financial leasing			–	–
Accounts payable and other liabilities excluding non-financial liabilities		28,000	28,000	1,373
Total			**82,492**	**82,492**

December 31, 2011	Assets measured at fair value in profit or loss	Loans and receivables	Other financial liabilities	Total
Assets in the balance sheet				
Accounts receivable and other receivables (excluding interim receivables)		10,731		10,731
Cash and cash equivalents		74,052		74,052
Total		**84,782**		**84,782**
Liabilities in the balance sheet				
Borrowings			150	150
Liabilities pertaining to financial leasing			–	–
Accounts payable and other liabilities excluding non-financial liabilities			8,246	8,246
Total			**8,396**	**8,396**

NOTE 25. IMPACT ON CASH FLOW FROM INVESTMENT IN SUBSIDIARIES – FOR THE GROUP

	2012	2011
Acquisition of participations in subsidiaries paid for in cash during the year	–99,151	–
Current balance in acquired company	2,084	–
Group's cash flow impact	–97,067	–

NOTE 26. PARTICIPATION IN GROUP COMPANIES

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

Change in carrying amounts, shares in subsidiaries	2012	2011
Opening cost	100	100
Acquisition	178,006	–
Closing accumulated cost	**178,106**	**100**
Closing carrying amount	**178,106**	**100**

In the Parent Company, Moberg Derma AB, direct costs attributable to the acquisition (MSEK 6.6) are capitalized in shares in subsidiaries, while these costs are recognized under administrative expenses in consolidated profit or loss. In addition, a part of the supplementary purchase consideration payable to senior executives in Moberg Pharma North America LLC is conditional upon continued employment in the Company; in the consolidated financial statements, this is recognized as salary continuously during the vesting period with the entire supplementary purchase consideration expensed in the Parent Company. As a result, shares in the Parent Company amount to MSEK 178 at the same time as the cost for the Group on the acquisition date was MSEK 170, as specified in Note 27 below.

NOTE 27. THE ACQUISITION OF MOBERG PHARMA NORTH AMERICA (ALTERNA LLC)

On October 25, 2012, Moberg Derma's acquisition of its U.S. distributor, Alterna LLC, was announced. Through the acquisition, Moberg Derma gains access to a well-developed distribution network in the U.S. for non-prescription drugs and a portfolio of established brands, including the rights to Kerasal Nail™ (Nalox™ in Sweden). The transaction was completed on November 27, 2012 and, as of that date, Alterna LLC has been consolidated in the Moberg Derma Group. The acquisition price was MSEK 170 on a debt-free basis, which includes a possible contingent consideration of not more than MUSD 5 and an initial consideration of MSEK 138, of which MSEK 39 comprised 825,652 shares in the Company issued in kind. The remaining consideration is paid in cash. The cash portion of the consideration was financed through a private placement of 907,900 shares to certain Swedish institutional investors who contributed approximately MSEK 32, bank financing of MSEK 40 from Swedbank and own funds. The acquisition includes contingent purchase considerations that fall due if Alterna's net sales for the period January 1, 2012–December 31, 2012, and for the period January 1, 2012–June 30, 2014, reach certain

amounts. If the targets are achieved, a contingent purchase consideration not exceeding MUSD 2.5 per period will be payable, making a total of not more than MUSD 5 to the sellers of Alterna. The targets for the first contingent purchase consideration has been reached and MUSD 2.5 has been paid during the first quarter 2013. The acquisition encompasses 100 percent of the share capital in Alterna LLC.

Direct expenses attributable to the acquisition, which are recognized in consolidated profit or loss under administrative expenses, amounted to about MSEK 6.6. The goodwill of MSEK 71.5 that arose from the acquisition is attributable to additional product and marketing opportunities created by the combination of Moberg Derma's business/product development capacity and the acquired strategic platform for the sale of pharmaceuticals in the U.S. The acquisition also results in the return of the rights to Kerasal Nail™ in the U.S. to Moberg Derma.

The entire amount of recognized goodwill is expected to be tax deductible in the U.S. The table below briefly presents the purchase consideration paid for Alterna LLC and the fair value of the assets acquired and the liabilities assumed that are recognized on the acquisition date.

Purchase Price Allocation (KSEK)	
Acquisition value	169,569
Fair value of acquired net assets	–98,024
Goodwill	**71,545**

Assets and liabilities included in the acquisition (KSEK)	**Fair value**
Assets	
Product rights – Kerasal	59,106
Product rights – JointFlex	28,206
Equipment and tools	438
Inventories	10,793
Accounts receivable	15,310
Other receivables	488
Cash balance	2,119
Total assets	**116,460**
Liabilities	
Accounts payable	–7,664
Accrued costs	–10,772
Total liabilities	**–18,436**
Acquired net assets	**98,024**
Goodwill	71,545
Total purchase consideration	**169,569**

The fair value of accounts receivable is MSEK 15.3, which corresponds to the carrying amount. Recognized accounts receivables are expected to be received in their entirety.

Revenue from Alterna LLC, which has been included in consolidated profit or loss since November 27, 2012 amounted to MSEK 3.0. Alterna LLC also contributed a net loss of MSEK 1.4. Had Alterna LLC been consolidated from January 1, 2012, revenue would have amounted to MSEK 75.

An accounting consequence of the acquisition is that inventories in the U.S. company have been revalued by MSEK 4.6 to fair value, thus reducing earnings by a corresponding amount. Of the MSEK 4.6, MSEK 1.5 was charged against the Group's profit for 2012 and the remaining amount is expected to be charged against profit for 2013.

