IN RAPID GROWTH

Annual Report
2013
MOBERG PHARMA

CONTENTS

A DIFFERENT KIND OF PHARMACEUTICAL COMPANY

BUSINESS MODEL

Moberg Pharma commercializes internally developed, acquired and licensed pharmaceuticals and brands in the global market. The company has its own distribution and marketing operations in the U.S. and has an established network of distributors and partners in other regions of the world. Production is conducted through contract manufacturers.

ACHIEVEMENTS 2013

- Sales increase of 40 percent
- Kerasal Nail™ becomes the best-selling OTC product in the nail fungus category in the U.S.
- Distribution agreement with Menarini for Kerasal Nail in China
- Positive interim data after six months of treatment with MOB-015
- Expanded portfolio through development and launch of Kerasal NeuroCream™ and acquisition of Domeboro®, Vanquish® and Fergon®

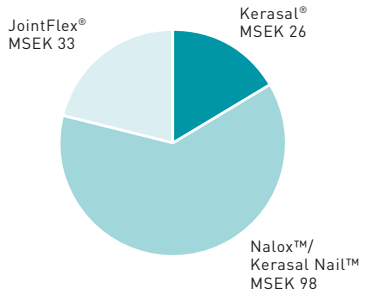
FOCUS AREAS 2014

- Continue to drive growth in our U.S. sales operations
- Support the continued successful launches of Moberg Pharma's distributors and expand to new geographical regions
- Complete the Phase II clinical trial on MOB-015 and initiate out-licensing process
- Active business development with a focus on adding OTC products in the U.S. and pipeline assets

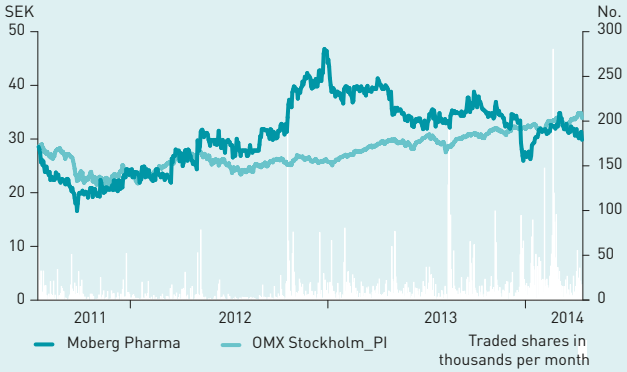
PRODUCT PORTFOLIO

PRODUCT	INDICATION	STATUS
Nalox™ **Kerasal Nail™**	Damaged nails, for example caused by nail fungus or psoriasis	Direct sales in the U.S. Launched by 10 partners in 25 markets
Kerasal®	Dry feet and cracked heels Foot pain	Direct sales in the U.S. Launched by 14 partners in 15 markets
JointFlex®	Arthritis and muscle pain	Direct sales in the U.S. Launched by 15 partners in 22 markets
Domeboro®	Itching and minor skin irritation	Direct sales in the U.S.
Vanquish®	Headache, menstrual pain, back and muscle pain and cold pain	Direct sales in the U.S.
Fergon®	Iron supplement	Direct sales in the U.S.

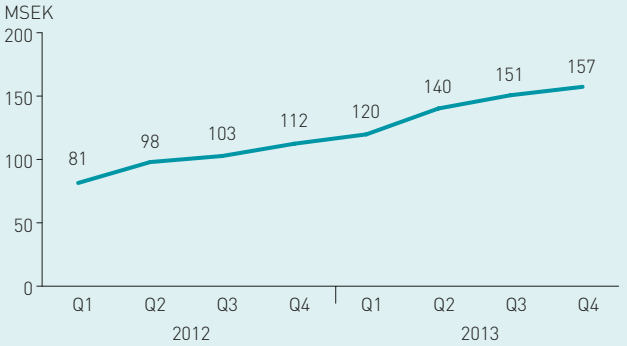
DISTRIBUTION OF PRODUCT SALES IN 2013



SHARE PRICE PERFORMANCE SINCE LISTING



SALES REVENUE, ROLLING 12 MONTHS



20 %

U.S. MARKET SHARE FOR KERASAL NAIL™. FOURTH QUARTER OF 2013

40 %

SALES INCREASE 2013

2013 IN FIGURES:

Revenue	MSEK 157.4 (112.5)
EBITDA	loss of MSEK 7.9 (profit: 13.3)
Net loss after tax	MSEK 11.4 (profit: 35.8)
Loss per share	SEK 1.01 (earnings: 3.68)
Earnings per share	SEK 3.68 (loss: 0.82)

LARGEST SHAREHOLDERS:

Shareholders	% of votes and capital
The Baltic Sea Foundation	19,1
Six Sis Ag, W8imy	13,9
Bure Equity Ab (Publ)	8,3
JPM Chase Na (Altaris Capital Partners)	6,9
Insurance company, Avanza Pension	5,3

FINANCIAL CALENDAR

Annual General Meeting	May 13, 2014
Interim report for January–March 2014	May 13, 2014
Interim report for January–June 2014	August 13, 2014
Interim report for January–September	November 14, 2014

SIGNIFICANT EVENTS DURING THE YEAR

MARCH
- Moberg Pharma discontinues clinical development program for Limtop.

APRIL
- 2013 Annual General Meeting. To reflect the Group's wider focus following the acquisition of Alterna LLC, the AGM resolved on a change of name from Moberg Derma to Moberg Pharma.

MAY
- License agreement with Paladin for Kerasal Nail™ expanded to Mexico.
- Patient enrollment completed in clinical study of MOB-015.

JULY
- Moberg Pharma issues a private placement to Bure Equity, which provides a contribution of approximately MSEK 36.
- Moberg Pharma and Menarini expand distribution agreement for Kerasal Nail™ to include China.

AUGUST
- The internally developed product, Kerasal NeuroCream™, is launched in Walmart and major drugstore chains in the U.S.

OCTOBER
- Distribution agreement signed with Leosons International for Kerasal Nail™ in the Middle East and North Africa. A launch is expected during 2014. Agreement encompasses 16 markets.

NOVEMBER
- Good start for Kerasal NeuroCream™ – leading drugstore chain Walgreens significantly increases distribution.

DECEMBER
- Moberg Pharma acquires three well-established, OTC brands in the U.S. from Bayer HealthCare. Annual sales for the products total approximately MSEK 20.
- Moberg Pharma reports positive interim results from the Phase II clinical trial for MOB-015. Results indicate that after six months of treatment with MOB-015, 40 percent of the patients were mycologically cured (free from nail fungus). No side effects related to the product were identified.

RAPID INCREASE IN U.S. SALES AND KERASAL NAIL™ NOW MARKET LEADING

Dear Shareholders,
2013 was an eventful year with notable successes, as well as some setbacks. Sales to our distributors were weaker than anticipated and, at the beginning of the year, we discontinued the Limtop project. At the same time, our U.S. operation developed successfully with organic growth of 31 percent. Kerasal Nail™ doubled its market share to nearly 20 percent and is now the market-leading product in its segment in the U.S. In 2013, we also continued to launch new products based on internal product development. The year closed positively, with the acquisition of a portfolio of OTC drugs for the U.S. market, and highly encouraging interim results for MOB-015, our main product under development.

MOBERG DERMA BECOMES MOBERG PHARMA

The change of name to Moberg Pharma was a natural step in the company's development. With the acquisition of our U.S. operation, our business was broadened to include products beyond the area of dermatology. The new company name reflects our strategy of focusing on additional areas beyond skin conditions. Our focus on developing pharmaceuticals based on proven compounds remains.

UNDERLYING POSITIVE GROWTH CONTINUES

Our product sales continued to show robust growth in 2013. After the successful launch of Nalox in the Nordic region during 2010–2011, expectations were high that Nalox would grow rapidly in the rest of Europe. Major orders were placed in 2012, which resulted in high inventory levels among our distributors, primarily Meda. Sales to end customers in 2013 did grow, but at a slower rate than anticipated, partly due to intensified competition. As a result, orders from our distributors were lower than the previous year. Nevertheless, the underlying sales to drugstores and consumers did trend positively in 2013. We continue to be the market leader

[1] Based on retail dollar sales of branded nail fungus products in the foot care section at MultiOutlet retailers as reported by SymponyIRI for 4 weeks ending December 29, 2013.

Peter Wolpert

in the Nordic region, with a market share of 40 percent and, grew our market share considerably in key markets such as France, the Netherlands, Italy and Austria.

In the U.S. - where we have our own sales and marketing operation - performance has been excellent in 2013. Sales for Kerasal Nail™ grew by 86 percent and reached a market share of 20 percent. We have broadened our distribution further, adding key retailers, such as Target and several regional chains. Kerasal Nail™ is now available at more than 30,000 retail outlets throughout the U.S. In 2013, Kerasal Nail™ became the market-leading product in its category in the U.S., including at major retailers such as Walgreens, CVS, Rite-Aid and Walmart. We foresee continued growth potential for the product in the U.S., with key drivers for growth being a strong brand, a good sales force and excellent marketing capabilities. In 2013, direct sales increased rapidly as a percentage of total sales, resulting in improved gross margin, from 72 percent to 77 percent.

In 2013, we worked intensively to provide support to our partners and distributors, particularly in connection with launches in new markets such as Canada, Spain and Turkey, which will contribute to the growth of our distribution sales in 2014. We also signed new distribution agreements in China, Mexico, the Middle East and Africa, and early in 2014, in Southeast Asia as well. Provided that the pattern is similar to previous launches, distributor sales will contribute to the company's growth in the years ahead.

> "Product sales have continued to show robust growth in 2013."

MOBERG PHARMA NORTH AMERICA

Our North American operation has performed excellently following our acquisition in November 2012 and immediately became the engine behind the company's robust growth. Through a well-functioning marketing organization, we sell our own brands in the world's largest pharmaceuticals market.

In 2013, 60 percent of total revenues were derived from sales in the U.S. market. Proprietary sales create new strategic opportunities. We are deepening our knowledge of end customer needs and have the capacity to launch additional proprietary brands. By doing so, we can retain a major portion of earnings and all of the brand equity, while we also control marketing stategy and spending.

We see the potential to generate considerable value by developing and marketing products under proprietary brands and by gaining leverage from the U.S. distribution platform. Consequently, we successfully launched the internally developed new product Kerasal NeuroCream™ in 2013 under our brand Kerasal®. We also acquired three well-established OTC drugs from Bayer Healthcare. All of the new additions will contribute to sales and earnings in 2014.

> "Our North American operation has performed excellently following our acquisition in November 2012."

BUSINESS DEVELOPMENT IN FOCUS DURING 2013

The innovation engine is the name of our process for creating and evaluating a continuous flow of new ideas and products – including external as well as internal opportunities. This engine was running at high speed during 2013, when we analyzed a large number of business opportunities, focusing on products for the U.S. market that could directly contribute to earnings. The acquisition of Alterna at the end of 2012 provided us with a strong distribution platform for OTC products in the U.S. market and our priority in 2013 was to achieve economies of scale in this platform through organic growth and by acquiring additional OTC brands. Consequently, it was satisfying to be able to close the acquisition of three OTC brands from Bayer in December. These will contribute positively to both sales and earnings in 2014. We intend to maintain a high level of activity in business development during 2014.

POSITIVE TREND IN OUR DEVELOPMENT PORTFOLIO

In addition to M&A and in-licensing, our internal development is an important source of new products for increasing the product portfolio. Our aim is to satisfy the needs of patients for new treatments in commercially attractive niche markets. We are particularly interested in brands and products that will not only capture market share, but that can develop a niche market through their unique advantages.

Our development project in clinical phase – MOB-015 (nail fungus) – meets these criteria and has the potential to change the treatment pattern within its field. Following initial setbacks to the project, it was a pleasure to announce positive interim data for MOB-015 in late 2013. After six months of treatment with MOB-015, 40 percent of the patients were mycologically cured (free from nail fungus). The data is highly encouraging and, if the end result follows the trend from the interim data, MOB-015 has the potential to become a considerably larger product than Kerasal Nail™. We expect final data from the study in the second half of 2014.

ESTABLISHMENT OF A DIFFERENT KIND OF PHARMA COMPANY

In spite of challenges in 2013, we succeeded in advancing the company's position on most fronts, with an increase in sales of 40 percent, closing of an attractive acquisition and excellent interim data for our lead clinical program.

"We are progressing towards our vision to build a different kind of pharma company"

Our current portfolio and the opportunities before us in terms of acquisition/in-licensing provide a strong base for moving the company toward our financial objective of achieving an EBITDA margin of at least 25 percent within three years, while maintaining healthy growth.

On my own behalf and on behalf of the Board of Directors and the shareholders, I would like to express my appreciation for the hard work and results accomplished by our team. Thanks to you, we have made additional progress towards our vision of building a different kind of pharma company. We will continue to strive to make a difference for patients, shareholders and employees through our unique combination of commitment, entrepreneurship and expertise in marketing and development.

PETER WOLPERT, CEO AND FOUNDER

HISTORY

2013
- The acquisition of the products Domeboro®, Vanquish® and Fergon® in the U.S. from Bayer HealthCare.
- In December, positive interim results were reported from the ongoing Phase II clinical trial for MOB-015. After six months of treatment with MOB-015, 40 percent of the patients were mycologically cured (free from fungus).
- Name changed to Moberg Pharma
- During the year, a distribution agreement was signed with Leosons International for the marketing of Kerasal Nail™ in the Middle East and North Africa. In addition, the distribution agreement with Menarini was expanded to include China and the distribution agreement with Paladin to include Mexico.

2012
- Moberg Derma establishes its own market presence in the U.S. through the acquisition of Alterna LLC.
- Broadening of the distribution network for Nalox™ through agreement with Paladin. The product is launched on 20 markets, with a strong sales trend.

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

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™.
- Clinical phase III trial for Nalox™ completed.

2008

2007
- Peter Wolpert and Marie Moberg establish Moberg Derma.

2006

MARKETING AND SALES

Moberg Pharma has a direct sales and marketing organization in the U.S. In other markets, the company's products are commercialized via distributors. The company focuses on niche markets, in which there often is less competition from global companies.

SMALL COMPANIES CAN MAKE A DIFFERENCE IN NICHE MARKETS

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

The situation is different in niche markets, such as the treatment of foot problems or skin conditions, where smaller companies such as Moberg Pharma are able to establish successful operations. The commercial potential for small companies is substantial, since the market is fragmented and specialized players, such as Moberg Pharma, can add value by offering globally attractive products. The route to success in these types of niches is to be able to develop or acquire products with unique characteristics that meet requirements of patients, using limited funds and without assuming excessive risk. Moberg Pharma has proven its ability to accomplish this through a structured and purposeful work method. This is described in greater detail in the "New products and business opportunities" section on page 18.

"Moberg Pharma establishes strong brands through the target-oriented marketing of unique products."

MARKET FOR DERMATOLOGICAL PHARMACEUTICALS

Diseases that attack the skin are common and affect many hundreds of millions of people.

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

Although the dermatological-drug segment corresponds to barely three percent of the total pharmaceutical market, sales of prescription and OTC products in 2011 totaled approximately 20 BUSD[1,2]. Prescription products are prescribed by general practitioners and dermatologists (skin specialists), while OTC products are purchased directly by end customers in pharmacies, in grocery stores and through dermatologists and podiatrists. The most common afflictions that require treatment are infections (primarily fungal infections), a field that yielded sales revenues of approximately 4 BUSD 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.[3]

Aging population and improved therapy are driving growth

The incidence of many skin conditions, including nail fungus, increases with age. The dermatological field is dominated in most of the indications by older, non-patented products and generic competition. Since few dermatological drugs have been launched in recent years, there is a considerable need for new pharmaceuticals and treatment methods. Future growth will be driven by

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

the areas where new patent-protected products will be the leading treatment alternatives. New products comprise both improved formulas and entirely new substances. The scope for new formulation technologies is increasing in pace with the continuously rising number of proven compounds losing their patent protection.

> "There is a considerable need for improved formulations of proven compounds for skin conditions."

TOPICAL TREATMENT OF PAIN

While joint and muscle pain are admittedly not skin diseases, the administration of analgesic compounds through the skin (topical treatment) can frequently achieve positive treatment results without the need to expose the entire body to pharmaceuticals. Through new technologies that improve the skin's absorption of analgesic substances, topical therapy can be further improved to provide faster alleviation and reduce the risk of systemic side effects. The over-the-counter (OTC) portion of this niche generated sales of approximately 475 MUSD in the U.S. during 2013.[1]

OTC GROWING EVER STRONGER

The emergence of the Internet and other media enables patients to be better informed and are thus willing to self-diagnose and independently choose treatments for simple discomforts.

This behavior 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.[2] Growth is expected to continue to be driven by additional switches of drugs from prescription to OTC, increased investments in strong brands and rising demand in emerging markets. Authorities are contributing to the growth in the self-care segment by steadily reducing reimbursement and encouraging the industry to provide OTC drugs for simpler complaints. Dermatology products represent one of the fastest growing categories, due, for example, to the increasing focus on a young and healthy appearance. Moberg Pharma's assessment is that the trend will continue and that more dermatological products will be sold without reimbursement. Through a proprietary distribution platform, Moberg Pharma is well positioned to cater to this trend in the world's largest market.