NOTE 28. INTRA-GROUP TRANSACTIONS

(KSEK)	**2012**	**2011**
Sale of goods	1,978	–
Marketing contributions	–674	–
Interest on intra-Group loans	8	–
	1,312	**–**

NOTE 29. FINANCIAL RISKS AND FINANCIAL POLICY

Financial risk management

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

Through its activities, Moberg Derma is exposed to various types of financial risks, such as fluctuations in the Company's earnings and cash flow caused by changes in exchange rates and interest rates, as well as refinancing risk. At present, 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 is in an expansion phase and conducts development-intense activities with investments aimed at generating future income, thus accounting for the Company's cash and cash equivalents. The Company's operations are financed through income from product sales, shareholder contributions through new share issue and loans. Future investments are expected to be financed by income from current cash flow and existing funds. If the opportunity arises for faster growth, such as through acquisitions, Moberg Derma may need to raise additional capital through new share issues or loans.

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

The Group had loan financing of MSEK 40 as at December 31, 2012. Credit facilities are available provided that the Company fulfills certain financial covenants pertaining to the relationship between net indebtedness to EBITDA and cash flow from operating activities to total net financial items and contractual amortizations.

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.

During 2012, Moberg Derma had relatively limited currency exposure since the Company's operating activities are mainly conducted in Sweden and the Company had limited revenue in foreign currency during the year. Through the acquisition of Moberg Pharma North America in November 2012, Moberg Derma's currency exposure in USD will increase on both the revenue and the expense side.

Translation exposure arises since the Company has operations outside Sweden in currencies other than SEK. For Moberg Derma, this risk is attributable to USD (through the acquisition of Moberg Pharma North America).

The distribution and licensing agreements signed with counterparties outside Sweden are often concluded in currencies other than SEK. As revenues from such agreements increase, the Company's currency exposure will gradually increase. Moberg Derma's revenue in foreign currency is expected to increase significantly in 2013, with exposure primarily in USD and EUR.

Moberg Derma uses contract manufacturers for production and the majority of production purchases in 2012 were made in EUR. The Company's earnings are also exposed to currency fluctuations in connection with the purchasing of clinical trials, research services and material. Most of these purchases today are denominated in SEK. The co-funding of marketing activities is normally made in foreign currencies and in 2012 Moberg Derma incurred costs for co-funding of marketing activities in USD. Certain consulting services are purchased in EUR, GBP or USD.

The Group did not use currency hedging in 2012 but will regularly review the need for currency hedging as the business expands. Operating expenses for the fiscal year totaled MSEK 102.6, of which costs in foreign currencies accounted for approximately 44 percent. Of total net sales in 2012 of MSEK 112.5, 24 percent pertained to revenue in foreign currencies.

Operating profit was impacted during the fiscal year by net exchange losses of MSEK 0.4. Future revenue and expenses will be affected by fluctuations in foreign currencies.

Sensitivity analysis of foreign currency risk 2012 (KSEK)

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

Currency	Revenue	Operating expenses	Operating profit/loss
Euro	–68	261	193
GBP	–1	3	2
USD	–206	184	–22
DKK	–	–	–
Other	–	4	4
Total	**–274**	**451**	**177**

Interest risk and liquidity risk

Liquidity risk is defined as the Group being unable to pay foreseen or unforeseen costs. Excess liquidity is placed in bank accounts or invested in fixed income instruments subject to a low interest 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.

Interest-rate risk pertains to the risk that changes in the general interest-rate situation will have a negative impact on the Group's net profit. The speed by which changes in interest rates will impact the net profit depends on the fixed-interest period for the loan. Moberg Derma's current loan has a fixed-interest period of three months. Outstanding interest-bearing liabilities are reported in Note 20.

Counterparty risk

Counterparty risk is the risk that a party to a transaction involving financial instruments will be unable to meet its obligations and thus incur a loss for the other party. Moberg Derma is exposed to counterparty risk primarily in connection with distribution and licensing agreements and financial investments. When a distribution or licensing agreement is to be entered into, the counterparty is always evaluated prior to signing the agreement. Payment of accounts receivable is monitored continuously, thus making Moberg Derma's exposure to doubtful receivables low. The Group limits its current counterparty risk in connection with financial investments by investing excess liquidity with counterparties with very high credit ratings.

NOTE 30. EVENTS AFTER THE BALANCE-SHEET DATE

No significant events have occurred after the end of the period, other than those described in the Director's Report, see page 31.

NOTE 31. RELATED-PARTY TRANSACTIONS

During the year, Moberg Derma completed the following transactions with related parties, as defined in IAS 24, Related Party Disclosures.

The Company has a previous agreement with Mobederm AB, pertaining to the acquisition of patents, patent applications and know-how. Royalty remuneration totaling MSEK 2.4 was paid in 2012 to Mobederm AB, which is a shareholder in the Company. The recognized royalty payments means that the Company has fulfilled its obligations to Mobederm and future sales revenue will therefore not be charged with royalty payments to Mobederm.

Magnus Persson and Fredrik Granström (members of the Company's management group) work for Moberg Derma on a consultancy basis via TolvPlus4 AB. The Company has ongoing service contracts with TolvPlus4 AB, which replace the previously consultancy agreement with Streamson AB. The service contracts have been, and continue to be, performed by Magnus Persson and Fredrik Granström, who are both shareholders in TolvPlus4 AB, while both are indirectly, through TolvPlus4 AB, shareholders in the Company.

Related-party transactions occurred with senior executives in Moberg Pharma North America, since Steve Cagle (President of the U.S. operation) and Jim Barton (CFO of the U.S. operation) were also part-owners of the acquired company. The acquisition includes purchase considerations that are payable under certain conditions. Part of the purchase consideration is conditional upon the continued employment of Steve Cagle and Jim Barton in Moberg Pharma North America.

The 2012:2 employee stock option scheme implemented during the year was aimed at senior executives in the acquired US operation.