40 BUSD

U.S. MARKET FOR OTC DRUGS

[1] Retail Sales Food/Drug/Mass including Walmart 52 Weeks Ending December 29, 2013 as reported by IRI.

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

U.S. MARKET FOR OTC PRODUCTS

Sales of OTC pharmaceuticals in the U.S. in 2013 totaled some 42 BUSD, with an annual growth of about 5 percent . Leading product categories include nutritional supplements, cold medications and OTC drugs for various types of pain. Contrary to prescription drugs, OTC pharmaceuticals are sold directly to end consumers and primarily through drugstores and grocery stores. Branding and marketing are focused on selected customer categories and are thus highly important for driving sales. The market is not only driven by the demographic trend of an aging population, but also by a general increase in health consciousness and opportunities for self-medication. Additionally, the rise of social-media networks and direct marketing channels has enabled more efficient marketing. The greatest indication areas are dominated by leading consumer-goods players such as Procter & Gamble, J&J and Reckitt Benckiser. For niche indications, the market is considerably more fragmented. As distinct from the European market, with its large number of small pharmacies, the U.S. market for OTC pharmaceuticals is more consolidated with a handful of major drugstores. The three largest, Walgreens, CVS and Rite Aid, and the two largest mass retailers, Walmart and Target, control approximately 57 percent of sales of OTC drugs in the U.S. Adding major retailers such as Kroger, Publix, Safeway, Kmart and Ahold, the figure becomes nearly 70 percent. This means that by using an efficient distribution solution, even a small company such as Moberg Pharma with limited resources can successfully participate in this enormous market, which is described in detail on page 12.

[1] Source: Nielsen Scantrack Total US xAOC 52 weeks ending CY2012. Projected estimate for 2013 based on current growth rate.

Small and midsize companies dominate the dermatology market

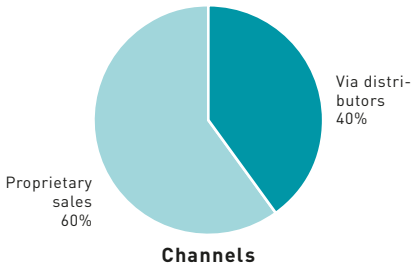
No major multinational pharmaceutical companies specialize entirely in dermatological diseases. Among the major multinational companies, Merck, Novartis and GSK/Stiefel Laboratories are active in the segment. A number of midsize pharmaceutical companies are also active in the area, such as Galderma, Leo, Almirall, Astellas, Bayer HealthCare (Intendis), Meda, Valeant and regional dermatology companies. The dermatology market and self-care offer favorable potential to generate value for a specialized player such as Moberg Pharma. The need for new, innovative products is considerable in a number of indication areas, both for prescription and OTC products. The current restructuring of the industry is also creating attractive business opportunities.

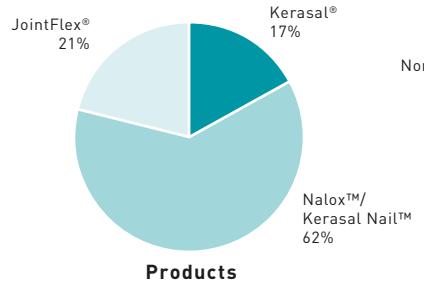
"The dermatology and OTC markets offer great potential to build values for a specialized player such as Moberg Pharma."

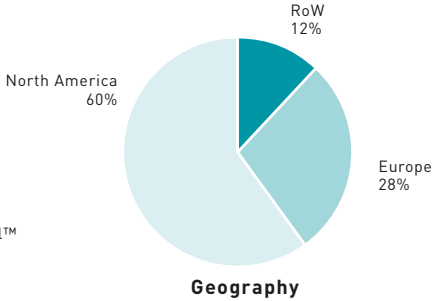
HOW WE REACH THE END CUSTOMER

Moberg Pharma's strategy is to limit risk and avoid large investments in infrastructure. Since the company commercializes its products globally, Moberg Pharma's approach differs from that of regional dermatology companies. By focusing on selected niches, combined with a clear strategy for using various channels to reach the company's end customers, Moberg Pharma, using limited resources, has been able to secure a market presence in major

REVENUE DISTRIBUTION IN PERCENT, 2013







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 Pharma's key partners are Meda AB and Menarini Group, which account for the marketing and sale of Nalox™ in most of Europe as well as Kerasal Nail™ in China and Southeast Asia.

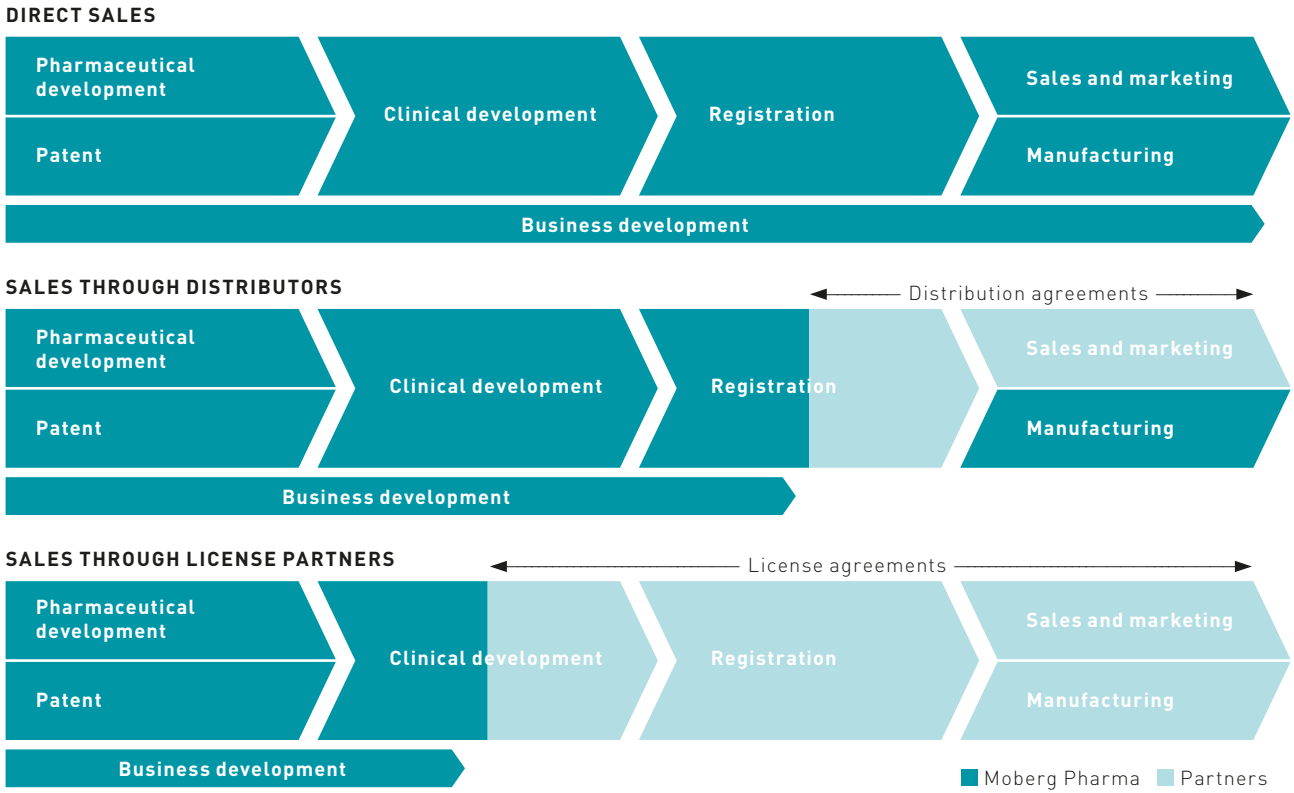
IN-HOUSE MARKETING AND SALES

Moberg Pharma has conducted direct sales and marketing in the U.S. since November 2012, when the company acquired its former market partner Alterna LLC.

Moberg Pharma North America LLC (formerly Alterna LLC), with its head office in Cedar Knolls, New Jersey, is an established supplier, which, through successful sales and marketing, has created credibility and good relationships with retailers and consumers in the U.S. A close dialogue is established with customers and 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, retail food chains, podiatrists and Internet retailers. 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 managed by Moberg's employees and by outsourced sales representatives who interface with major retail chains.

The retailer network in the U.S. includes drugstores/pharmacies, such as Rite Aid, Walgreens and CVS Pharmacy, major mass retail chains including Walmart and Kmart, wholesalers such as McKesson and Cardinal Health as well as retail food chains including Publix, Safeway, Ahold and Albertsons. The U.S. OTC market is consolidated with the ten largest retailers accounting for almost 70% of the total sales., which enables a smaller player to address the market with a focused organization. The growth in our U.S. sales has far exceeded the underlying market growth for OTC drugs in the U.S.



"Moberg Pharma North America is growing faster than the market"

DISTRIBUTOR AND PARTNER AGREEMENTS

In line with the company's cooperation model with distributors, Moberg Pharma is responsible for the manufacture and delivery of finished products, while the distributor is responsible for the sale and marketing spending. Moberg Pharma's marketing department supports the distributors by developing marketing concepts, sales strategies and marketing materials.

The distributors' marketing work is targeted at patients, pharmacies and physicians. Since Moberg Pharma's current products are OTC, consumer marketing via TV and other media is important. The mix of marketing programs differs between markets, depending on the degree to which patients personally make decisions – in some markets, consultation with physicians or pharmacy personnel plays a greater role than in other markets. 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 2013, Moberg Pharma had agreements with some 30 distributors for product sales covering more than 60 countries, with the most significant markets comprising the major countries in the EU, Russia, Turkey, China, Australia and the Middle East. The most significant agreement to date, with Meda, covers most of Europe. The agreement with Menarini, which commenced in Italy in 2012, was expanded to include China in 2013, and Southeast Asia in February 2014. Paladin Labs, Moberg's partner in Canada, Mexico and South Africa, has been acquired by Endo Health Solutions, a transaction that is expected to be completed in the first half of 2014. With Meda, Menarini and Endo, the company now has three of the world's 50 largest pharmaceutical companies as business partners for the sale of Kerasal Nail™.

License agreements

Moberg Pharma has a different approach to managing risk compared with companies that pursue typical pharmaceutical development. By basing the company's product development on proven compounds, targeting 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 Pharma'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 Moberg Pharma.

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

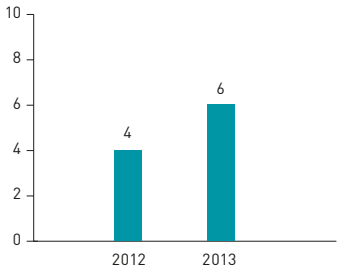
The route from Moberg Pharma's development team in Bromma, Sweden, to an individual consumer somewhere on the U.S. continent may appear long. For a small company like Moberg Pharma it is, of course, also a challenge to ensure full distribution and effective marketing of products in the largest OTC market in the world. The company manages this task through a proprietary marketing team in the U.S. that works with an extended network of partners. Partnering with external manufacturers, logistics experts, wholesalers and specialized sales organizations allows Moberg Pharma North America to focus its internal work on brand management and execution of marketing strategies and plans.

"We are pleased with the tremendous growth we achieved this year with our Kerasal® brand. Over the past 52 weeks ending December 29, 2013, retail sales of our products sold under the Kerasal® brand grew at an aggregate 67%," says Steve Cagle, CEO of Moberg Pharma North America LLC. "With an 86% growth rate, Kerasal Nail™ drove the overall increase in sales of the brand and reached a market leading position with 20% market share by the end of the year. The launch of our new Kerasal NeuroCream™ Foot Pain Reliever was also a significant growth driver, and provided entry into a new segment of foot care.

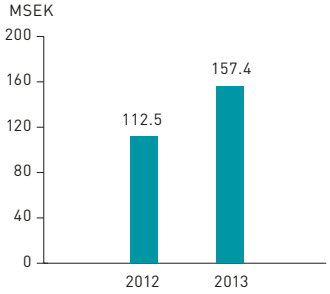
"Kerasal Nail™ is distributed through 30,000 points of sale, including the largest chains, Walmart, CVS, Walgreens, Target and Rite Aid."

Steve Cagle

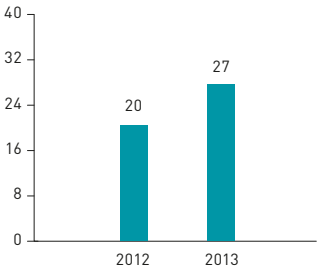
NUMBER OF PRODUCTS ON THE MARKET



REVENUE



NUMBER OF MARKETS IN WHICH NALOX™ HAS BEEN LAUNCHED



"Moberg continued to add new distribution for its products in 2013. We added Target, the fifth largest OTC retailer in the U.S., to the list of retailers carrying Kerasal Nail, along with numerous regional food and drug retailers. Walmart, Walgreens, CVS, and Rite Aid added our Kerasal NeuroCream™ foot pain reliever to their foot care category in late 2013. We take this as a clear sign from our customers that they are pleased with our performance, and interested in new innovation."

"Moberg has demonstrated to its retail customers that it can successfully market niche OTC brands. Moberg consistently supports its brands with effective consumer and trade marketing, and as a result has built strong loyalty among consumers. According to shopper purchase data from two of our larger drug chain customers, Kerasal®, Kerasal Nail™, and JointFlex® have the highest loyalty ratings, repeat purchases, and market basket dollar values compared to their competitors. Moberg's brands are valuable to retailers because they offer high margins and keep customers coming back into the store."

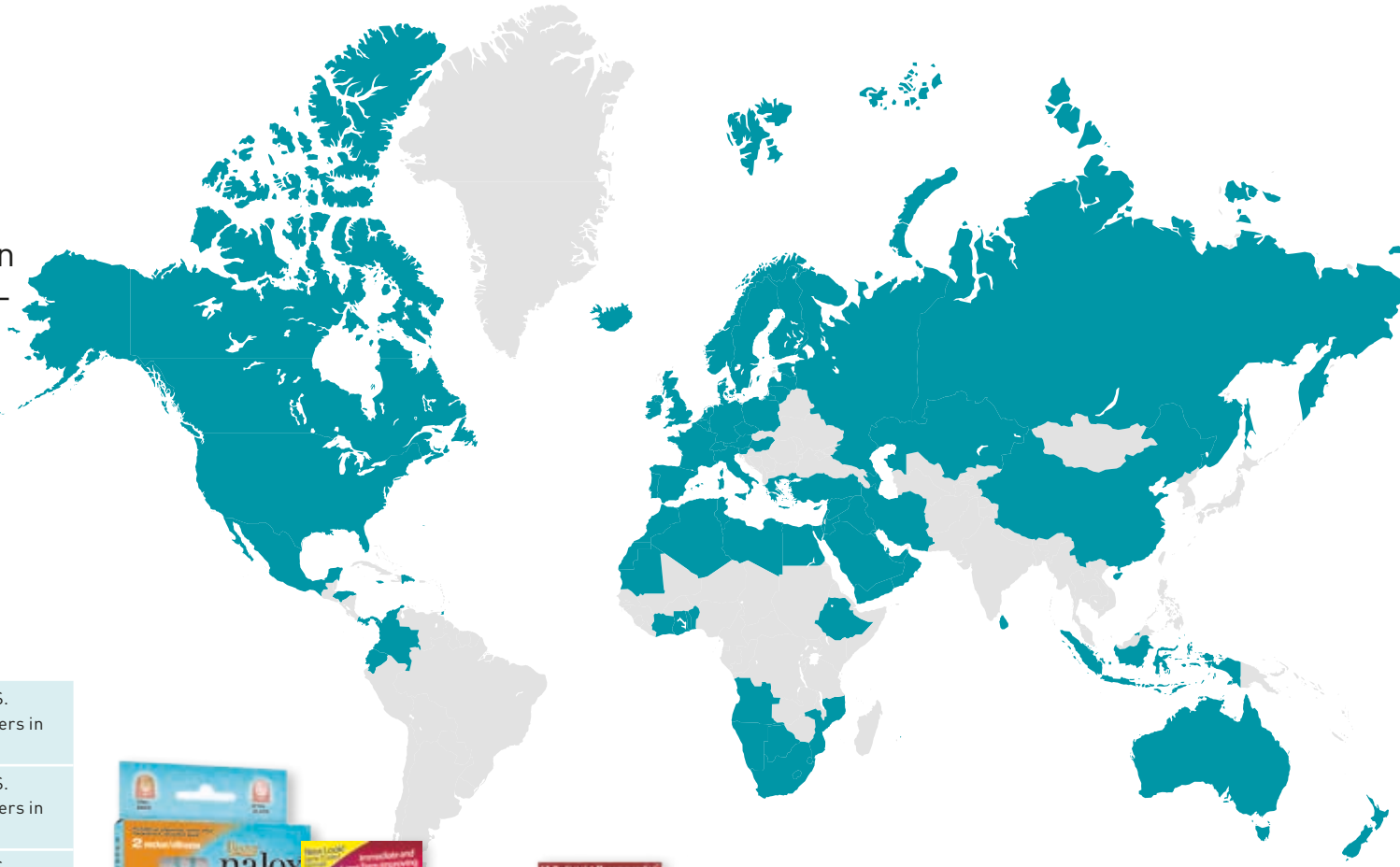
"Our operations in the U.S. provide us with a strong platform to make acquisitions and launch new products. The recent acquisition of the Domeboro®, Vanquish®, and Fergon® from Bayer Healthcare, gives us an entry into the topical first aid category at major retailers and also increases the breadth of our analgesic offering."