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

Bromma, March 27, 2013

Mats Pettersson
Chairman of the Board

Wenche Rolfsen
Deputy Chairman of the Board

Peter Rothschild
Board member

George Aitken-Davies
Board member

Geert Cauwenbergh
Board member

Gustaf Lindewald
Board member

Torbjörn Koivisto
Board member

Peter Wolpert
CEO and Board member

Our audit report was issued on March 27, 2013

Ernst & Young AB

Magnus Fagerstedt
Authorized Public Accountant

AUDITOR'S REPORT

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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Moberg Derma AB (publ) for the year 2012. The annual accounts and consolidated accounts of the company are included in this document on pages 28–61.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

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

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the balance sheet of the parent company as of 31 December 2012 and of its income statement and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company. We also recommend that the annual meeting of shareholders adopt the consolidated statement of comprehensive income and the consolidated statement of financial position.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Moberg Derma AB (publ) for the year 2012.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

Opinions

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

Stockholm, March 27, 2013
Ernst & Young AB

Magnus Fagerstedt
Auktoriserad revisor

CORPORATE GOVERNANCE REPORT

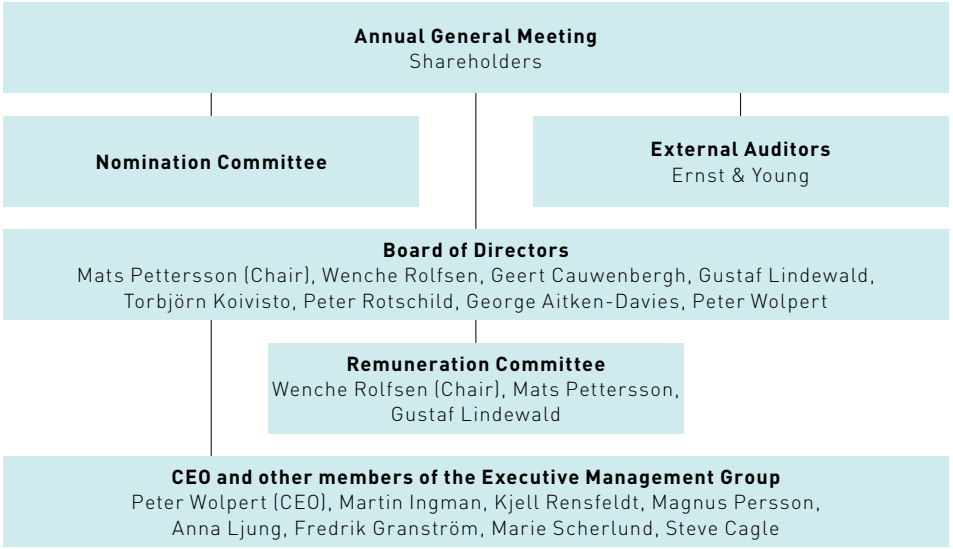
Moberg Derma AB (publ), corporate registration number 556697-7426, is a Swedish limited liability company headquartered in Stockholm, Sweden.

Prior to its listing on NASDAQ OMX Nordic Exchange Stockholm, the Company's corporate governance activities were based on Swedish law and internal rules and regulations. The Company was listed on the NASDAQ OMX Nordic Exchange Stockholm on May 26, 2011 and has adhered to NASDAQ OMX Nordic Exchange Stockholm's rules for issuers and applied the Swedish Code of Corporate Governance ("Code") as of that date. This Corporate Governance Report has been prepared in accordance with the Annual Accounts Act and the Swedish Code of Corporate Governance.

The Code applies to all Swedish companies whose shares are listed on a regulated market in Sweden and must be applied in full by the date of the first Annual General Meeting held after the listing. Companies are not required to comply with all rules contained in the Code but may choose alternative solutions that are deemed more appropriate for each company's specific circumstances, provided that deviations are explained, the alternative solution is described and the reasons explained (the "comply or explain" principle) in the Company's Corporate Governance Report. Moberg Derma has deviated from the Code only in the case of incentive programs introduced before the Code became applicable (May 26, 2011) as described below under "Share and share-based incentive schemes." Information about the Code is available at www.bolagsstyrning.se.

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

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



Internal regulatory structures and policies that affect corporate governance:
- Articles of Association
- Board of Directors' Rules of Procedure and CEO's Instructions
- Remuneration Principles for Senior Executives
- Risk Management Policy
- Finance Policy
- IT Policy
- Accounting Handbook
- HR Handbook
- Attest Instructions
- Information Policy
- Code of Conduct

External regulatory structures that affect corporate governance:
- The Swedish Companies Act
- Accounting standards
- NASDAQ OMX Stockholm's rules for issuers
- The Corporate Governance Code

GENERAL SHAREHOLDERS' MEETINGS

In accordance with the Swedish Companies Act, the Company's highest decision-making body is a general meeting of shareholders. At General Shareholders' Meetings, shareholders exercise their right to vote on key issues, such as the adoption of the statement of comprehensive income and financial position, appropriation of the Company's earnings, discharge of the Board of Directors and Chief

Executive Officer from personal liability, election of Directors and auditors, and remuneration of Directors and auditors. Extraordinary General Meetings (EGMs) may be held in addition to the Annual General Meeting (AGM). The Company's articles of association state that official notice of an AGM or EGM must be provided in the form of an advertisement in Post- och Inrikes Tidningar and published on Moberg Derma's website. Information that the official notice of an AGM or EGM has taken place is published in Dagens Industri.

Right to attend a General Shareholders' Meeting

All shareholders who are registered in their own name in the register of shareholders maintained by Euroclear Sweden AB five working days before a General Shareholders' Meeting, and have notified the Company of their intention to attend the meeting (along with any accompanying assistants) no later than the date and time stated in the official notice of the meeting, are entitled to attend the meeting and vote for all their shares. Shareholders may participate in the meeting personally or by proxy and may also be assisted by up to two advisors. Shareholders may normally register for a General Shareholders' Meeting in several ways, as indicated in the official notice of the meeting.