"Kerasal Nail™ is currently the market-leading product in its niche market segment in US drugstores and Walmart"

PRODUCTS LAUNCHED

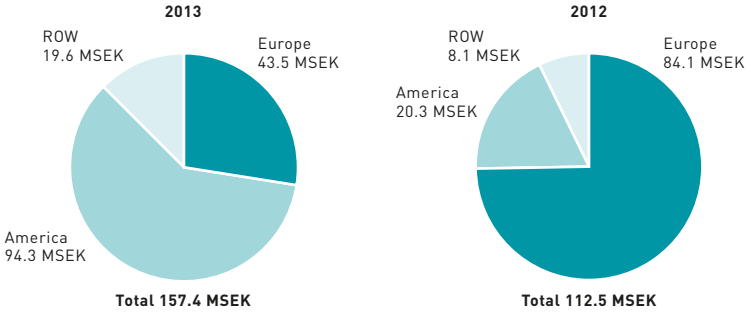
During the year, Kerasal Nail™ (Nalox™ / Emtrix®) was launched in an additional seven markets and the product is now available in 27 countries. The company's product sales rose 84 percent compared with the preceding year. At the end of 2013, three well-established brands in the U.S. market were acquired – Domeboro®, Vanquish® and Fergon®.

PRODUCT	INDICATION	STATUS
Nalox™ Kerasal Nail™	Damaged nails, for example caused by nail fungus or psoriasis	Direct sales in the U.S. Launched by 10 partners in 25 markets
Kerasal®	Dry feet and cracked heels Foot pain	Direct sales in the U.S. Launched by 14 partners in 15 markets
JointFlex®	Arthritis and muscle pain	Direct sales in the U.S. Launched by 15 partners in 22 markets
Domeboro®	Itching and irritated skin	Direct sales in the U.S.
Vanquish®	Headache, menstrual pain, back and muscle pain and cold pain	Direct sales in the U.S.
Fergon®	Iron supplement	Direct sales in the U.S.



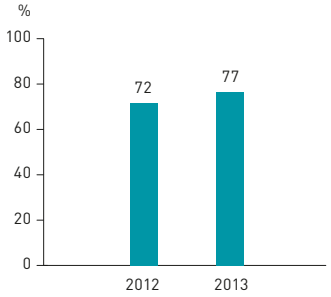
Moberg Pharma have distribution agreements in place for more than 60 countries.

NET SALES BY GEOGRAPHICAL MARKETS (MSEK)



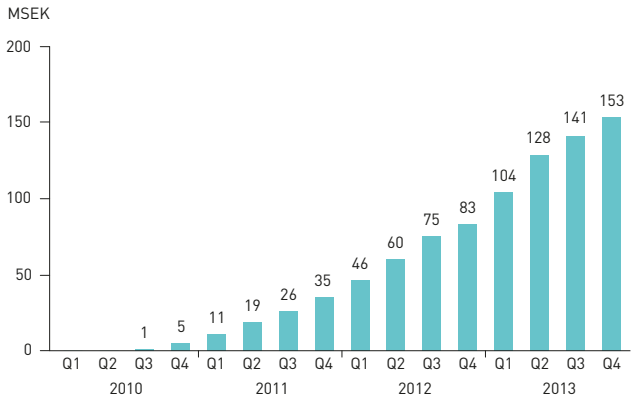
GROSS MARGIN ON PRODUCT SALES %

excluding acquisition-related costs and non-recurring items



15 CONSECUTIVE QUARTERS OF SALES GROWTH

Product sales - Rolling twelve months



Product sales rose 84 percent compared the preceding year. Net sales of Kerasal Nail™/Nalox™ accounted for 62 percent of the company's total revenue. The company's product portfolio increased to six products during the year. Since the products, Domeboro®, Vanquish® and Fergon® were acquired at the end of December 2013, only a minor portion of their sales were recognized in the year's accounts. More than 90 percent of the company's revenues derived from markets outside the Nordic region. The gross margin on product sales rose from 72 to 77 percent.

Product sales developed well, with average growth of 18 percent per quarter since 2011 (see diagram). Nalox™ is sold to consumers through pharmacies, convenience goods stores and retail outlets.

18 %

AVERAGE GROWTH IN PRODUCT SALES PER QUARTER

KERASAL NAIL™ (NALOX™ IN SWEDEN) – A NEW APPROACH TO TREATING NAIL DISEASES

Kerasal Nail™ is used in the treatment of discolored and damaged nails caused primarily by nail fungus. The product is marketed in the U.S. by Moberg Pharma's U.S. subsidiary. In other markets, the product is sold under the names, Nalox™, Naloc™, Emtrix® and Cremolan®. For sales beyond the U.S, Moberg Pharma had agreements at year-end 2013 with ten distributors covering more than 60 markets with a total population of 3 billion people, for which the most significant markets are the major countries in the EU, Russia, Turkey, China, Australia and the Middle East. The product has not yet been launched in Russia and China. The most important cooperation to date, with Meda, covers most of Europe.

In 2012, Menarini conducted a launch in Italy and in 2013 Paladin Labs launched the product in Canada. Paladin has been acquired by Endo Health Solutions. Along with Meda, Menarini and Endo, the company now has three of the world's 50 largest pharmaceutical companies as business partners for the sale of Kerasal Nail™. The partnership with Menarini was expanded in 2013 to include China. The Chinese market for OTC drugs is growing rapidly and presents significant long-term growth opportunities. Preparatory work has commenced for market approval in China. In 2013, the product was launched in countries such as Canada, Turkey and Spain, and is currently sold in a total of 27 countries. Partners in additional markets are preparing international launches.

Product sales of Nalox™/Kerasal Nail™ in 2013 totaled 93 MSEK, growth of 19 percent.

INDICATION AND PATIENT REQUIREMENTS

Nail fungus is the most common cause of damaged nails. The condition is difficult to treat and the treatment duration is usually long, since it takes time for a healthy nail to grow out. Existing treatment alternatives for nail fungus comprise various anti-fungal compounds. Tablet treatment is efficacious but entails safety 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. Kerasal Nail™ meets the need for a new simple and effective topical treatment with a favorable safety profile.

PRODUCT PROPERTIES AND CLINICAL RESULTS

Kerasal Nail™ is based on proven compounds which, in a patented combination, displayed strengthened keratolytic, emollient and fungus and bacteria-inhibiting properties. The product is a solution that is applied to the damaged nail once daily. Changing the nail's micro-environment and strengthening the nail surface counteracts attacks from fungus and bacteria. These properties have proven to be highly significant in attaining clinical efficacy. Kerasal Nail™ provides visible improvements within 2–4 weeks. A total of five clinical trials using Kerasal Nail™ and similar formulations have been conducted on more than 600 patients for whom the effects and safety have been confirmed. Since 2010, Kerasal Nail™/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 market for nail fungus is estimated to exceed 1.4 BUSD.[7] Nail fungus is infectious and affects about 10 percent of the adult population in the Western world.[8] Among the over-50s, the prevalence is estimated to exceed 25 percent.[9]

>25%

OF PEOPLE OVER THE AGE OF 50 YEARS HAVE NAIL FUNGUS

[7] Arthur D. Little, Product potential assessment 2010, sales figures are translated from local currency using exchange rates on September 30, 2010: EUR/USD 1.31
[8] Treatment of dermatomycosis. Information from the Medical Products Agency 6:2004, 2004
[9] Gupta et al, International Journal of Dermatology, October 1997

KERASAL® – EFFECTIVE TREATMENT OF FOOT DISORDERS

Kerasal® is a podiatrist recommended product line for the effective treatment of common and difficult-to-treat foot problems.

The Kerasal® line of products include Kerasal® Exfoliating Foot Moisturizer for softening cracked heels and dry feet, Kerasal Nail™ (described above) and Kerasal NeuroCream™ for relieving stabbing, burning, tingling foot pain.

Kerasal® Exfoliating Foot Moisturizer is an effective ointment previously only sold through podiatrists, but today the product is currently sold in pharmacies, grocery stores and mass retail outlets throughout the U.S. The product line also includes professional products for resale only 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, who originally developed the product. In addition to direct sales sales in the U.S., Kerasal® is sold by 14 distributors in 15 markets. Sales of Kerasal® in 2013 totaled 26 MSEK (not including Kerasal Nail™).

Product properties and clinical results

Kerasal® Exfoliation Moisturizer Foot ointment contains salicylic acid, an effective agent in softening the skin's stratum corneum (outermost layer of the epidermis), and urea (carbamide), for moisture the skin and assisting in retaining the moistness in new cell layers. The manufacturing process is patented. Several clinical trials have been published confirming the efficacy of Kerasal® for the treatment of extremely dry, rough and cracked skin on the feet.

Approximately 30 million Americans experience frequent foot pain and many simultaneously suffer from cold feet and dry skin. Painful, cold, dry feet may be associated with various conditions, including diabetes, fibromyalgia, shingles, arthritis, joint pain, muscle strain, or trauma. Kerasal NeuroCream™ is a triple action formula that relieves stabbing, burning, tingling foot pain, warms cold feet, and soothes and moisturizes dry skin. Kerasal NeuroCream™ is easily applied with a "no mess" foam applicator. The active ingredients of Kerasal NeuroCream™, capsaicin and camphor, have a well-established use as topical pain relievers, are naturally occurring and derived from plants. Moberg Pharma has utilized its Fusome® skin delivery system, currently used in Moberg's JointFlex® Pain Relieving Cream, to formulate Kerasal NeuroCream™, enabling a rapid delivery of effective pain relievers to the pain source.

JOINTFLEX® – EFFECTIVE TOPICAL TREATMENT OF PAIN

JointFlex® is a topical treatment against joint and muscle pain that offers lasting, 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 since 2012. The product line is sold in drugstores, grocery stores and mass retail outlets throughout the U.S. The products are sold by Moberg Pharma's subsidiary in the U.S. and by 15 distributors in 22 markets. During 2013, sales of JointFlex® totaled 33 MSEK.

Product properties and clinical results

The products contain the analgesic substance camphor, as well as glucosamine and chondroitin sulfate. The FUSOME™ technology improves the skin's absorption of the beneficial ingredients. JointFlex® has been evaluated in a placebo-controlled clinical trial of knee-joint degradation (arthrosis) that showed that patients experienced significant and prompt pain relief. The trial also showed that the majority of users of JointFlex® gained improving pain relief over the course of the study.

DOMEBORO®

Domeboro® is a topical drug for the treatment of itching and minor skin irritations, such as those caused by contact with poison ivy, oak, and sumac, insect bites or reaction from detergents or cosmetics. The product has a drying and astringent effect (contributes to the contraction of blood vessels in the skin), which reduces inflammation. The product has been on the market for over 50 years and has wide distribution at drugstore chains. Moberg Pharma acquired Domeboro® from Bayer HealthCare in December 2013 and the product will be marketed in the U.S. through Moberg Pharma North America.

VANQUISH®

Vanquish® is an analgesic tablet for the treatment of headaches, menstrual pains, back and muscle aches and cold pains. Vanquish® contains the active ingredients paracetamol (called acetaminophen in the U.S.), acacetylsalicylic acid and caffeine. The product was launched in 1964 and has distribution in Walgreens and Walmart, as well as several smaller retail chains. Vanquish® was included in the product portfolio that Moberg Pharma acquired from Bayer HealthCare in December 2013.

FERGON®

Fergon® is an iron supplement that is marketed primarily for women. The product is sold mainly via Rite Aid and through wholesalers to independent pharmacies and retailers. Fergon® was included in the product portfolio that Moberg Pharma acquired from Bayer HealthCare in December 2013.

NEW PRODUCTS AND BUSINESS OPPORTUNITIES

We are striving to expand the portfolio to include products with unique properties that meet the needs of consumers – through internal development or acquisitions and in-licensing. To date, the company has focused on treating skin diseases, but is also evaluating other interesting niche markets.

>100

BUSINESS DEVELOPMENT OPPORTUNITIES HAVE BEEN EVALUATED IN 2013

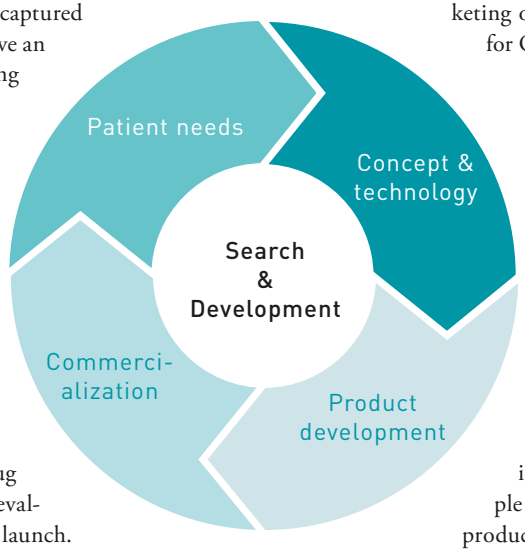
INNOVATION ENGINE

The "Innovation Engine" is Moberg Pharma's structured process for business development. The hub in the Innovation Engine is Moberg Pharma's continuous search of new business opportunities, combined with the company's expertise in marketing and product development.

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

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 channeled through someone in the company's international network, such as scientific advisors, business partners or distributors. In other cases, the company may have independently captured the signals through its contact with consumers. Naturally, it may also involve an idea from one of the employees in research and development, the marketing departments, or from a Board member. Before Moberg Pharma invests in a new project concept, it conducts an in-depth study of the relevant market niche in an effort to assess the commercial viability. Moberg Pharma 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.



Concepts and technologies – How can Moberg Pharma satisfy customer requirements?

Moberg Pharma 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 addition to internal technologies, external technologies are also evaluated, as well as projects that have already made some progress towards a launch. The company also searches through its network for already-marketed products that can be increased in commercial value through repositioning or geographical expansion. This may be implemented through in-licensing or by acquisitions.

Commercialization – What is the best route to the end customer?

Since Moberg Pharma has the option to commercialize its products through direct sales, distributors or business partners, the company can select the most favorable route to the market for each individual product to maximize the risk-adjusted return on investment. Through our sales and marketing operation in the U.S., we have excellent access to the world's largest market for OTC drugs.

Product development – How to minimize the risk and time to market

Moberg Pharma's strategy differs from that of many other pharmaceutical companies, since it 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 compounds whose effects on people are already known, and through advanced drug delivery to improve the product's properties in respect of efficacy, safety profile and convenience. For these types of projects, it is frequently possible to shorten the development period and relatively rapidly commence a phase II trial to evaluate the product in a limited number of patients, thus reducing the time to market and costs. Moberg Pharma works with products that can be registered as pharmaceuticals, medical device products or cosmetics.

One approach for reducing the commercial risk is to acquire established brands that are non-core to their current owners, revitalize marketing for the brand and then launch internally developed or in-licensed products under this brand. There are many fine brands in the portfolios of the major pharmaceutical companies that would be of interest to acquire. We evaluated a number of these in 2013, which resulted in the acquisition of three OTC brands from Bayer HealthCare. This strategy has to date been applied on OTC drugs, but is equally relevant for prescription drugs.

Externally focused work increases the number of business opportunities

When it comes to the generation and commercialization of new products, Moberg Pharma evaluates internal as well as external opportunities. Commercial potential, resource requirements and risk profile are key criteria in making the selection. Some ideas for new products are generated internally – frequently based on the company's skills in dermatology and drug delivery – but the company also proactively searches for external opportunities beyond the company's own walls. 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. Moberg Pharma intensified this work in 2013, when Peter Östling assumed responsibility for business development. He has extensive experience in the finance industry, where he has monitored the global pharmaceutical market in various capacities.

"Our broad international network is a key asset in the search for business opportunities. The change of name means that we are also looking for and being approached about business opportunities beyond the field of skin conditions. There is absolutely no doubt that our success with Kerasal Nail™ has established Moberg Pharma as an interesting business partner," comments Peter Östling. "With the establishment of a direct distribution platform in the U.S. for OTC drugs, our search has been expanded to include established products in this area for the U.S market. We are evaluating companies with single product or smaller portfolios of products, as well as the tail of the portfolios of the largest pharmaceutical companies. One example of such a portfolio is the acquisition from Bayer HealthCare that we completed in 2013," Östling continued.

More than a hundred products, technologies and projects were evaluated in 2013, and only a handful of them have proceeded to a decision by the Board of Directors. "Diligence is required in this work. We evaluate many aspects and issues before getting a clear picture of the merits and the risks of a new business case," Östling concluded.

Finding the right partners

To avoid substantial investment in infrastructure and to commercialize the company's product as soon as possible, Moberg Pharma 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 of time, Moberg Pharma 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.

For the past six years, Martin Ingman has been VP of Sales and Marketing at Moberg Pharma. 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 founded, we have purposefully worked to build up a broad international network. We interact daily with a large number of life science companies of various sizes worldwide in our search for suitable business opportunities for our products," Martin Ingman explains.


Martin Ingman

OUR APPROACH TO PRODUCT DEVELOPMENT

Moberg Pharma 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 Pharma 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.

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

Kjell Rensfeldt explains how Moberg Pharma 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 treatments that more readily affect many body organs. We also proceed on the basis of using proven compounds. This means that we can reduce the development effort by making certain trials less extensive or going directly to clinical phase II with the support of previous documentation." Many small and midsize companies in the U.S. that sell OTC pharmaceuticals are primarily marketing organizations. Moberg Pharma complements the commercial dimension with a development department that offers the possibility of generating new products and line extensions that offer improved outcomes for patients/customers.

Patient needs and concept

The foundation for Moberg Pharma's product development is in-depth insight into unmet medical needs among patients. Examples of such needs may be the existing preparations having insufficient efficacy or significant safety issues, but also inconvenient treatment applications or a long treatment period. With the focus on patient needs, a concept is developed to achive 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 focus 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 Pharma's strategy is to actively search for new concepts and technologies from external researchers that complement the ideas generated internally – for Moberg Pharma, 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 Pharma, this involves 'search and develop' instead of 'research and develop.'"

Kjell Rensfeldt

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. Torbjörn Wärnheim is responsible for pharmaceutical development at Moberg Pharma. He brings many years of experience from the bio-pharmaceutical industry, in such companies as Fresenius Kabi, ACO Hud Nordic and Pharmacia & Upjohn Nutrition.

"The development work is controlled by the target profile established by the project's steering group. Subsequently, various innovative formulations are prepared and 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," Wärnheim explains. "We are a company with short decision-making processes and we have a fast and efficient work method to advance projects. In parallel with preclinical development work, and in close cooperation with external intellectual property experts, the company's patent strategy is refined. When a final product candidates have been defined, additional patent applications can be submitted in certain cases. During 2013, we achieved a number of significant innovations and worked intensively to supplement the company's patent portfolio, which amounts to seven patent families," notes Wärnheim.

Clinical development
Clinical development is aimed at generating documentation that demonstrates a product candidate's efficacy and safety for the patient. In the case of proven 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 designing our clinical strategy for the development project in close cooperation with medical specialists in each medical indication 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, a 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 Pharma cooperates with several scientific advisors, including 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 Dermatology Center in Hagastaden; and Professor Bernt Lindelöf, Senior Physician at the Dermatology Clinic at the Karolinska University Hospital.

THE ROAD TO REGISTRATION

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

Drug development based on new compounds

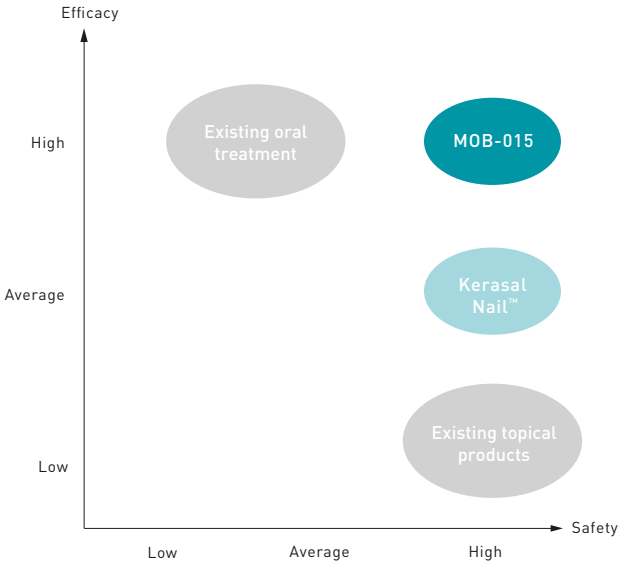
[1] The Swedish Life Science Organization. Costs include failed projects

NEW PRODUCTS AND BUSINESS OPPORTUNITIES

ONGOING PROJECTS

The company is conducting development programs to internally develop new products. MOB-015 for the treatment of nail fungus, is currently in a phase II clinical trial.

TARGET PROFILE FOR MOB-015 COMPARED WITH COMPETITORS



MOB-015 – potential future market leader in nail fungus

Invention and project

The aim of MOB-015 is to create the first topical product that can provide similar or superior efficacy in the treatment of nail fungus, compared to oral treatment, but without the risk of serious side effects. The drug is applied in the form of a solution onto the nail. The company's patent-pending formulation permits high concentrations of the anti-fungal agent terbinafine to be transported into and through the nail. MOB-015 also uses the technology from Kerasal Nail™ to remove dead cells from the nail's outer layer (keratolysis) and soften the nail, which, in combination with high concentrations of terbinafine, offers the potential for substantially superior efficacy than competing products. Moberg Pharma 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 achieved concentrations of terbinafine in nails up to a thousand times higher than that achieved in oral treatment.

In December 2012, a new phase II trial commenced using an improved formulation that increases the possibility of the anti-fungal substance penetrating the nail. In May 2013, it was announced that patient enrollment for the clinical trial was completed and would comprise 25 patients. In December 2013, we were subsequently able to present positive interim results from the clinical trial. After six months of treatment with MOB-015, 40 percent of the patients were mycologically cured (free from nail fungus). No side effects related to the product were identified. Final results are expected to be announced during the latter half of 2014 and, if they follow the trend from the interim data, MOB-015 has the potential to become a leading alternative for the treatment of nail fungus.

ORGANIZATION AND EMPLOYEES

Moberg Pharma has 29 employees, of which 22 are employed in Sweden. Amid continuing growth, Moberg Pharma's aim is to maintain the advantages of a small company with a flat organization and short decision-making processes.

Moberg Pharma'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 project teams 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.

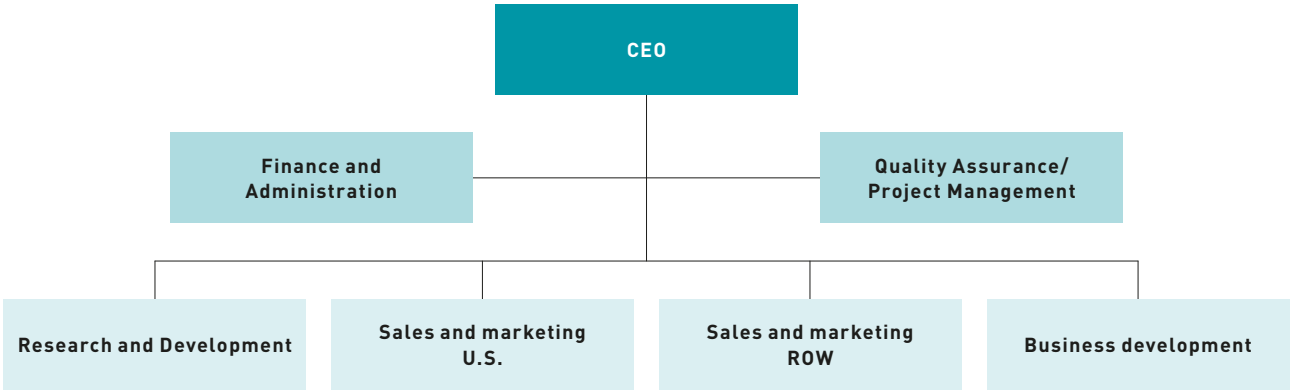
Moberg Pharma conducts its own marketing and distribution operations in the U.S. For other markets, Moberg uses partners and distributors to ensure effective commercialization of the company's products globally. The company's international market department focuses on providing support to existing and new distributors.

EMPLOYEES

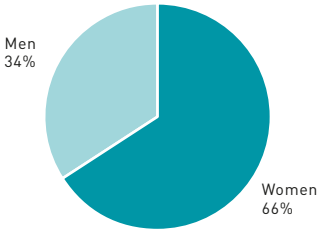
Individuals with a range of specialist expertise and extensive experience from the pharmaceutical industry work together at Moberg Pharma. Management focuses on creating and maintaining an innovative and high-performing corporate culture. To ensure its cutting-edge competency and access to expertise, Moberg Pharma has entered into an active exchange of knowledge with an international network of specialists, primarily in dermatological and drug development. The company has highly qualified employees, as described in greater detail in the diagram on the next page.

ORGANIZATION AND EMPLOYEES

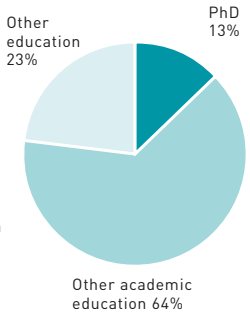
Moberg Pharma's employees are united behind a set of values important in achieving the company's goals. These core values include strategic focus, drive and individual commitment. The company's management and Board have established corporate objectives, based on which executives in each department are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



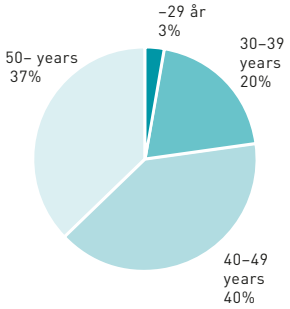
GENDER BREAKDOWN*



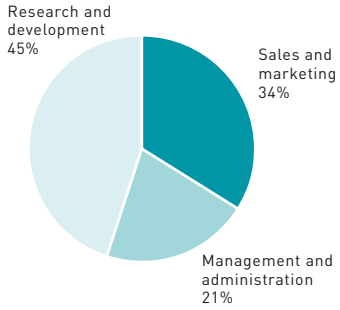
EDUCATION LEVEL*



AGE STRUCTURE*



BREAKDOWN BY FUNCTION*



*Based on 29 employees

Working at a different kind of pharmaceutical company

Ingela Berglund has worked since 2010 as International Marketing Manager at Moberg Pharma. She feels the company's business model offers 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," Berglund explains. She has experience of having previously worked both in small biotech companies and in substantially larger pharmaceutical companies and feels that Moberg Pharma's size is an advantage: "As a company with fast decision-making processes and competent employees, we have been able to link up with leading pharmaceutical companies." Berglund 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."

"As a company with fast decision-making processes and competent employees, we have been able to link up with leading pharmaceutical companies."

Health and work environment

As part of efforts to recruit and retain employees, Moberg Pharma endeavors 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 Pharma'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.

Ingela Berglund

SUSTAINABLE DEVELOPMENT

As a pharmaceutical company, Moberg Pharma 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.

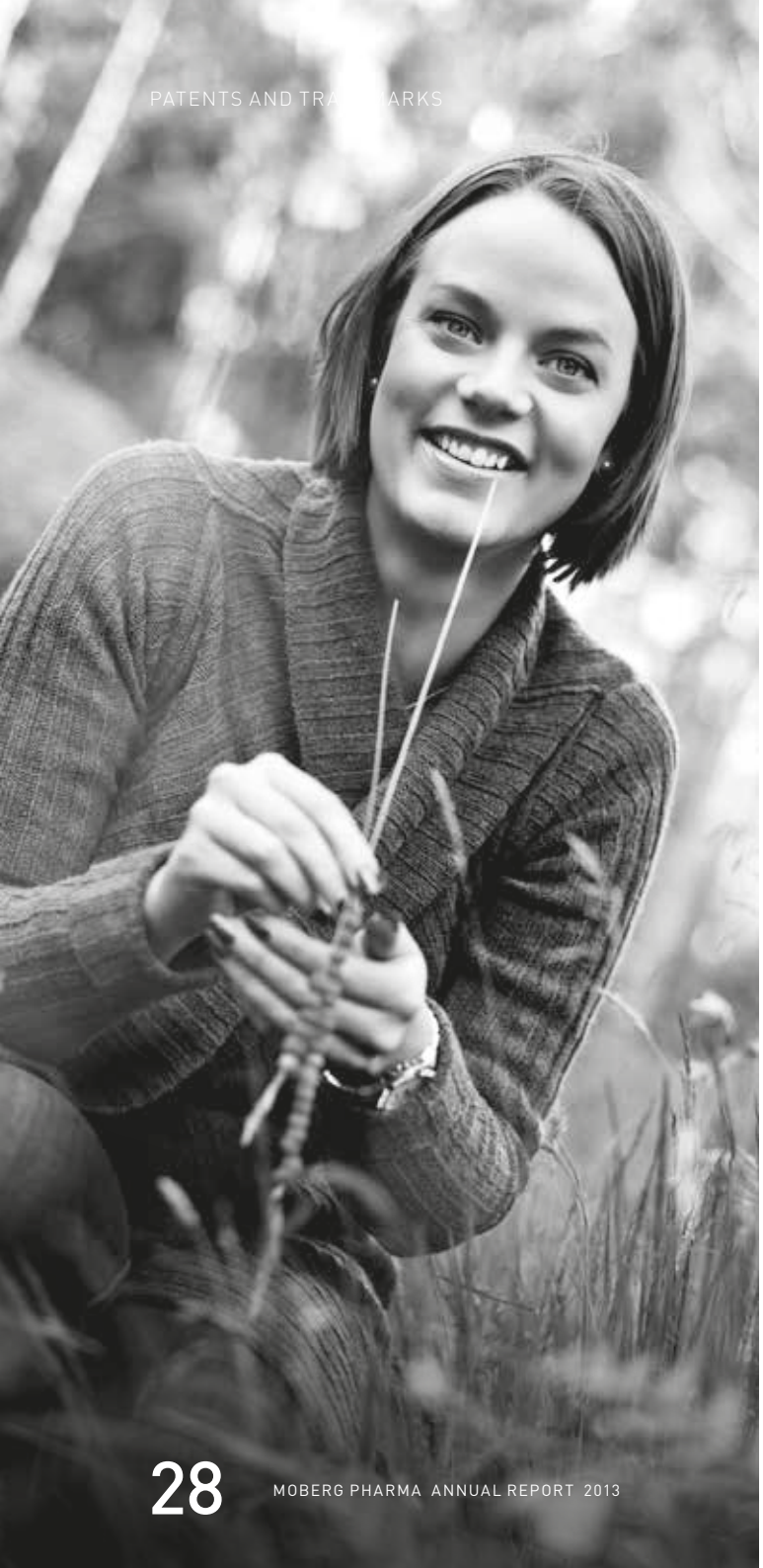
Quality control and environmental impact

Moberg Pharma 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. Moberg Pharma's operations are conducted with the least possible environmental impact on the basis of the company's financial and technical resources. Moberg Pharma 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 Pharma does not conduct proprietary manufacturing and the company's direct environmental impact is deemed low. Like most other companies, however, Moberg Pharma'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 Pharma products as well as in conjunction with outsourced research activities.

Ethical conduct of clinical trials

Since Moberg Pharma'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 Pharma and the partners and be approved by Moberg Pharma. 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 Pharma's clinical trials are always conducted according to standard practice and that legislation and regulations are observed.



PATENTS AND TRADEMARKS

Moberg Pharma 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 Pharma'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 Pharma is the holder of a number of trademarks, of which Emtrix®, Kerasal®, Kerasal Nail™, Kerasal NeuroCream™, JointFlex®, Kaprolac®, Domeboro®, Vanquish® and Fergon® are currently used and related domain names. The company's partners are holders of the trademarks Nalox™/Naloc® in the Nordic region and Cremolan® in Switzerland to which Moberg Pharma has no ownership rights.

Patents

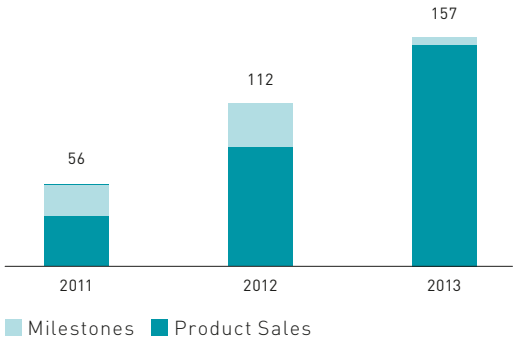
Moberg Pharma's patent rights cover seven patent families that include a total of 15 approved national patents in Europe, the U.S. and Canada. In addition, the company owns a number of international and national patent applications. Patent work is led by the company's patent manager, who implements the company's patent strategy in close cooperation with international patent agencies. The patentability of new products is important, but not critical for Moberg Pharma's operations, since branding and unique product expertise on aspects such as manufacturing processes provide alternative protection for the company's innovations. 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 (independence of patents held by others).