Shareholder initiatives

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

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

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

The 2012 AGM took place on April 23, 2012. The meeting was attended by 19 shareholders, in person or by proxy, representing 53.1 percent of the shares and votes of Moberg Derma. The Chairman of the Board, Mats Pettersson, was elected chairman of the meeting. The CEO and all Directors, apart from Peter Rotschild, attended the meeting. The minutes from the AGM are available at www.mobergderma.se under corporate governance. At the AGM, shareholders resolved to authorize the Board until the next AGM to decide on the issuance of new shares, on one or more occasions, either with preferential rights or disapplying the shareholders' preferential rights. The total number of shares encompassed by such new share issues may not exceed ten percent of the shares in the Company at the time of the 2012 AGM.

An EGM was held on November 19, 2012 to address the proposed acquisition of Alterna LLC. The meeting was attended by 16 shareholders, in person or by proxy, representing 42.7 percent of the shares and votes of Moberg Derma. The EGM resolved to adopt the Board's proposal to acquire Alterna and authorized the Board to decide on the cash-in-kind issue of not more than 825,652 shares as part of the consideration for the acquisition of Alterna. The EGM resolved to increase the number of Directors to eight without alternates. George Aitken-Davies, partner and one of the founders of Altaris Capital, was elected a new Board member. In accordance with the Board's motion, the EGM resolved to implement employee stock option program 2012:2, aimed at two senior executives in Alterna who are due to become senior executives in the Group. To safeguard the Company's commitments under the employee stock option scheme, the EGM resolved on a private placement of not more than 126,813 warrants to the Company's wholly owned subsidiary Moberg Derma Incentives AB. The minutes of the EGM are available at www.mobergderma.se under corporate governance.

Prior to the 2013 AGM, the Board proposes shareholders to authorize issuing of new shares at a total not exceeding 10 percent of outstanding shares in the company.

THE BOARD OF DIRECTORS

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

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

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

The Board normally convenes four to six times annually. In addition to these meetings, further meetings may be arranged to address issues that cannot be deferred to a scheduled meeting. The Chairman and CEO also engage in continuous dialogue concerning the Company's senior executives. Moberg Derma's Board currently consists of eight Directors, who are presented in the Annual Report on page 71.

	Attendance (no. of meetings 2012)				Independent in relation to	
	Board meetings (13)	Remuneration Committee (4)	Directors' fees 2012, KSEK	Elected	The Company	Owners
Chairman of the Board, Mats Pettersson	13	4	300	2010	Yes	Yes
Deputy Chairman of the Board, Wenche Rolfsen	13	4	329	2010	Yes	Yes
Director, Gustaf Lindewald	13	4	150	2006	Yes	Yes
Director, Geert Cauwenbergh (elected Apr 23, 2012)	10		187	2012	Yes	Yes
Director, Torbjörn Koivisto	13		150	2009	Yes	No
Director, Peter Rotschild	13		150	2011	Yes	Yes
Director, George Aitken-Davies (elected Nov 27, 2012)	1		0	2012	Yes	No
CEO, Peter Wolpert	13		0	2006	No	No

Remuneration Committee

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 members are independent in relation to the Company 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 principles for remuneration of senior executives that are legally subject to approval by the AGM and of applicable structures and levels of remuneration in the Company. Decisions on remuneration issues, after preparation by the committee, must be adopted by the Board as a whole.

Audit Committee

The Board currently has no audit committee. In the opinion of the Board, those duties that would be executed by an audit committee are better conducted by the Board as a whole. The Board reviews the need for an audit committee on an annual basis. The Board's rules of procedure contain principles for the Board, as it performs its obligations in the capacity of audit committee. In this context, the Board's duties include preparing and monitoring issues relating to (i) monitoring and quality assurance of the Company's financial statements, (ii) regular meetings with the Company's auditor to obtain information and opinions concerning the focus, scope and content of audit assignments and of the Annual Report and consolidated financial statements, and to engage in discussions on the auditor's views on the risks faced by the Company, (iii) assessment and monitoring of the auditor's impartiality and independence and adoption of principles for authorized procurement of other services from the Company's auditor, and (iv) evaluation of the auditor's performance and information to the nominating committee of the results of the evaluation.

CEO AND OTHER SENIOR EXECUTIVES

The CEO reports to the Board and is primarily responsible for the Company's day-to-day operations. The division of responsibilities between the Board and CEO is set out in the rules of procedure governing the activities of the Board and the instructions for the CEO. The CEO is also responsible for drafting reports and compiling information from management in preparation for Board meetings and for presenting the material at the meetings. Under the instructions for financial reporting, the CEO is responsible for financial reporting in the Company and is thus required to ensure that the Board obtains sufficient information to enable it to continuously evaluate Moberg Derma's financial position.

The CEO is required to keep the Board informed of Moberg Derma's development, the Company's results and financial position, liquidity and credit situation, important business events and other circumstances that cannot be assumed to be irrelevant for the Company's shareholders (including material disputes, the termination of agreements that are important to Moberg Derma and significant circumstances affecting the Company's products and projects). The CEO and senior management are presented in more detail in the Annual Report on page 70.

REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES

Remuneration of Directors

Fees and other remuneration of Directors, including the Chairman, are set by a General Shareholders' Meeting. At the AGM on April 23, 2012, it was resolved that Directors' fees, totaling SEK 1,150,000, excluding social security contributions, would be paid and distributed as follows: SEK 300,000 to the Chairman, SEK 250,000 to the Deputy Chairman and SEK 150,000 to the other Directors, with the exception of Peter Wolpert, CEO, who does not receive a Directors' fee. George Aitken-Davies, who was elected at an EGM on November 19, 2012, does not receive a Directors' fee.