Anna Ljung, CFO

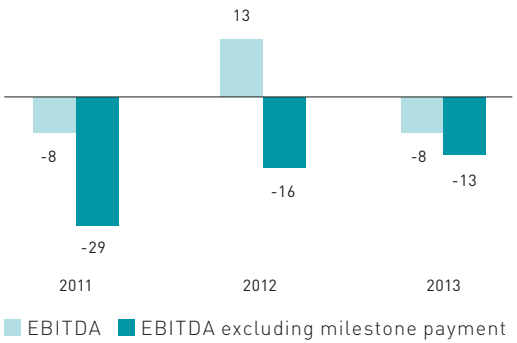
FINANCIAL INFORMATION

”Moberg Pharma has shown strong growth and we are heading towards our long-term objective – to achieve an EBITDA margin of at least 25 percent within a three-year period under continued healthy growth”

NET SALES, MSEK



EBITDA, MSEK



DIRECTORS´ REPORT

The Board of Directors and Chief Executive Officer of Moberg Pharma AB (publ), Corp. Reg. No. 556697-7426, hereby present the Annual Report and the Consolidated Financial Statements for the January 1, 2013 to December 31, 2013 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 – Profit/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 2009-2013

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

FROM THE STATEMENT OF COMPREHENSIVE INCOME (KSEK)	**2013**	**2012**	**2011**	**2010**	**2009**
Revenue	157,389	112,469	55,943	8,512	1,616
Gross profit	117,422	87,592	39,313	5,663	1,616
Operating profit/loss	–14,055	12,594	–7,598	–30,119	–24,276
Net profit/loss for the year	–11,358	35,813	–6,384	–31,031	–24,235
Comprehensive income/loss	*–12,078*	*32,984*	*–6,384*	*–31,031*	*–24,235*
FROM THE STATEMENT OF FINANCIAL POSITION (KSEK)	**2013**	**2012**	**2011**	**2010**	**2009**
Non-current assets	212,390	179,507	755	683	669
Inventories	6,968	9,739	1,239	244	0
Current receivables	25,113	38,093	16,407	8,694	1,550
Cash and bank balances	27,138	53,423	74,052	2,761	33,078
Total assets	*271,609*	*280,762*	*92,453*	*12,383*	*35,297*
Equity	201,494	178,234	76,787	688	30,209
Long-term liabilities	18,527	42,270	0	150	303
Current receivables	51,588	60,258	15,666	11,545	4,785
Total equity and liabilities	*271,609*	*280,762*	*92,453*	*12,383*	*35,297*
FROM THE STATEMENT OF CASH FLOWS (KSEK)	**2013**	**2012**	**2011**	**2010**	**2009**
Cash flow from operating activities	–3,150	9,476	–9,020	–30,412	–25,258
Cash flow from investing activities	–47,158	–97,696	–535	–159	–23
Cash flow from financing activities	24,049	67,590	80,846	254	38,156
Cash flow for the year	*–26,259*	*–20,629*	*71,291*	*–30,317*	*12,875*
KEY DATA	**2013**	**2012**	**2011**	**2010**	**2009**
Net receivables (KSEK)	–2,862	13,423	73,902	2,421	32,466
Debt/equity ratio	15%	22%	0%	49%	2%
Equity/assets ratio	74%	63%	83%	6%	86%
Return on equity	neg	20%	neg	neg	neg
Research and development expenses (KSEK)	–29,039	–30,782	–26,808	–18,992	–15,706
Personnel expenses (KSEK)	–37,014	–27,952	–19,075	–15,464	–13,315
Number of employees at year-end	29	29	15	12	10
Share data					
Earnings per share before dilution (SEK)[1]	–1,01	3,85	–0,82	–5,08	–4,45
Earnings per share after dilution (SEK)[2]	–1,01	3,68	–0,82	–5,08	–4,45
Equity per share (SEK)	16,94	16,48	8,46	0,11	4,96
Dividend per share	0	0	0	0	0
Number of shares at end of period	11,893,572	10,812,572	9,079,020	6,113,988	3,047,099

[1] Values for 2009 have been adjusted for a bonus issue to ensure comparability with figures for 2010-2013.

[2] In those periods where a consolidated loss is recognized, no dilution arises. This is because dilution is recognized only when a potential for conversion to common shares would entail lower earnings per share. Values for 2009 have been adjusted for a bonus issue to ensure comparability with figures for 2010-2013.

Amounts are stated in thousands 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 Pharma AB (publ) was formed in 2006 and is a rapidly growing Swedish pharmaceutical company with direct sales in the U.S. and sales through distributors in more than 40 countries. The company's product portfolio includes Kerasal Nail™/Emtrix®/Nalox™, a product for topical treatment of nail fungus, Kerasal®, for the treatment of dry and cracked skin, Jointflex® for joints and muscle pain, Domeboro®, a topical drug for the treatment of itching and irritated skin, Vanquish®, a pain-reliever, and Fergon®, an iron supplement. Kerasal Nail™/Emtrix®/Nalox™ is the leading product for the 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. The company's pharmaceutical projects in the development phase include primarily nail fungus indication. The company's products are based on proven substances, which reduce time to market, development costs and risk. Moberg Pharma 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 Pharma AB (publ), corp. reg. no. 556697-7426, and its wholly owned subsidiaries 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 Pharma'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 prepared from 2008.

RESULTS AND FINANCIAL POSITION

Acquisitions that impacted results

The products Domeboro®, a topical pharmaceutical for the treatment of itching and irritated skin, Vanquish®, a pain-relieving pharmaceutical, and Fergon®, an iron supplement, were acquired from Bayer Healthcare on December 19, 2013 and their sales are included in profit or loss from that date. 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 as of this date.

Sales

During 2013, revenue amounted to MSEK 157.4 (112.5), up 40 percent. Adjusted for milestone payments, revenue increased 84 percent. The majority, MSEK 93.2 (78.5), was derived from the strong sales growth for Kerasal Nail®/Nalox™. Product sales revenue for Kerasal® amounted to MSEK 26.2 and for JointFlex® amounted to MSEK 32.7. Other operating income was primarily comprised of a research grant of MSEK 0.5 and exchange-rate fluctuations.

Results

An operating loss of MSEK 14.1 (profit: 12.6) was reported for 2013. The cost of goods sold was MSEK 40.0 (24.9). Operating expenses, excluding cost of goods sold, was MSEK 132.5 compared to MSEK 77.8 the year before. Adjusted for acquisition-related costs and items affecting comparability, this corresponded to a gross margin on product sales of 77 percent. An accounting consequence of the acquisition in 2012 is that the inventory of the U.S. company was appreciated in the amount of MSEK 4.6 to fair value at the time of the acquisition, which reduced earnings in a corresponding amount when the inventory was subsequently sold. Consolidated earnings were charged with MSEK 3.1 during the first quarter of 2013, while MSEK 1.5 was charged to earnings in the fourth quarter 2012.

The largest item in operating expenses comprised of selling expenses, which amounted to MSEK 75.7 (22.0) for the period. The company´s increase in expenses was attributable to the company conducting proprietary sales in the U.S., the gradual increase in its market initiatives in conjunction with the successful launch and increased distribution of Kerasal Nail™, and the launch of Kerasal Neurocream™, compared with 2012, at which time it only conducted sales via distributors. Selling expenses include costs for amortization of product rights totaling MSEK 5.9 (0.5).

The loss after financial items amounted to MSEK 16.2, compared with a profit of MSEK 14.7 for 2012. The decline in earnings was due to profit for 2012 including milestone payments of MSEK 29.8, whereas only milestone payments of MSEK 4.8 were included in profit for 2013. Product sales revenue rose 84 percent during the period, while operating expenses (including cost of goods sold) increased 68 percent. The loss for the period after tax was MSEK 11.4 (profit: 35.8).

Other comprehensive income includes negative translation differences of MSEK 0.7 arising from the translation of foreign operations. The translation difference had no cash impact but had a negative impact on comprehensive income, which totaled MSEK 12.1 (income: 33.0)

Capital expenditures

Investments in intangible assets pertain to product rights for acquired products from Bayer Healthcare totaling MSEK 29.9 in December 2013, as well as capitalized expenditure for research and development work totaling MSEK 0.4 (0). In addition to capitalized expenditure for research and development work, Moberg Pharma also had costs of MSEK 29.0 (30.8) that were attributable to research and development that were expensed directly in the statement of comprehensive income.
Investments in subsidiaries relate to an additional purchase consideration for the acquisition of Moberg Pharma North America (formerly Alterna LLC), which was paid during the first quarter of 2013 and amounted to MSEK 16.7 (97.1).

In 2013, the company invested MSEK 0.2 in property, plant and equipment, compared with MSEK 0.6 the year before.

Liquidity and financial position

To date, Moberg Pharma'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 Pharma may need to raise additional capital through new share issues or loans.

At year-end, the equity/assets ratio was 74 percent (63 percent). Cash flow from operations amounted to a negative MSEK 3.1 for 2013, compared with a positive MSEK 9.5 in the preceding year. Cash and cash equivalents amounted to MSEK 27.1 at the end of the year compared to MSEK 53.4 at the end of 2012.

KEY EVENTS IN 2013

Acquisition of three well-established, non-prescription products in the U.S. from Bayer Healthcare

- In December, Moberg Pharma acquired three well-established, non-prescription products in the U.S. from Bayer Healthcare. Annual sales for the products amounted to approximately MUSD 3 (corresponding to about MSEK 20). The acquisition price amounted to MUSD 4.8 (about MSEK 32) and was financed with available financial funds. The acquired portfolio includes the products Domeboro®, a topical drug for the treatment of itching and minor skin irritations, Vanquish®, an analgesic drug, and Fergon®, an iron supplement. The products are sold through Moberg's current sales channels, primarily drugstore chains and large department stores such as Walmart.

Increased distribution

- *Distribution agreement for Kerasal Nail™ with Menarini expanded to China*
  In July, the company announced that Menarini Asia-Pacific, part of the Menarini Group – one of the 40 largest global pharmaceutical companies – had been granted exclusive rights to market and sell Kerasal Nail™ in China. The companies now intend to apply for product approval in the Chinese market. The expanded distribution agreement is based on an existing partnership between the two groups of companies, which resulted in the successful launch of the product in Italy. Menarini is a leading regional pharmaceutical company in the Asia-Pacific region, with more than 3,500 employees in 13 markets and with a documented successful ability to launch and market healthcare brands. The Chinese pharmaceutical market is expected to continue to report strong growth, and is predicted to be the second largest pharmaceutical market in the world in five years. Moberg Pharma believes that Menarini Asia-Pacific's in-depth insight into local market conditions makes it an ideal partner to manage the challenges existing in the Chinese market.

- *Moberg Pharma and Paladin extended agreement for Kerasal Nail™ to Mexico*
  In May 2013, Paladin Labs Inc received exclusive rights to market and sell Kerasal Nail™ in Mexico. Moberg Pharma is responsible for the manufacturing and delivery of the product.

- *Agreement for Middle East and Africa*
  A distribution agreement was signed with Leosons International for the marketing of Kerasal Nail™ in the Middle East and North Africa Leosons has successfully handled distribution of Jointflex® in the region for several years. The agreement encompasses 16 countries including Egypt, Iraq, Saudi Arabia, Tunisia and the United Arab Emirates.

Product and project development

- *Positive interim results from the ongoing Phase II clinical trial for MOB-015.*
  In December, positive interim results were published from the ongoing Phase II clinical trial for MOB-015. After six months of treatment with MOB-015, 40 percent of the patients were mycologically cured (free from fungus). No safety concerns were identified. MOB-015 is a topical formulation of terbinafine for the treatment of nail fungus. The purpose of this study is to confirm the product concept of MOB-015 and provide a basis for a Phase III study and out-licensing.

- *Development of Limtop discontinued*
  It was announced in March that the company had decided to discontinue the development of Limtop – a pharmaceutical candidate for the treatment of actinic keratosis. Development was discontinued when the efficacy of the completed Phase II trial did not achieve the final target. Based on the data from the concluded study, the assessment was made that the project's commercial potential had declined and, accordingly, continued investments could no longer be justified.

- *Kerasal NeuroCream™ launched in Walmart and major drugstore chains in the U.S.*
  Kerasal NeuroCream™ is a non-prescription pain-relieving podiatry lotion that is being launched in the US. The product is sold at more than 3,800 Walmart stores, and will be sold at CVS, Walgreens and Rite Aid as of late August.

- *Good start for Kerasal NeuroCream™ – Walgreens significantly increases distribution*
  Walgreen's has decided to increase the number of drugstores that sell Kerasal NeuroCream™ in the U.S. from about 1,000 to 7,000. Walgreens is the leading drugstore chain in the U.S. and the increased distribution is a key step in establishing this innovative product in the market. Kerasal Neurocream™ was launched in September 2013 and sales have been satisfactory, with favorable consumer response to advertisements.

Financial performance and corporate events

- *Moberg Derma becomes Moberg Pharma*
  In May, the company announced that the Swedish Companies Registration Office had accepted its application to change its corporate identity to Moberg Pharma AB (publ), in accordance with the resolution by the Annual General Meeting held on April 23, 2013. The reason for the change of name is that the operations had been broadened after the acquisition of Alterna LLC (which has been renamed Moberg Pharma North America LLC) and now also includes areas other than dermatology. However, dermatology and topical drug delivery technologies remain core areas of the company's operations.

- *Financing of continued expansion secured through private placement*
  Successful launches of Nalox™/Kerasal Nail™ in Europe and the U.S. and growing sales have strengthened Moberg Pharma´s position. The company is now approaching the next step in its growth strategy – to expand its product portfolio for marketing primarily through its own sales channels for non-prescription products in North America. It was against this background that the

Board decided in July, pursuant to the authorization received at the 2013 Annual General Meeting, to issue 1,081,000 new shares with deviation from the shareholders' preferential rights to the Swedish institutional investor Bure Equity AB (publ). A prospectus was prepared and published on July 16. The private placement generated approximately MSEK 36 before issue costs, and is aimed at facilitating acquisitions and licensing of marketed products, as well as strengthening pipeline assets. Following the new share issue, the company's share capital increased by SEK 108,100, resulting in a dilution of approximately 9.1 percent of the capital and votes in the company. After the share issue, Bure is the third largest shareholder in Moberg Pharma.

EVENTS AFTER THE YEAR-END

- *Distribution agreement for Kerasal® Nail™ with Menarini expanded to China*
  In February 2014, the company announced that Menarini Asia-Pacific had been granted exclusive rights to market and sell Kerasal Nail™ in eight countries in South-East Asia: Singapore, Taiwan, Indonesia, The Philippines, Malaysia, Hong Kong, Thailand and Vietnam. The company now intends to seek marketing authorization for the product in these markets.

INSURANCE

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

ENVIRONMENT AND LIABILITY

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

DISPUTES

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

WORK OF THE BOARD IN 2013

At the Annual General Meeting in 2013, eight Directors were elected for the period until the next AGM. 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 one meeting was held by correspondence and six via conference calls. Reports at the meetings were presented mainly by the CEO but also by other members of the management team.

The main focus of the Board's work in 2013 has been on strategic issues, particularly matters relating to acquisitions, product development, business development and financing, as well as the further development of the company's business plan and managing the overall risk of the Company. 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 work of the board is subject to an annual evaluation.

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 75.

NOMINATING COMMITTEE

The Nominating Committee for the 2014 Annual General Meeting consists of four members: Per-Olof Edin, Håkan Åström, Henrik Blomquist and Mats Pettersson. The Nominating Committee submits proposals for the appointment of a Chairman and other Board Members, as well as proposals on fees and other compensation to be paid to Directors. The Nominating Committee also presents proposals for the appointment and remuneration of the company's auditor. The Nominating Committee's proposals will be presented in the notice of the 2014 AGM.

CORPORATE GOVERNANCE

Moberg Pharma has applied the Swedish Corporate Governance Code since May 26, 2011, the date when Moberg Pharma's share was listed on NASDAQ OMX Nordic Exchange Stockholm. See page 67 for the Corporate Governance Report.

INFORMATION DISCLOSURE

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

PROPOSAL TO THE 2014 AGM – BOARD OF DIRECTORS' MOTION 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 Pharma is to offer a market-aligned total remuneration package that facilitates the recruitment and retention of qualified senior executives. The remuneration paid to the Chief Executive Officer and other senior executives is to comprise basic salary, variable remuneration, other benefits and pension benefits. The total remuneration is

to be based on the basic salary, which must be proportionate to the executive's responsibilities and authority. Variable compensation is capped at 25-50 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 Board members perform work for the company or any other Group company, in addition to work on the Board of Directors, a market-aligned consultancy fee may be payable.

In case of termination, the notice period is to be at least three months if this is on the initiative of the senior executive and between three and 12 months if the company takes the initiative. Severance amounts are not payable. Any share and share-price-related programs must be adopted by an Annual General Meeting. Allotment from such programs must be in accordance with a resolution from the Annual General Meeting. With the exception of the employee stock options that have been allotted 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 2014

Moberg Pharma aims to create value and generate a solid return for shareholders through continued profitable growth of the novel topical pharmaceuticals that are delivered to the global market. The ability to commercialize new products, enter into partnerships for its projects and to successfully develop the company's projects to market launch and sales is crucial to Moberg Pharma's future success. The company's financial objectives are to achieve continued healthy growth and an operating margin (EBITDA margin) of at least 25 percent within three years.

In 2014, the focus will be on integrating acquisitions in the U.S., identifying further business opportunities and supporting the company's distributors to facilitate successful launches. The performance of the partnerships entered into will have a major impact on Moberg Pharma's income and cash flow.

PARENT COMPANY MOBERG PHARMA AB (PUBL)

Moberg Pharma AB (Publ), Corp. Reg. No. 556697-7426, is the Parent Company of the Group. Group operations are conducted 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 revenue for 2013 amounted to MSEK 80.6, compared with MSEK 109.5 in 2012. Operating expenses, excluding the cost of goods sold, amounted to MSEK 60.8 (68.4) and profit after financial items amounted to MSEK 1.7 (23.0). Cash and cash equivalents were MSEK 22.2 (50.8) at year end.

PROPOSED DISTRIBUTION OF UNAPPROPRIATED EARNINGS (KSEK)

The amount available for appropriation by the Annual General Meeting comprises of the following unrestricted reserves, earnings brought forward and the profit for the year in the Parent Company:

Share premium reserve	179,016
Earnings brought forward	43,985
Net profit/loss for the year	966
	223,967

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

Share premium reserve	179,016
Earnings brought forward	44,951
	223,967

RISK FACTORS

Moberg Pharma's business is exposed to risk. Risks pertain to events or decisions beyond Moberg Pharma'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 Pharma's success. In order to manage risk in a well-balanced way, the risks must be identified and assessed. Moberg Pharma engages in risk management that entails evaluating risks in a systematic manner. Risk factors considered of particular importance to Moberg Pharma's future development are described below. The list does not purport to be exhaustive, and risks are not listed in any order of significance. There is no guarantee that Moberg Pharma can successfully address the following or other risks.