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

Remuneration of senior executives

At the AGM on April 23, 2012, shareholders resolved on the following remuneration principles for Moberg Derma's senior management: The Company is to offer a market-aligned total remuneration package that facilitates the recruitment and retention of qualified senior executives. The remuneration paid to the Chief Executive Officer and other senior executives may comprise basic salary, variable remuneration, other benefits and pension benefits. The total remuneration is to be based on the basic

salary and is to be proportionate to the executive's responsibilities and authority. Variable remuneration is to be capped at 50 percent of each executive's basic annual salary and based on results achieved in relation to individually defined qualitative and quantitative targets as well as the Company's result in relation to goals set by the Board of Directors. The pensionable salary comprises only the basic salary. To the extent that Directors perform work for the Company or any other group company, in addition to work on the Board of Directors, a market-aligned consultancy fee may be payable.

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

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

According to what is stated in the Company's principles for remuneration of senior executives, as adopted by the 2012 AGM, the Board is authorized to deviate from the said principles. The Board has resolved on one such deviation, by approving that the variable salary of the CEO of Moberg's wholly owned subsidiary in the US, Alterna LLC, may amount to 62 percent of the fixed annual salary and that the period of notice may in certain cases amount to 12 months. The reasons for the non-compliance are that there is a strong interest in market aligning remuneration to the terms and conditions prevailing in the U.S. and that the Board found that the non-compliance was warranted to ensure sufficient focus on high-priority areas in respect of sales in the North American market. The currently agreed possibility to receive variable, performance-based salary is one of the components in what the Board of Directors believes is a reasonable total solution in terms of this CEO's remuneration.

	Basic salary	Variable remuneration	Other benefits	Pension expenses	Share-based incentives[21]	Other remuneration[22]	Total
CEO, Peter Wolpert	1,680	759		446	97		2,982
Other senior executives (8 pers.)	4,070	1,131		878	462	2,207	8,748
Total	**5,750**	**1,890**	**0**	**1,324**	**559**	**2,207**	**11,730**

[21] These costs involve no payment and do not affect the Company's cash flow. Estimated costs for social security contributions are not included in the recognized amounts.

[22] Magnus Persson (Head of Investor relations) and Fredrik Granström (Legal Counsel) work on a consultancy basis for the Company through TolvPlus4 AB. This row also includes remuneration of KSEK 81 paid to Steve Cagle (CEO of Moberg Pharma North America) and KSEK 16 paid to Jim Barton (CFO of Moberg Pharma North America) in the form of the expensed portion of the supplementary purchase consideration for the acquisition of the U.S. operations (the supplementary purchase consideration, which is conditional upon continued employment in the Company, is expensed as salary continuously during the vesting period).

Share-based incentive schemes

Moberg Derma has introduced share-based incentive schemes comprising warrants and employee stock options. The schemes are designed to promote the Company's long-term interests by incentivizing and rewarding certain Directors, senior executives and other employees. The employee stock options have been granted free of charge. All permanent employees who have been employed by the Company for at least 12 months at December 31, 2012 are either shareholders or covered by the Company's incentive schemes. The number of shares held by Directors, the CEO and other senior executives is presented in the Annual Report on pages 70–71.

Through the end of 2012, Moberg Derma's incentive schemes were based on employee stock options with vesting periods extending over several years. An employee may, for instance, vest his or her first options after two years' employment with further entitlements after years 3, 4 and 5. The rationale behind the incentive structure is partly to spread the vesting period over several years and partly to allow for flexibility in allotting options; instead of establishing the granting for new recruits in year 1, the current structure allows for adjustments in schemes for future years when it has become clear how well the employee has performed and whether he or she will assume a greater or lesser role in the Company than was originally intended.

As an adaptation to the Code, future employee stock option schemes will have a vesting period of at least three years, although the Company's structure with the vesting period extending over several years, will be retained.

Employee Stock Option Scheme 2010:2 included Directors Wenche Rolfsen and Mats Pettersson. The Code states that stock options should not be included in remuneration for Directors. The Company does not intend to introduce new stock option schemes aimed at Directors in future.

AUDIT

The auditor is tasked with auditing the Company's Annual Report and financial statements as well as the administration of the Company by the Board and the CEO. After the end of each fiscal year, the auditor is required to submit an audit report and consolidated audit report to the AGM.

Moberg Derma's Company Auditor is the auditing firm Ernst & Young AB with Authorized Public Accountant Magnus Fagerstedt as Auditor-in-Charge. The Company's auditors are presented in more detail in the Annual Report on page 71.

Remuneration of auditors

The remuneration paid to the auditor is subject to the approval by a General Shareholders' Meeting. The AGM on April 23, 2012 resolved to approve remuneration of the auditor as per approved invoice.

In 2012, remuneration of MSEK 2.6 was paid to the auditor, of which audit assignments accounted for MSEK 0.8, audit work in addition to the assignment for MSEK 0.7 and other assignments for MSEK 1.1. Audit assignments are defined as the examination of the Annual Report and

accounting records and of the Board of Directors and CEO's administration of the Company, other tasks incumbent on the auditor as well as advice and other assistance occasioned by observations made in the course of such examinations or the performance of such other tasks. Audit work in addition to the assignment comprises examinations of interim reports, prospectus, pro forma and issue-in-kind certificates and preparing other opinions in accordance with the Companies Act. Other services were primarily connected to the acquisition of Moberg Pharma North America (Alterna LLC).