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

RISK RELEATED TO THE OPERATIONS				RISKS RELATED TO THE COMPANY´S SHARES
Development of new products	**Marketing and sales**	**Organization**	**Finansial risks**	
• Preclinical and clinical studies • Official decisions	• Side-effects • Competition and pricing • Proprietary sales • Business partners • Disputes • Product liability • Patents and trade-marks • Manufacturing • Inventories	• Dependence on key individuals • Recruitment requirements	• Currency risk • Tax loss carry-fowards • Economy 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 prepered 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 conducts continuous 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 risks, and to formulate a risk-management plan. Both the policy and the plan are revised at least annually and approved by the Board. The internal control environment mainly comprises the following five components: Control environment, Risk assessment, Control activities, Information and communication, as well as 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 external expertise in terms of, for example, regulatory matters or the formulation of clinical studies.

DEVELOPMENT OF NEW PRODUCTS

Preclinical and clinical studies

Moberg Pharma engages in the development of new pharmaceuticals and other medical products. To obtain permits from authorities to commence sales, Moberg Pharma – or potential partners – must 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 Pharma 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 Pharma will obtain the authoritative decisions necessary to generate commercially and financially valuable products in the market.

Moberg Pharma'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 Pharma are currently classified as cosmetics, which do not require approval in certain markets, the possibility cannot be excluded that in 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 Pharma's products will be preferred to other existing or new products in the market. Price pressure for medical products in Moberg Pharma'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 Pharma to achieve or retain attractive market shares and prices for its products.

Proprietary sales

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

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

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

Disputes

The possibility cannot be excluded that Moberg Pharma may 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 trademarks" 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 the continued product development, and could restrict or prevent the commercial use of products. Another consequence that cannot be excluded is that the company may be sued by patients suffering from side-effects, whereby the company could become subject to damages.

Product liability and insurance

Moberg Pharma engages in sales and clinical trials of medical products, which entails risks associated with product liability. Moberg Pharma has the insurance cover customary to the industry for its clinical trial activities and holds product liability insurance policies for products under development and in the market. The 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 damage in the event of injuries caused by the company's products or product candidates. In the future, Moberg Pharma may also fail to obtain or maintain insurance cover on acceptable terms.

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

Patents and trademarks

In the type of operations conducted by Moberg Pharma there is always a risk that the company's patents, trademarks or other intellectual property rights will not sufficiently protect the company 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 Pharma's operations include the acquisition of new products and trademarks. There can be no guarantee that acquired trademarks are called into question by competing companies that appeal against Moberg Pharma's entitlement to these trademarks. Moberg Pharma is also exposed to the risk that the value of its trademarks could diminish due to unforeseen events.

Manufacturing

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

Organization

Key individuals

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

In addition to senior executives, Moberg Pharma 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 Pharma will not be able to recruit the number of new 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 and product 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 associated with the risk that the value of the investment can decline. There is no guarantee for how the company's shares will perform. The price of the Moberg Pharma share has been volatile ever since the company's share was listed on NASDAQ 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 Pharma will lead to active trading in the shares or how trading in the shares will develop in the future. If active and liquid trading does not develop, or 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 Pharma will find itself in an expansionary phase in the years immediately ahead, any capital surplus will be invested in the business. Due to this, the Board of Directors does not intend to propose a dividend for the current year or to commit itself to any fixed proportion for paying a dividend. Should Moberg Pharma's cash flow from operating activities subsequently exceed the 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 PHARMA SHARE

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

NEW ISSUES DURING THE YEAR

In July, the Board of Directors decided, with the support of the authorization granted by the 2013[3] Annual General Meeting, to carry out a private placement of 1,081,000 shares to Bure Equity AB for a value of MSEK 36 before issue expenses.

SHARE PERFORMANCE

The closing price on December 31, 2013 was SEK 31.6, yielding a market capitalization for Moberg Pharma of MSEK 376.

Since introduction on the stock market on May 26, 2011, Moberg Pharma's share price has risen by 9 percent. During the same period, the OMX Stockholm PI (general index) rose by 15 percent. The highest and lowest share prices noted for the Moberg Pharma share during the year 2013 were SEK 41.5 and SEK 26.10, respectively.

In 2013, the Moberg Pharma share had a total turnover of 4.3 million shares, equivalent to a value of about MSEK 147. The average daily turnover was 17,365 shares. At year-end, Moberg Pharma had a total of 1,229 shareholders[4], with the 20 largest shareholders accounting for 81.8 percent of the shares in Moberg Pharma.

DIVIDENDS AND DIVIDEND POLICY

Moberg Pharma is currently in a phase of expansion. The Board is therefore of the opinion that the company's earnings are best used to finance further development and expansion of the business. The Board does not intend to propose any dividend until such a time when it is warranted by Moberg Pharma's earnings, financial position and capital requirements.

OWNERSHIP STRUCTURE

	No. of owners[4]	No. of shares	%
1-500	717	158,221	1.30%
501-1,000	214	187,603	1.60%
1,001-5,000	194	492,153	4.10%
5,001-10,000	44	344,538	2.90%
10,001-15,000	13	166,463	1.40%
15,001-20,000	8	145,250	1.20%
20,001-	39	10,399,344	87.40%
Total	**1,229**	**11,893,572**	**100%**

SHAREHOLDERS AT DEC 31, 2013

Shareholders	No. of shares	% of votes and capital
The Baltic Sea Foundation	**2,274,179**	**19.1**
Six Sis Ag, W8imy	1,653,149	13.9
Bure Equity Ab (Publ)	991,006	8.3
JPM Chase Na (Altaris Capital Partners)	825,652	6.9
Insurance company, Avanza Pension	634,712	5.3
Wolco Invest AB [5]	600,000	5.0
Handelsbanken Fonder AB Re Jpmel	519,707	4.4
Third AP Fund	486,000	4.1
Mobederm AB	394,931	3.3
Grandeur Peak International	260,000	2.2
Grandeur Peak Global, Opportunities	180,000	1.5
Synskadades Stiftelse	172,201	1.4
J P Morgan Clearing Corp, W9	147,210	1.2
Kaufmann, Peter	120,800	1.0
Tolvplus4 AB	116,636	1.0
Lundmark, Anders	94,960	0.8
Deutsche Bank Ag Ldn-Prime Broker, Age Full Tax	80,000	0.7
Lönn, Mikael	60,000	0.5
Grandeur Peak Global Opportunities, L.P.	59,000	0.5
Karlsson, Ewa	55,900	0.5
TOTAL, 20 LARGEST SHAREHOLDERS	**9,726,043**	**81.8**
Other shareholders	2,167,529	18.2
Total	**11,893,572**	**100.0**

DISTRIBUTION OF OWNERSHIP

	No. of shares	Share capital, %	No. of owners
Physical entities	1,688,751	14.20%	1,090
Legal entities	10,204,821	85.80%	139
TOTAL	**11,893,572**	**100%**	**1,229**
- of whom, residing in Sweden/registered address in Sweden	7,954,987	66.90%	1,171

[3] Authorization of up to 10 percent of outstanding shares

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

[5] Moberg Pharmas VD, Peter Wolpert

ANALYSTS WHO CONTINUOUSLY MONITOR MOBERG PHARMA

Klas Palin, Redeye	**Christian Lee,** Remium

WARRANTS OUTSTANDING

On April 23, 2013, the Annual General Meeting of Moberg Pharma AB resolved to implement a private placement of 77,096 warrants (equivalent to 77,096 shares) to the company's wholly owned subsidiary Moberg Derma Incentives AB and to introduce the employee stock option scheme 2013:1.

In the employee stock option scheme 2013:1, 60,750 stock options were allotted and 16,345 warrants reserved to cover future social security expenses for the employee stock options.

The total number outstanding warrants at the end of the year were 654,779. If all warrants were to be exercised to subscribe to shares, the total number of shares would increase by 900,634 shares, from 11,893,572 shares to 12,794,206 shares, corresponding to a dilution of 7.0 percent.

Group costs for the employee stock option program (excluding estimated social security costs) for 2013 were MSEK 0.8. Costs for 2012 were MSEK 0.9.

The stock options granted to employees under the company's incentive program represent a maximum dilution of 5.6 percent. The remaining options, representing a dilution of 1.4 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 19.

TREND IN SHARE CAPITAL

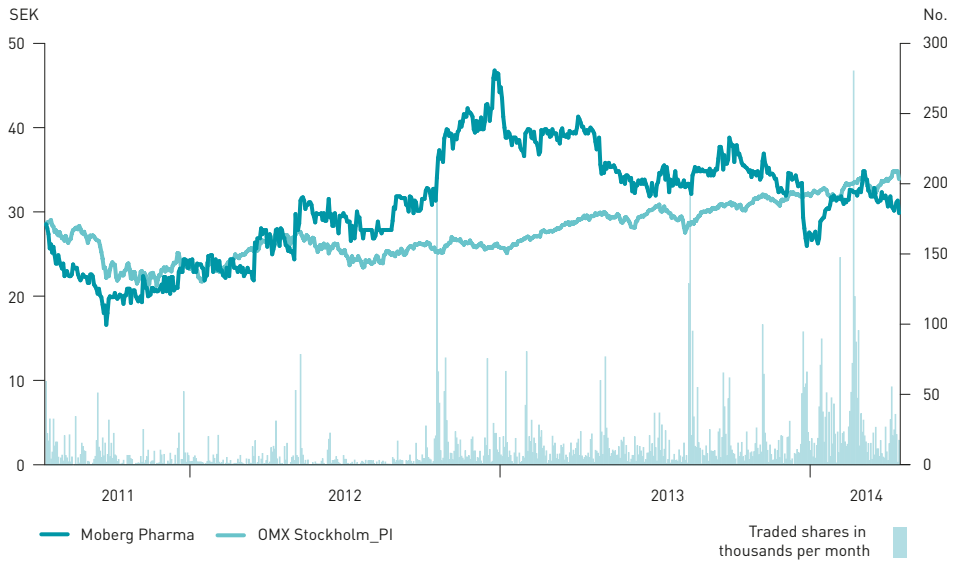
Date[7]	Transaction	Change in number of shares	Changes in share capital	Number of shares	Total share capital, SEK	Quotient value, SEK	Exercise price, SEK	Invested capital
Jan 2006	Ready-made company acquired	1 000 000	100 000,00	1 000 000	100 000,00	0,10	0,10	100 000
May 2006	Private placement	47,984	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[8],	5,334,072
Sept 2007	New share issue	613,866	61,386.60	1,832,970	183,297.00	0.10	45.12	27,697,634
Jan 2008	New share issue	305,457	30,545.70	2,138,427	213,842.70	0.10	65.50	20,007,434
Apr 2008	New share issue	305,457	30,545.70	2,443,884	244,388.40	0.10	65.50	20,007,434
Aug 2009	New share issue	458,492	45,849.20	2,902,376	290,237.60	0.10	65.50	30,031,226
Dec 2009	New share issue	144,723	14,472.30	3,047,099	304,709.90	0.10	65.50	9,479,357
June 2010[9]	New share issue	9,895	989.50	3,056,994	305,699.40	0.10	65.50	648,123
Nov 2010	Bonus issue	3,056,994	305,699.40	6,113,988	611,398.80	0.10	-	-
Mar 2011	New share issue	414,508	41,450.80	6,528,496	652,849.60	0.10	29.00	12,020,735
May 2011	New share issue	2,550,524	255,052.40	9,079,020	907,902.00	0.10	29.00	73,965,196
Oct 2012	Private placement	907,900	90,790.00	9,986,920	998,692.00	0.10	35.00	31,776,500
Nov 2012	Cash-in-kind issue	825,652	82,565.20	10,812,572	1,081,257.20	0.10	40.27	33,249,006
July 2013	Private placement	1,081,000	108,100.00	11,893,572	1,189,357.20	0.10	33.54	36,256,740

[7] Refers to the date of registration at the Swedish Companies Registration office

[8] Also includes a directed issue of 10,000 series B chares to Karolinska Institutet Holding at an issue price fo SEK 0,10 SEK

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

SHARE PRICE DEVELOPMENT



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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KSEK	Note	Jan-Dec 2013	Jan-Dec 2012
Revenue	2	157,389	112,469
Cost of goods sold		-39,967	-24,877
Gross profit		**117,422**	**87,592**
Selling expenses		-75,674	-21,977
Business development and administrative expenses		-27,832	-23,450
Research and development expenses		-29,039	-30,782
Other operating income	4	1,068	2,718
Other operating expenses		-	-1,507
Operating profit/loss	5-9	**-14,055**	**12,594**
Interest income and similar items	10	545	1,844
Interest expense and similar items	10	-2,665	244
Profit/loss before tax		**-16,175**	**14,682**
Income taxes	11	4,817	21,131
Net profit/loss for the year		**-11,358**	**35,813**
Items that will be reclassified into the income statement			
Translation differences on translation of foreign operations		-725	-2,829
Other comprehensive income/loss		**-725**	**-2,829**
COMPREHENSIVE INCOME FOR THE YEAR		**-12,808**	**32,984**
Profit/loss attributable to Parent Company shareholders		-11,358	35,813
Profit/loss attributable to minority interests		-	-
Comprehensive income/loss attributable to Parent Company shareholders		-12,808	32,984
Total comprehensive income attributable to minority interests		-	-
Earnings/loss per share before dilution	12	**-1,01**	**3,85**
Earnings per share after dilution[10]	12	**-1,01**	**3,68**
Average number of shares before dilution		11,265,704	9,300,650
Average number of shares after dilution		11,735,821	9,742,044
Number of shares at year-end		11,893,572	10,812,572

1 In periods during which the Group reports a loss, no dilution effect occurs. This is because dilution is recognized only when a potential conversion to ordinary shares would mean that earnings per share would be lower.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (KSEK)	Note	**Jan-Dec 2013**	**Jan-Dec 2012**
FIXED ASSETS			
Intangible fixed assets			
Capitalized expenditure for research and development work	13	383	-
Goodwill	13	70,021	70,346
Product rights	13	111,187	85,382
Patents, licenses and similar rights	13	229	243
Total intangible fixed assets		*181,820*	*155,971*
Tangible fixed assets			
Machinery and equipment	*14*	*1,180*	*1,336*
Financial and other fixed assets			
Other financial fixed assets		63	4
Deferred tax assets	11	29,327	22,196
Total other fixed assets		*29,390*	*22,200*
Total fixed assets		**212,390**	**179,507**
CURRENT ASSETS			
Inventories	15	6,968	9,739
Current receivables			
Accounts receivable	16	18,181	31,254
Other receivables	16	683	513
Prepaid expenses and accrued income	17	6,249	6,326
Total current receivables		*25,113*	*38,093*
Cash and bank balances	*18*	*27,138*	*53,423*
Total current assets		**59,219**	**101,255**
TOTAL ASSETS		**271,609**	**280,762**

EQUITY AND LIABILITIES (KSEK)	Note	**Jan-Dec 2013**	**Jan-Dec 2012**
SHAREHOLDERS' EQUITY	19		
Shareholders' equity attributable to Parent Company's shareholders			
Share capital		1,189	1,081
Other capital contributions		300,569	265,334
Translation differences		-3,554	-2,829
Accumulated deficit		-85,352	-121,165
Net profit/loss for the year		-11,358	35,813
Total shareholders' equity		**201,494**	**178,234**
LIABILITIES			
Long-term liabilities			
Interest-bearing liabilities	20	16,667	27,778
Other long-term liabilities	11, 20	1,860	14,492
Total long-term liabilities		*18,527*	*42,270*
Current receivables			
Accounts payable		4,570	8,992
Interest-bearing current liabilities	21	13,333	12,222
Other current liabilities	21	19,216	19,008
Accrued expenses and deferred income	22	14,469	20,036
Total current liabilities		*51,588*	*60,258*
Total liabilities		**70,115**	**102,528**
TOTAL EQUITY AND LIABILITIES		**271,609**	**280,762**
Assets pledged	23	178,679	191,098
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, 2012	**908**	**197,044**	**0**	**-121,165**	**76,787**
Net profit/loss for the year				35,813	35,813
Other comprehensive income - translation differences on translation of foreign operations	-2,829		-2,829		0
Total	**0**	**0**	**-2,829**	**35,813**	**32,984**
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 option schemes		851			851
Shareholders' equity on December 31, 2012	**1,081**	**265,334**	**-2,829**	**-85,352**	**178,234**
Shareholders' equity on January 1, 2013	**1,081**	**265,334**	**-2,829**	**-85,352**	**178,234**
Comprehensive income/loss for the period				-11,358	-11,358
Other comprehensive income - translation differences on translation of foreign operations			-725		-725
Total	**0**	**0**	**-725**	**-11,358**	**-12,083**
New share issues	108	36,149			36,257
Transaction expenses, new share issues		-2,208			-2,208
Tax on transaction expenses, new share issues		486			486
Employee stock option schemes		808			808
Shareholders' equity on December 31, 2013	**1,189**	**300,569**	**-3,554**	**-96,710**	**201,494**

Additional information on the share and its performance is available on page 38.