NOMINATION COMMITTEE

The Nomination Committee submits proposals for electing the Chairman of the Board and Directors, as well as proposals concerning remuneration and fees for Directors. The Nomination Committee also submits proposals concerning the election and remuneration of Auditors. The Nomination Committee's proposals will be presented in the official notice convening the 2013 AGM.

The AGM on April 23, 2012 resolved to commission the Chairman of the Board to contact the three largest shareholders or groups of owners in terms of the number of votes (hereby referring to both directly registered shareholders and nominee registered shareholders), according to Euroclear's share register on September 30, 2012. These parties are offered the opportunity to each appoint a representative, who together with the Chairman of the Board will make up the Nomination Committee for the time until a new Nomination Committee is appointed by mandate from the next AGM. If any of these shareholders declines the entitlement to appoint a representative, this entitlement transfers to that shareholder with the largest shareholdings after these shareholders until the Nomination Committee consists of four members.

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

The Nomination Committee for the 2013 AGM was announced on Moberg Derma's website and in a press release on October 22, 2012. The Nomination Committee met twice during the year.

Nomination committee for the 2013 annual meeting

Name	Representing	Percentage of shares and votes Sept. 28, 2012	Percentage of shares and votes Dec. 28, 2012
Per-Olof Edin	Östersjöstiftelsen	25.05%	21.03%
Håkan Åström	SIX SIS AG	20.79%	17.05%
Conny Bogentoft	Mobederm AB	8.74%	6.60%
Mats Pettersson	The Board of Moberg Derma	0.06%	0.06%
		54.64%	**44.74%**

INTERNAL CONTROL AND RISK MANAGEMENT OF FINANCIAL REPORTING

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

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

Control environment

The control environment at Moberg Derma forms the framework of the direction and culture with which the Company's Directors and management communicate their messages to the organization. Internal management and control in accordance with customary frameworks is assigned high priority. Moberg Derma's Directors and management define and design decision paths, authorities and responsibilities that are clearly defined and communicated throughout the organization. The Company's Directors also strives to ensure that steering documents, such as internal policies and principles, cover identified areas of significance, and that these provide the right guidance to the work of the various executives in the Company.

Risk management

The Company's Board works continuously and systematically with risk management in order to identify risks and take action to mitigate identified risks. Risk assessment is also designed to identify such risks that have a significant impact on internal control of financial reporting.

Developing new pharmaceuticals to market registration and product launch is a risky and capital-intensive process. Risk factors considered of particular significance for Moberg Derma's future are: results of clinical studies, actions of public authorities, competition and price scenario, production, business partners and distributors, liability risks and insurance, integration risks, patent and brands, key individuals, cyclicity, future capital requirements and financial risk factors. A more detailed description of Moberg Derma's exposure to risk and how the Company manages it is provided in the Annual Report on pages 33–35.

Control activities

The primary purpose of control activities is to prevent, discover and rectify misstatements in financial reporting. Processes and activities have been structured to manage and address significant risks related

to financial reporting. These activities include analytical updates and comparisons of the progress in terms of profits or items, reconciliation of accounts and balances, and approval of all business transactions and collaboration agreements, powers of attorney and certification instructions, as well as accounting and valuation policies. Access to ERP systems is limited by authority, responsibility and role.

Information and communication

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

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

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

Monitoring compliance

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

Assessment of the need for internal audit

Moberg Derma has no separate auditing function (internal audit). The Board annually evaluates the need for such a function and, considering the size of the Company, with relatively few employees and a scope of operations in which most transactions of significance are of similar character and relatively uncomplicated, has found no basis for establishing a formal internal auditing function.

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

During the 2012 fiscal year, Moberg Derma was not subject to decisions passed by the NASDAQ OMX Nordic Exchange Stockholm's disciplinary committee or pronouncements by the Swedish Securities Council regarding accepted market practices.

Bromma, March 27, 2013

Mats Pettersson
Chairman of the Board

Wenche Rolfsen
Deputy Chairman of the Board

Peter Rothschild
Board member

George Aitken-Davies
Board member

Geert Cauwenbergh
Board member

Gustaf Lindewald
Board member

Torbjörn Koivisto
Board member

Peter Wolpert
CEO and Board member

AUDITORS' REPORT ON THE CORPORATE GOVERNANCE STATEMENT

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

It is the board of directors who is responsible for the corporate governance statement for the year 2012 on pages 63–68 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the corporate governance statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, March 27, 2013

Ernst & Young AB

Magnus Fagerstedt
Authorized Public Accountant

MANAGEMENT

Peter Wolpert | Martin Ingman | Kjell Rensfeldt | Magnus Persson | Anna Ljung | Fredrik Granström | Marie Scherlund | Steve Cagle

PETER WOLPERT CEO and founder, M.Sc. in Engineering, M.Sc. in Economics and Business. Born 1969. Has worked for the company since 2006. Peter Wolpert has 16 years' experience as CEO, strategy consultant and entrepreneur and is Chairman of Viscogel AB. He was co-founder of Accuro Immunology, Ibility and Viscogel, and previously held positions as CEO of Athera Biotechnologies and strategy consultant of McKinsey & Co. Shareholding: 600,000 shares through Wolco Invest AB and 50,000 employee stock options (50,000 shares may be subscribed for based on the employee stock options).

MARTIN INGMAN VP Sales & Marketing, M.Sc. in Economics and Business. Born 1962. Has worked for the company since 2008. Martin Ingman has 19 years' experience from senior sales and marketing positions at Astra AB (publ) (currently AstraZeneca), Q-Med AB and Carema Omsorg AB. Shareholding: 1,100 shares and 64,000 employee stock options (108,000 shares may be subscribed for based on the employee stock options).

KJELL RENSFELDT VP Research and Development, Certified physician, M.Sc. in Economics and Business. Born 1957. Has worked for the company since 2007. Kjell Rensfeldt has 15 years' industrial experience from senior positions at Biogen Idec and Q-Med. Dr. Rensfeldt also has ten years' clinical experience and specialist training in urology. Shareholding: 5,000 shares and 87,000 employee stock options (159,000 shares may be subscribed for based on the employee stock options).

MAGNUS PERSSON Director of Investor Relations. Born 1964. Has worked in the company since 2010. Magnus Persson has 21 years' experience as CFO and senior positions in start-up companies and listed companies such as Popwire, Panopticon, AT&T, Sendit/Microsoft and Digital Vision. He is Chairman of Visittravelcom Technology Group AB as well as founder and partner of Streamson AB and TolvPlus4 AB. Shareholding: 116,636 shares owned by Tolvplus4 AB..

ANNA LJUNG Chief Financial Officer, M.Sc. in Economics and Business. Born 1980. Has worked in the company since 2006. Anna Ljung has previously worked as CFO at Athera Biotechnologies AB and Lipopeptide AB, as well as independent consultant in technology licensing. Shareholding: 10,000 shares and 35,000 employee stock options (55,000 shares may be subscribed for based on the employee stock options).

FREDRIK GRANSTRÖM Legal Counsel, LL.M. Born 1968. Has worked in the company since 2006. Fredrik Granström has 16 years' experience as a corporate lawyer specializing in corporate and commercial law. He has previous experience as corporate lawyer at Astra AB (publ) (currently 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 the Management team in start-ups as well as listed companies. Shareholding: 116,636 shares owned by Tolvplus4 AB.

MARIE SCHERLUND Project Director, M.Sc. Pharm, Ph. D.Born 1966. Has worked in the company since 2010. Marie Scherlund has 20 years' experience in pharmaceutical drug development from Astra Pain Control, AstraZeneca and APL (Apotek Produktion & Laboratorier AB). Shareholding: 4,000 shares and 14,000 employee stock options (14,000 shares may be subscribed for based on the employee stock options).

STEVE CAGLE CEO of Alterna, B. Sc., MBA. Born 1977. Responsible for the company's North American operation. Steve Cagle has been the CEO of Alterna since 2007. Previous experience from senior positions at Sparta Systems Inc. Steve Cagle is a Board member at M2S and Carolina Medical Products. Shareholding: 40,308 shares and 100,000 employee stock options (100,000 shares may be subscribed for based on the employee stock options).

BOARD OF DIRECTORS

Mats Pettersson | Wenche Rolfsen | George Aitken-Davies | Geert Cauwenbergh | Gustaf Lindewald | Torbjörn Koivisto | Peter Rothschild | Peter Wolpert

MATS PETTERSSON Chairman, M.Sc. in Economics and Business. Born 1945. Mats Pettersson was the CEO of Biovitrum AB until 2007. He is Board member of to-BBB Holding B.V and Photocure AS. Mats Pettersson has more than 35 years' experience in the pharmaceutical industry and was Senior Vice President and a member of the management team of Pharmacia Corporation prior to the establishment of Biovitrum. Shareholding: 6,514 shares, as well as 800 shares through Espen Invest A/S and 26,950 allocated employee stock options (53,900 shares may be subscribed for based on the employee stock options).

WENCHE ROLFSEN Born 1952. Deputy Chairman, Ph.D. Visiting Professor at Uppsala University. Wenche Rolfsen has more than 30 years' experience in the pharmaceutical industry and has held senior positions in research and development at Pharmacia and was CEO of Quintiles Scandinavia AB. She is Chairman of Aprea AB with subsidiary, and of InDex Pharmaceuticals AB as well as Board member of APL AB, Industrifonden Foundation and Sarsia Seed, Norway. Shareholding: 2,934 shares through Rolfsen Consulting AB as well as 13,626 allocated employee stock options (27,252 shares may be subscribed for based on the employee stock options).

GEORGE AITKEN-DAVIES Director, Ph.D. Born 1978. Director since 2012. Managing Director and founder of Altaris Capital Partners. Previously active at Merrill Lynch. Director at Senator Foundation.Shareholding: 770,776 shares owned by Altaris Capital Partners.

GEERT CAUWENBERGH Director, Ph.D. Born 1954. Director since 2012. Dr. Cauwenbergh has long experience from the pharmaceutical industry and has special experience in product development and marketing of dermatology products in Europe and the U.S. Dr. Cauwenbergh is Managing Partner for Phases123 LLC (US), and Director of Ablynx (Belgium) and RXi Pharmaceuticals (US). He has previously worked as Chairman and CEO of Barrier Therapeutics (US) and held senior positions in the Johnson & Johnson Group in the U.S. Shareholding: 0 shares.

GUSTAF LINDEWALD Director, Pharmacist. Born 1942. Gustaf Lindewald has more than 40 years' experience from the pharmaceutical and food industries. He has experience from several senior positions, such as Marketing Director of ACO, VP of Procordia Health Food, Head of Clinical Nutrition and Supply Director of Semper. He is Director at EDIO Health Care AB. Shareholding: 41,795 shares.

TORBJÖRN KOIVISTO Director, LL.M. Born 1969. Torbjörn Koivisto is a corporate lawyer focusing on corporate and commercial law. He has previous experience from Mannheimer Swartling, Lindahl and Bird & Bird. He is Director of Apoteksamariten AB. Since 2006, he has been running his own business, IARU. Shareholding: 5,856 shares through IARU, Institutet för Affärsjuridisk Rådgivning i Uppsala AB.

PETER ROTHSCHILD Director, M.Sc. in Economics and Business. Born 1950. Peter Rothschild has extensive experience in new enterprises including the biotech industry. He is the CEO and founder of BioGaia AB (publ). Peter Rothschild is also Chairman of Loft Industries AB and Director of several of BioGaia's subsidiaries. Peter Rothschild has also been a Director of Diamyd Medical AB and Perlan AB. Shareholding: 32,034 shares through Annwall & Rothschild Investments AB, of which Peter Rothschild owns 50 percent.