CONSOLIDATED STATEMENT OF CASH FLOWS

(KSEK)	Note	Jan-Dec 2013	Jan-Dec 2012
Operating activities			
Operating profit/loss before financial items		-14,056	12,594
Financial items, received and paid		-1,123	1,816
Taxes paid		16	-
Adjustments for non-cash items:			
Depreciation/amortization	9	6,105	713
Employee stock option costs		808	851
Cash flow before change in working capital		-8,250	15,973
Change in working capital			
Increase (-)/Decrease (+) in inventories		2,708	2,116
Increase (-)/Decrease (+) in operating receivables		12,597	-6,151
Increase (+) / Decrease (-) in operating liabilities		-10,205	-2,462
Cash flow from operating activities		**-3,150**	**9,476**
Investing activities			
Net investments in intangible fixed assets	13	-30,299	-
Net investments in equipment and tools	14	-201	-630
Net investments in subsidiaries	25, 26	-16,658	-97,067
Cash flow from investing activities		**-47,158**	**-97,696**
Financing activities			
Loans raised (+)	20	-	40,000
Loan repayment (-)	20	-10,000	-150
Share issues		36,257	31,777
Issue expenses		-2,208	-4,036
Cash flow from financing activities		**24,049**	**67,590**
CHANGE IN CASH AND CASH EQUIVALENTS		**-26,259**	**-20,629**
Cash and cash equivalents on January 1		53,423	74,052
Exchange-rate difference in cash and cash equivalents		-26	-
Cash and cash equivalents on December 31	18	27,138	53,423
Supplementary disclosures to cash-flow statement			
Interest paid/received			
Interest received		1,139	1,844
Interest paid		-2,158	-28

PARENT COMPANY INCOME STATEMENT

(KSEK)	Note	Jan-Dec 2013	Jan-Dec 2012
Revenue	2	82,296	109,467
Cost of goods sold		–19,063	–22,861
Gross profit		**63,233**	**86,606**
Selling expenses		-14,363	-19,708
Business development and administrative expenses		-17,407	-16,389
Research and development expenses		-29,039	-30,782
Other operating income	4	1,068	2,718
Other operating expenses		-	-1,507
Operating profit/loss	5-9, 28	**3,492**	**20,938**
Interest income and similar items	10	832	1,850
Interest expense and similar items	10	-2,673	244
Profit/loss before tax		**1,651**	**23,032**
Tax on net profit for the year	11	-685	20,952
PROFIT/LOSS		**966**	**43,984**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

(KSEK)	Jan-Dec,2013	Jan-Dec,2012
Net profit/loss for the year	**966**	**43,984**
Other comprehensive income	-	-
COMPREHENSIVE INCOME FOR THE YEAR	**966**	**43,984**

PARENT COMPANY BALANCE SHEET

ASSETS (KSEK)	Note	**Dec 31, 2013**	**Dec 31, 2012**
FIXED ASSETS			
Intangible fixed assets			
Capitalized expenditure for research and development work	13	383	-
Product rights	13	31,897	-
Patents, licenses and similar rights	13	229	243
Total intangible fixed assets		*32,509*	*243*
Tangible fixed assets			
Machinery and equipment	14	653	758
Financial and other fixed assets			
Participations in Group companies	26, 27	178,106	178,106
Other financial fixed assets		1	1
Deferred tax assets	11	21,787	22,014
Total other fixed assets		*199,894*	*200,121*
Total fixed assets		**233,056**	**201,122**
CURRENT ASSETS			
Current receivables			
Accounts receivable	16	5,180	17,063
Receivables from Group companies	16	19,024	7,781
Other receivables	16	650	497
Prepaid expenses and accrued income	17	5,752	6,293
Total current receivables		*30,606*	*31,633*
Cash and bank balances	18	*22,244*	*50,838*
Total current assets		**52,850**	**82,471**
TOTAL ASSETS		**285,906**	**283,593**

EQUITY AND LIABILITIES (TSEK)	Note	**Dec 31, 2013**	**Dec 31, 2012**
SHAREHOLDERS' EQUITY	19		
Restricted shareholders' equity			
Share capital		1,189	1,081
Total restricted shareholders' equity		*1,189*	*1,081*
Unrestricted shareholders' equity			
Share premium reserve		179,016	265,305
Profit carried forward/accumulated deficit		43,985	-121,158
Net profit/loss for the year		966	43,984
Total unrestricted shareholders' equity		*223,967*	*188,131*
Total shareholders' equity		**225,156**	**189,212**
LIABILITIES			
Long-term liabilities			
Long-term interest-bearing liabilities	20	16,667	27,778
Other long-term liabilities	20	-	16,250
Total long-term liabilities		*16,667*	*44,028*
Current receivables			
Accounts payable		3,713	8,292
Interest-bearing current liabilities	21	13,333	12,222
Other current liabilities	21	19,802	19,008
Accrued expenses and deferred income	22	7,235	10,831
Total current liabilities		*44,083*	*50,353*
Total liabilities		**60,750**	**94,381**
TOTAL EQUITY AND LIABILITIES		**285,906**	**283,593**
Assets pledged	23	198,708	198,708
Contingent liabilities	23	-	-

PARENT COMPANY CHANGES IN SHAREHOLDERS' EQUITY

(KSEK)	Share capital	Share premium reserve	Unrestricted shareholders' equity	Total shareholders' equity
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 option schemes		822		822
Shareholders' equity on December 31, 2012	**1,081**	**265,305**	**-77,174**	**189,212**
Shareholders' equity on January 1, 2013	**1,081**	**265,305**	**-77,174**	**189,212**
Total comprehensive income for 2013			966	966
Appropriation of profits according to resolution by the AGM		-121,159	121,159	0
New share issues	108	36,149		36,257
Transaction expenses, new share issues		-2,208		-2,208
Tax on transaction expenses, new share issues		486		486
Employee stock option schemes		443		443
Shareholders' equity on December 31, 2013	**1,189**	**179,016**	**44,951**	**225,156**

PARENT COMPANY CASH-FLOW STATEMENT

(KSEK)	Note	Jan–Dec 2013	Jan–Dec 2012
Operating activities			
Operating profit/loss before financial items		3,492	20,938
Financial items, received and paid		-836	1,822
Taxes paid		28	-
Adjustments for non-cash items:			
Depreciation/amortization	9	244	233
Employee stock option costs		443	822
Cash flow before change in working capital		3,371	23,815
Change in working capital			
Increase (-)/Decrease (+) in inventories		-	1,239
Increase (-)/Decrease (+) in operating receivables		626	-15,227
Increase (+) / Decrease (-) in operating liabilities		-9,558	5,672
Cash flow from operating activities		**-5,561**	**15,499**
Investing activities			
Net investments in intangible fixed assets	13	-30,299	-
Net investments in equipment and tools	14	-125	-479
Net investments in subsidiaries	25, 26	-16,658	-105,731
Cash flow from investing activities		**-47,082**	**-106,210**
Financing activities			
Loans raised (+)	20	-	40,000
Loan repayment (-)	20	-10,000	-150
Share issues		36,257	31,777
Issue expenses		-2,208	-4,036
Cash flow from financing activities		**24,049**	**67,590**
CHANGE IN CASH AND CASH EQUIVALENTS		**-28,594**	**-23,121**
Cash and cash equivalents on January 1		50,838	73,959
Cash and cash equivalents on December 31	18	22,244	50,838
Supplementary disclosures to cash-flow statement			
Interest paid/received			
Interest received		1,136	1,850
Interest paid		-1,972	-28

NOTES

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

NOTE 1. ACCOUNTING POLICIES

Company information
The Annual Report for Moberg Pharma AB for 2013 was approved for publication in accordance with a Board decision made on March 27, 2014. The Annual Report will be submitted to the Annual General Meeting (AGM) for adoption on May 13, 2014. Moberg Pharma 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 and IFRS
The following accounting and valuation principles pertain to both the consolidated financial statements and the 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. IFRS valuation and disclosure rules, as applied in the consolidated financial statements, also apply to the Parent Company.

New accounting policies
A number of new or updated accounting recommendations and interpretations are applicable for the fiscal year beginning January 1, 2013. Including the amendment to IFRS 13 Fair Value Measurement and the amendment to IAS 1 Presentation of Financial Statements.

IFRS 13 contains uniform rules for calculating fair values and also includes requirements concerning disclosures of fair values. The introduction of IFRS 13 requires that additional disclosures have to be presented concerning the fair value of financial instruments. These disclosures are presented in Note 24.

The amendment to IAS 1 introduces new presentation requirements concerning other comprehensive income, whereby this is to be divided into items that are to be reclassified to profit or loss and items that are never to be reclassified to profit or loss. In the consolidated financial statements, the amendment includes a heading has been added to the statement of comprehensive income, to clarify that the consolidated financial statements only include items that are to be reclassified to profit or loss.

In addition to the new items that have become effective this year, the Group has chosen to prospectively adopt the amendment to IAS 36 Impairment Losses. This treatment eliminates the disclosure requirement concerning the recoverable amount for all cash-generating units to which goodwill has been allocated, as promulgated by IFRS 13. Therefore, no impact will arise for the disclosures provided on impairment testing of goodwill, which are presented in Note 13.

2014 and ahead
A number of new or amended IFRSs will not come into effect until forthcoming fiscal years and have not been applied prospectively when preparing these financial statements, with the exception of the amendment to IAS 36, as described above. The IFRSs that are expected to have an impact or may have an impact on the consolidated financial statements are presented below. Apart from the IFRSs described below, other new standards that had been approved at December 31, 2013 are not expected to have an impact on the consolidated financial statements.

The Group Package, comprises of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosures of Interest in Other Entities the amendments to IAS 27 Separate Financial Statements and the amendments to IAS 28 Investments in Associates and Joint Ventures, which became effective on January 1, 2014 and has been adopted by the EU. These standards are currently not expected to have an impact on the consolidated financial statements, with the exception of the fact that in forthcoming annual reports expanded disclosures will be presented concerning participations in other entities.

With the amendment to IAS 32, the application guidance section has been clarified regarding the offsetting of financial assets and financial liabilities. The clarification pertains to the definition of "a legally enforceable right to set off" and the definition of "items that can be settled net" in various contexts. The amendment comes into effect on January 1, 2014 and has been adopted by the EU. The Group is currently investigating whether or not it will impact the financial statements. The interpretation IFRIC 21 Levies clarifies when to recognize a liability comprising fees/taxes imposed by a central government or equivalent agency on companies in accordance with laws/ordinances, with the exception of income tax, penalties and fines.

The interpretation states that a liability is to be recognized when the company is subject to an obligation to pay the fee due to an event that has occurred and it is to be applied for fiscal years beginning on January 1, 2014 or later. This standard has yet to be adopted by the EU. An inquiry is currently under way concerning how the Group will be impacted by the interpretation.

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

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 Pharma uses cost to recognize balance-sheet items unless stated otherwise.

Consolidation principles
Subsidiaries are consolidated in accordance with the purchase method. The cost of an acquisition comprises the fair value of assets provided as payment, issued equity instruments and the liabilities incurred or taken over at the date of transfer. Identifiable acquired assets, assumed liabilities and contingent liabilities arising from a 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.

Income
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 recognized 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 tested for impairment regularly.

Fixed 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 various types of assets:

Product rights	15 years-25 years
Patents	useful life of the patent
Capitalized expenditure for research and development work	anticipated useful life
Machinery	7 years
Equipment	5 years
Computer equipment[1)]	3 years

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

Research and development costs
Research costs are expensed immediately as incurred.

Expenditures relating to internally generated development projects are capitalized as an intangible asset in accordance with IAS 38 Intangible Assets insofar as there is a great probability that the expenditure will generate future economic benefits. The cost of such intangible assets is amortized over the asset's estimated useful life. Other development costs are expensed as incurred. Moberg Pharma's assessment of this policy for ongoing development projects is presented on page 50 (Significant estimates and assessments). Expenditure arising before the time when all capitalization criteria have been fulfilled will continue to be expensed. Direct costs for completing the product, such as those for patents, registration applications and product testing, including employee benefits, will be recognized in cost. Depreciation/amortization will be applied using the straight-line method to ensure that the development costs are allocated on the basis of estimated useful life. The useful life is based on the service life of the underlying patent; depreciation/amortization is applied using the straight-line method from the date of commercialization until the end of the patent, or the straight-line method across the anticipated useful life if this is less than the underlying service life of the patent. Accordingly, the amortization period for capitalized development expenditure will exceed the five years that, according to the Annual Accounts Act, should normally be the amortization period in the Parent Company.

The reason for the longer amortization period is that the next generation of Kerasal Nail™/Nalox™ is expected to generate revenue throughout the entire term of the patents. Expenditure relating to acquired development projects is capitalized as intangible assets.

Impairment losses excluding goodwill
At each reporting date, the carrying amounts of intangible 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.

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

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 profit or loss.

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.

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

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

Financial instruments
Financial instruments that are recognized in the balance sheet include trade receivables, cash and bank balances, accounts payable, certain accrued costs, interest-bearing liabilities and other liabilities. The Group does 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 to which they belong. Non-current liabilities have an expected maturity greater than one year while current liabilities have a maturity of less than one year.

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

Pensions and other committed post-employment benefits
Moberg Pharma 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 Pharma.

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

Warrants program
Share-based incentive schemes are recognized 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, 2012:1, 2012:2 and 2013:1.

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 Pharma'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 Pharma recognizes in profit or loss any effect of the review of the original estimate 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 paid to senior executives are recognized in accordance with IAS 19 Employee Benefits and IFRS2 Share-based Payment. Other disclosures on related-party transactions are recognized in accordance with IAS 24 Related Party Disclosures and the Swedish Annual Accounts Act; see Note 31.

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

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

In accordance with the balance sheet method, deferred tax is recognized in its entirety on all temporary differences arising between the tax-assessment value of assets and liabilities and their carrying 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.

In connection with the acquisition of the U.S. operation in 2012, push down accounting was applied, which entails that surplus value is recognized in a legal entity. Fair-value adjustments totaling MUSD 17.87 (MSEK 116.2) are deductible in connection with income taxation in the US, primarily through tax depreciation over a 15-year period following the acquisition. The temporary difference results in a deferred tax liability in the Group.

Parent Company's accounting policies

The Parent Company's accounting policies essentially comply with the accounting policies of the Group. For the Parent Company, an income statement and a statement of comprehensive income are presented, while for the Group, this is presented in a single report in the statement of comprehensive income. Furthermore, for the Parent Company, the terms balance sheet and cash flow statement are used for those statements that in the Group are called 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 statement for the Group are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows. The differences concerning the consolidated financial statements that are relevant to the Parent Company's income statements and balance sheets consist mostly of the recognition of equity.

Shares in subsidiaries

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

Important estimates and assumptions

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 and other Intangible assets

The Group regularly tests goodwill and development projects in progress for impairment. Other intangible assets are tested for impairment when events or changes indicate that the carrying amount is not recoverable. In calculating value in use, future cash flows are discounted at an interest rate that takes into account the market's assessment of risk-free interest and risk (WACC). The Group bases these calculations on achieved earnings, forecasts and business plans. The estimations and assumptions made by management during impairment testing can have a major impact on consolidated profit. Impairment losses, which are recognized if the estimated value in use is less than the carrying amount, are charged against profit. For the material assumptions made, see Note 13. The possibility that goodwill will have to be impaired cannot by excluded, which would have a material impact on Moberg Pharma's financial position and earnings. As of December 31, 2013, the value of goodwill was MSEK 70.0.

Product rights

The assessment of the value of product rights depends on certain assumptions pertaining 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 currently applied by Moberg Pharma 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 Pharma's financial position and earnings. As of December 31, 2013, the value of product rights was MSEK 111.2.

Internal development expenses

Development costs are to be capitalized as intangible assets when it is probable that the project will succeed. Each development project is unique and must be assessed based on its particular merits. The earliest assessed timing for capitalization is during phase III studies or equivalent final development steps for types of products other than pharmaceuticals. After completion of such development steps, a number of uncertainties 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 capitalized costs will not be justified, and 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 only one ongoing development project, next generation of Kerasal Nail™/Nalox™, currently fulfills all capitalization criteria. As of December 31, 2013, the value of capitalized expenditure for research and development was MSEK 0.4.

Tax

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. The deferred tax asset has been calculated on the basis of the assessment made by management and the Board of Directors concerning the future utilization, in the foreseeable future, of tax deficits accumulated in the Group. A changed assessment of how the loss carryforwards can be recovered through future taxable surpluses could impact recognized taxes on earnings and on items in the balance sheet in forthcoming periods. As of December 31, 2013, the value of deferred tax assets was MSEK 29.3.

NOTE 2. SALES

	Parent Company		Group	
Distribution of revenue	**2013**	**2012**	**2013**	**2012**
Sales of products	77,483	79,717	152,576	82,719
Milestone payments	4,813	29,750	4,813	29,750
	82,296	**109,467**	**157,389**	**112,469**

During 2013, the company had one customer who accounted for 27 percent (2) of the Group's revenue (customer headquartered in the U.S.), one customer who accounted for 24 percent (62) of the Group's revenue (customer headquartered in Sweden), as well as one customer who accounted for 12 percent (1) of the Group's revenue (customer headquartered in the U.S.).