PETER WOLPERT Director and founder. For description, see Management on page 70.

AUDITORS At the Annual General Meeting on April 18, 2011, the auditing firm of 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 (born 1957 and member of Far) as Auditor-in-Charge, with a period in office according to the Articles of Association, for the period ending with the 2015 Annual General Meeting.

SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on April 23, 2013 at Moberg Derma's premises on Gustavslundsvägen 42, 5th floor, Bromma, Stockholm. Shareholders who wish to have an issue addressed by the Annual General Meeting must submit their request by March 12, 2013 by post to the company's address or e-mail to arsstamma@mobergderma.se.

All shareholders who are registered in their own name in the register of shareholders maintained by Euroclear Sweden AB on April 17, 2013, are entitled to attend the meeting. Shareholders whose shares are registered in the name of a nominee must, in ample time prior to this date, with the help of the nominee re-register their shares in their own names in order to be entitled to participate in the Annual General Meeting.

REPORT DATES 2013

Interim report January – March 2013	May 21, 2013
Interim report January – June 2013	August 6, 2013
Interim report January – September 2013	November 5, 2013

FINANCIAL INFORMATION

The reports are available in Swedish and English and will be available on www.mobergderma.se. Contact Investor Relations, Magnus Persson, tel: +46 (0)733-55 26 01, e-mail magnus.persson@mobergderma.se , Peter Wolpert, tel: +46 (0)707-35 71 35, e-mail peter.wolpert@mobergderma.se

HISTORY

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

2007
A clinical phase II trial of Kaprolac® Dandruff Solution for treatment of seborrhoeic dermatitis was conducted. In addition, the company initiated a clinical phase III trial pertaining to Nalox™ involving 493 patients, which was concluded in 2008.

2008
A clinical phase III trial pertaining to Kaprolac® Dandruff Solution was conducted.

The development portfolio was strengthened through the acquisition of all the assets from the bankruptcy estate of Zelmic Technologies AB, including patent applications and laboratory equipment.

2009
The company signed its first distribution agreement pertaining to the sale of Nalox™ in the Nordic region, with Antula Healthcare AB (Meda AB). A new patent application was submitted for MOB-015 and the company received MSEK 4.2 in grants from Vinnova for the development of this project. Three cosmetic products within the Kaprolac® series were registered with the Swedish Medical Products Agency and a clinical phase I/II trial for Kaprolac® SRH in atopic dermatitis was conducted.

2010
In March 2010, the company received European marketing authorization for Nalox™ and Kaprolac® Scalp Solution as medical technology products (CE mark). Additional distribution agreements for a number of geographic markets were signed, including Canada and the Middle East, for Nalox™/Emtrix®. During the autumn, Nalox™ was launched in Sweden, Denmark, Norway and Finland. Already in the first quarter after the launch, the product became market leader in the Nordic region. A clinical phase II trial for MOB-015 was initiated involving 237 patients.

2011
In May, the company was listed on the main list of NASDAQ OMX Nordic Exchange Stockholm.

The company published positive findings from a clinical trial for Nalox™. The trial included 75 patients with nail fungus and 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 the patients.

During the year, new distribution agreements were signed with Menarini (Italy), Alterna (USA) and OzHealth (Australia and New Zealand). In addition, the license agreement with Meda OTC was expanded to include a total of 22 countries including Germany, France, Spain, the UK, Russia, Poland, Turkey and the Nordic countries. Nalox™ retained its market leading position in the Nordic region, while the international launch commenced and the product was launched in the US and Australia.

2012
The company acquired Alterna LLC and thus established its own market presence in the U.S., while broadening its product portfolio with Kerasal® and JointFlex®. A private placement was implemented for Handelsbanken Fonder, the Third Swedish National Pension Fund and Rhenman & Partners Asset Management AB.

The successes for Nalox™/Emtrix®/Kerasal Nail™ continued. During the year, all remaining milestones in the agreement with Meda were achieved, as a result of successful launches in several European markets. In the U.S., distribution of Kerasal Nail™ increased from 1,300 to 3,500 Wal-Mart department stores and in Canada, Nalox™/Emtrix® was approved by the national regulatory authority, Health Canada.

Distribution agreements for Nalox™/Emtrix® were signed with Pharmaplan (Pty) Ltd. (South Africa), Ana Darou P.J.S (Iran) and Paladin Labs Inc. (Canada). Recruitment for a phase II trial with Limtop against actinic keratosis was implemented and a new phase II trial with an improved formulation of MOB-015 for the treatment of nail fungus commenced.

2013
The company decided to discontinue the development of Limtop, as the efficacy in a concluded phase II trial did not reach the preset targets.

GLOSSARY

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

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

ATOPIC DERMATITIS
A chronic, itchy inflammatory skin disease that has both a hereditary and an immunological basis.

DERMATOLOGY
The science of the skin and its diseases.

DRUG DELIVERY
The method or process of administering active compounds to achieve a therapeutic effect in humans or animals. Drug delivery technologies refer to patent-protected formulation technologies that modify drug release profile, absorption, distribution and elimination for the benefit of improving product efficacy and safety, as well as patient convenience and/or reduced side effects.

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

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

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

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

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

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

MYCOLOGY
The study of fungi.

DANDRUFF DERMATITIS (SEBORRHOEIC DERMATITIS)
Dandruff dermatitis is a common skin disease in which a yeast, Malassezia, is believed to be a contributing factor.

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

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

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

SEBORRHOEIC DERMATITIS
See dandruff dermatitis

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

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