	Parent Company		Group	
Revenue by geographical market	**2013**	**2012**	**2013**	**2012**
Europe	42,290	84,102	43,494	84,102
America	35,307	17,442	94,250	20,275
Rest of the world	4,699	7,923	19,645	8,092
	82,296	**109,467**	**157,389**	**112,469**

Revenue is based on the geographic market from which the product is sold.

	Parent Company		Group	
Revenue by product category	**2013**	**2012**	**2013**	**2012**
Kerasal Nail™ /Nalox™	79,843	109,369	97,964	108,251
Kerasal®	-	-	26,263	1,466
Jointflex®	-	-	32,725	2,653
Other products	2,453	98	436	98
	82,296	**109,467**	**157,389**	**112,468**

The Domeboro®, Vanquish® and Fergon® products were acquired from Bayer Healthcare on December 19, 2013 and sales from their products are included in profit or loss from that date. Sales of the newly acquired products amounted to MSEK 0.4 in 2013.

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 as of this date. Of product sales in 2012, 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 Pharma's operations comprise only one area of operation, the development and commercialization of medical products. Since the operations are conducted in one area of operation, no separate segment information is presented.

NOTE 4. OTHER OPERATING INCOME

	Parent Company		Group	
	2013	**2012**	**2013**	**2012**
Grants received	500	1,500	500	1,500
Exchange-rate gains	234	1,107	234	1,107
Other	334	111	334	111
	1,068	**2,718**	**1,068**	**2,718**

The research grants received pertain to research grants from Vinnova; Moberg Pharma 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	**2013**	**2012**	**2013**	**2012**
Raw materials and supplies	-	-	26,428	2,016
Goods for resale	19,063	22,861	13,539	22,861
Personnel costs	29,001	27,265	37,014	27,952
Depreciation/amortization	244	233	6,104	713
External research and development expenses	14,974	17,795	14,974	17,795
External selling expenses	7,327	12,416	58,624	13,491
Distribution	-	-	3,272	235
Other operating expenses	9,263	10,677	12,557	17,529
	79,872	**91,247**	**172,512**	**102,592**

Total operating expenses can be obtained if you summarize the rows for cost of goods sold, selling expenses, business development and administrative expenses, research and development expenses and other operating expenses in the consolidated statement of comprehensive income.

	Parent Company		Group	
Depreciation/amortization by function	**2013**	**2012**	**2013**	**2012**
Research and development expenses	171	164	171	164
Selling expenses	37	37	5,898	517
Business development and administrative expenses	36	32	36	32
	244	**233**	**6,105**	**713**

Depreciation of selling expenses pertains mainly to acquired product rights.

NOTE 6. LEASING

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

	Parent Company		Group	
Operational leasing	**2013**	**2012**	**2013**	**2012**
Payment within one year	2,270	2,294	2,670	2,641
Payment between one year and five years.	3,938	5,973	5,649	7,655
Payment between later than five years.	-	-	1,969	-
	6,208	**8,267**	**10,288**	**10,296**

	Parent Company		Group	
Operational leasing costs during the year	**2013**	**2012**	**2013**	**2012**
Leasing of premises	2,599	1,854	2,944	1,879
Leasing of parking spaces	120	113	120	113
Cleaning agreement	109	65	109	65
Leasing of machinery	133	96	133	96
	2,961	**2,128**	**3,306**	**2,153**

NOTE 7. PERSONNEL

	2013				2012			
	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	15	7	21	22	14	5	19	21
USA	5	2	7	7	0	0	1	8
Total	**20**	**9**	**28**	**29**	**14**	**5**	**20**	**29**

	2013		2012	
Reporting of members of Parent Company management by gender	**Women**	**Men**	**Women**	**Men**
Board of Directors	1	7	1	7
Other senior executives	1	4	2	6

	2013		2012	
Reporting of members of Group management by gender	**Women**	**Men**	**Women**	**Men**
Board of Directors[12]	1	7	1	7
Other senior executives[13]	1	5	2	7

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

	Parent Company		Group	
Total salaries, social security expenses and pensions	**2012**	**2011**	**2013**	**2012**
Salaries and other remuneration, including pension costs	21,182	18,739	28,112	19,364
Employee stock option costs	443	822	798	851
Social security expenses	6,006	6,639	6,367	6,672
Training	280	112	280	112
Recruitment	378	339	378	339
Other expenses	712	614	1,078	614
Total	**29,001**	**27,265**	**37,014**	**27,952**
Of which, pension costs	2,637	2,360	2,637	2,360

In 2013, variable remuneration for the entire workforce was MSEK 2.8 (2.8), of which MSEK 2.0 in the Parent Company. Variable remuneration corresponded to approximately 6 percent of the Group's total personnel expenses. 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 Board members receive director fees in an amount resolved by the AGM.

President and CEO

For 2013, the company paid CEO Peter Wolpert MSEK 1.7 in basic salary and MSEK 0.4 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 2013. The notice period is six months if the CEO resigns at his own initiative and 12 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 the Parent Company pertains to the four executives who, in addition to the CEO, comprise the Executive Management Group. In addition to the CEO, the Executive Management Group consisted of the following individuals in 2013:

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

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

Remuneration of senior executives
At the AGM on April 23, 2013, the following guidelines were resolved for senior executives of Moberg Pharma: 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 25-50 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 Board members perform work for the company or any other Group company, in addition to work on the Board of Directors, a market-aligned consultancy fee may be payable.

In case of employment termination, the notice period is to be at least three months if the senior executive resigns and between three and 12 months if the company takes the initiative. Severance amounts are not payable. Any share and share-price-related programs must be adopted by an AGM. Allotment from such programs must be in accordance with a resolution from the AGM. With the exception of the employee stock options that have been allotted 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.

Remunerations and other benefits during the year for senior executives in the Group

	Basic salary/ Board fee	Variable remune-ration	Other benefits	Pension costs	Share-based remuner-ation[14]	Other remu-neration	Total
Chairman of the Board, Mats Pettersson	300						300
Vice Chairman, Wenche Rolfsen	329[15]						329
Board member, Gustaf Lindewald	150						150
Board member, Peter Rotschild	150						150
Board member, Torbjörn Koivisto	150						150
Board member, Geert Cauwenbergh (elected May 23, 2012)	187[16]						187
Board member, George Aitken-Davies (elected November 27, 2012)	-						0
President and CEO, Peter Wolpert	1,764	397		489	127		2,777
Other senior executives (5 persons)	5,697	1,451		813	471	1,172[17]	9,605
	8,727	**1,848**	**0**	**1,302**	**598**	**1,172**	**13,648**

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 Director´s fee paid to Rolfsen Consulting AB also includes remuneration corresponding to social security contributions.

16 Fees for the Phases123 LLC include replacement of social security contributions.

17 The line includes remuneration of SEK 977,000 to Steve Cagle (President of Moberg Pharma North America) and SEK 195,000 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).

Incentive program
Moberg Pharma has introduced a share-based incentive plan in the form of employee stock options intended to promote the company's long-term interests by motivating and rewarding senior executives and other employees. All permanent employees who had been employed for at least 12 months on December 31, 2013 are now either shareholders or are included in the company's incentive plan. Information on the number of shares and warrants held by Board members, the CEO and other senior executives is presented under the Board of Directors on page 74 and Executive Management on page 73. For further information on share-based remunerations, refer to Note 19.

NOTE 8. INFORMATION ON REMUNERATION OF THE AUDITOR

	Parent Company		Group	
	2013	2012	2013	2012
Ernst & Young				
Audit assignment	205	354	367	354
Auditing in addition to the assignment	168	621	168	621
Tax advice	31	14	31	14
Other services	483	1,148	483	1,148
	887	**2,137**	**1,049**	**2,137**
McGladrey				
Audit assignment	–	–	388	325
Auditing in addition to the assignment	–	–	-	65
Tax advice	–	–	-	65
Other services	–	–	-	-
	0	**0**	**388**	**455**
Total	**887**	**2,137**	**1,437**	**2,592**

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 in 2013 were primarily connected to the acquisition of product rights and capital procurement.

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

	Parent Company		Group	
	2013	2012	2013	2012
Equipment and inventory	229	219	355	222
Intangible fixed assets	14	14	5,750	491
	244	**233**	**6,105**	**713**

NOTE 10. FINANCIAL ITEMS

	Parent Company		Group	
Interest income and similar items	**2013**	**2012**	**2013**	**2012**
Interest income	832	1,825	546	1,819
Other financial income	0	25	0	25
	832	**1,850**	**546**	**1,844**

	Parent Company		Group	
Interest expense and similar items	**2013**	**2012**	**2013**	**2012**
Interest expense	2,292	285	2,284	285
Exchange-rate gains/losses on liabilities	182	-550	182	-550
Costs for loans raised	199	17	199	17
Other financial expenses	-	4	-	4
	2,673	**-244**	**2,665**	**-244**

NOTE 11. TAXES

	Parent Company		Group	
Tax recognized in profit or loss.	**2013**	**2012**	**2013**	**2012**
Current tax	28	-	3	-3
Change in deferred tax	-713	20,952	4,814	21,134
	-685	**20,952**	**4,817**	**21,131**
Applicable tax rate in Sweden	22,0%	26,3%	22,0%	26,3%

	Parent Company		Group	
Difference between tax recognized in profit or loss and tax based on applicable tax rate	**2013**	**2012**	**2013**	**2012**
Profit/loss before tax	1,651	23,032	-16,175	14,682
Tax according to the applicable tax rate for the Parent Company	-363	-6,057	3,559	-3,861
Effects of other tax rates for foreign subsidiaries	N/A	N/A	1,695	96
Effects from the utilization of non-capitalized loss carryforwards	-	-	-	-
Non-taxable income	0	0	0	0
Non-deductible expenses	-350	-466	-465	-2,543
Costs that are deducted but not included in profit/loss				
Other	28	-	28	-2
Capitalized value from loss carryforwards from prior years	-	31,778	-	31,780
Effect of changed tax rates	N/A	-4,303	N/A	-4,339
Tax recognized	**-685**	**20,952**	**4,817**	**21,131**

	Parent Company		Group	
Deferred tax	**2013**	**2012**	**2013**	**2012**
Loss carryforwards, January 1	-100,063	-120,832	-100,404	-120,832
Change in loss carryforwards for the year	1,032	20,768	-4,067	20,428
Loss carryforwards, December 31	**-99,031**	**-100,063**	**-104,471**	**-100,404**

	Parent Company		Group	
	2013	**2012**	**2013**	**2012**
Deferred tax assets on deficit	21,787	22,014	26,896	22,291
Deferred tax assets - other temporary differences	-	-	2,431	34
Deferred tax liabilities	-	-	-1,860	-129
	21,787	**22,014**	**27,467**	**22,196**

Deferred tax assets pertaining to tax-deductible temporary differences and tax loss carryforwards are recognized only to the extent that it is considered likely that they will be utilized and will result in lower tax payments in the future. Since the Board is of the opinion that the company's development makes it likely that a future taxable surplus will be generated that can be offset with the unutilized tax losses, the losses were assigned a value from the 2012 fiscal year and onwards. Current tax loss carryforwards can be utilized for an unlimited time in Sweden and over a period of 20 years in the U.S.

Deferred tax assets – other temporary differences in the Group pertain in part to provisions for doubtful accounts receivables and in part to provisions for UNICAP, variable salary and inventory obsolescence.

In connection with the acquisition of the U.S. operation in 2012, push down accounting was applied, which entails that surplus value is recognized in a legal entity. Fair-value adjustments totaling MUSD 17.87 (MSEK 116.2) are deductible in connection with income taxation in the US, primarily through tax depreciation over a 15-year period following the acquisition. The temporary difference results in a deferred tax liability in the Group.

NOTE 12. EARNINGS PER SHARE

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

Earnings per share	**2013**	**2012**
Consolidated net profit/loss	-11,358	35,813
Weighted average number of shares before dilution	11,265,704	9,300,642
Dilution effect of employee stock option schemes	-	441,394
Weighted average number of shares after dilution	11,265,704	9,742,036
Earnings/loss per share before dilution	-1,01	3,85
Earnings/loss per share after dilution	-1,01	3,68

Since the Group recognized a loss for 2013, the outstanding warrants did not generate any dilution effect for the year. This is because dilution is recognized only when a potential for conversion to common shares would entail lower earnings per share.

The total number of outstanding warrants at the end of the year was 654,779. If all warrants were to be exercised to subscribe for shares, the total number of shares would increase by 900,634 shares, from 11,893,572 shares to 12,794,206 shares, corresponding to dilution of 7.0 percent.

NOT 13. INTANGIBLE FIXED ASSETS

	Parent Company		Group	
Opening accumulated cost	**2013**	**2012**	**2013**	**2012**
Capitalized expenditure for the year, own development	-	-	-	-
Carrying amount at the end of the period	383	-	383	-
Carrying amount at the end of the period	**383**	**-**	**383**	**-**

Costs for research and development that were not capitalized amounted to MSEK 29.0, compared with MSEK 30.8 in 2012.

Capitalized expenditure for research and development pertain to capitalized development costs for the next generation of Kerasal Nail™/Nalox™. The useful life is based on the service life of the underlying patent; amortization is applied straight-line from the date of commercialization until the end of the patent, or straight-line across the anticipated useful life if this is less than the underlying service life of the patent.

	Parent Company		Group	
Goodwill	**2013**	**2012**	**2013**	**2012**
Opening accumulated cost	-	-	70,346	-
Acquisitions for the year attributable to business acquisitions	-	-	-	71,536
Translation differences	-	-	-325	-1,190
Carrying amount at the end of the period	**-**	**-**	**70,021**	**70,346**

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

	Parent Company		Group	
Product rights	**2013**	**2012**	**2013**	**2012**
Opening accumulated cost	-	-	85,858	-
Acquisitions for the year	31,897	-	31,897	87,311
Translation differences	-	-	-396	-1,453
Closing accumulated cost	*31,897*	-	*117,359*	*85,858*
Opening amortization	-	-	-477	-
Amortization for the year	-	-	-5,697	-477
Translation differences			2	-
Closing amortization	-	-	*-6,172*	*-477*
Carrying amount at the end of the period	**31,897**	**-**	**111,187**	**85,381**

Specification of product rights	**2013**	**Rate of amortization, year**	**Remaining amortization period, year**
Product rights for Kerasal®	53,676	15	13,9
Product rights for JointFlex®	25,614	15	13,9
Product rights for Fergon®, Domeboro® and Vanquish®	31,897	25	25
Carrying amount at the end of the period	**111,187**		

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

	Parent Company		Group	
Patents, licenses and similar rights	**2013**	**2012**	**2013**	**2012**
Opening accumulated cost	300	300	300	300
Acquisitions for the year	-	-	-	-
Closing accumulated cost	*300*	*300*	*300*	*300*
Opening amortization	-57	-43	-57	-43
Amortization for the year	-14	-14	-14	-14
Closing amortization	*-71*	*-57*	*-71*	*-57*
Carrying amount at the end of the period	**229**	**243**	**229**	**243**

Testing of impairment requirement

Goodwill and intangible assets with indeterminable useful life are tested at least annually to assess impairment requirements. Assets amortized according to plan are assessed for impairment whenever events or changes in relationships indicate that the carrying amount could be impaired.

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

WACC

The discount rate used has been calculated as WACC (weighted average cost of capital) and amounted to 16 percent before tax. The discount rate is based on a market-based assessment of the average capital cost taking into account the estimated existing risk level.

Other significant assumptions

Calculations are based on a five-year forecast and and the growth rate beyond the forecast period is expected to be 2 percent per year. All of the company´s operations are treated as a single cash-generating unit.

Sensitivity analysis

The sensitivity analysis is conducted to analyze how changes in WACC and assessed growth rates influence the calculated useful life of product rights and operations in the U.S.

NOTE 14. TANGIBLE FIXED ASSETS

	Parent Company		Group	
	2013	2012	2013	2012
Opening cost	1,784	1,304	2,365	1,742
Investments	125	479	200	630
Translation differences	-	-	-2	-7
Divestments/disposals	-	-	-	-
Closing cost	*1,909*	*1,784*	*2,563*	*2,365*
		,	,	,
Opening depreciation	-1,026	-807	-1,029	-807
Depreciation for the year	-230	-219	-354	-222
Closing depreciation	*-1,256*	*-1,026*	*-1,383*	*-1,029*
Carrying amount at the end of the period	**653**	**758**	**1,180**	**1,336**

NOTE 15. INVENTORIES

	Parent Company		Group	
	2013	2012	2013	2012
Raw materials	-	-	2,110	3,242
Finished products and goods for resale	-	-	4,858	6,497
	-	**-**	**6,968**	**9,739**

NOTE 16. ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

	Parent Company		Group	
	2013	2012	2013	2012
Accounts receivable	6,852	17,063	19,946	31,371
Provisions for doubtful accounts receivables	-1,672*	0	-1,765*	-117
Carrying amount at the end of the period, accounts receivables	**5,180**	**17,063**	**18,181**	**31,254**
Receivables from Group companies	19,024	7,781	N/A	N/A
Other receivables	650	496	683	513
	24,854	**25,340**	**18,864**	**31,767**

The fair value for accounts receivables corresponds to the carrying amount. The maximum exposure to credit risk on the balance-sheet date corresponds to the carrying amount of accounts receivables and other receivables. Accounts receivables are deemed to be of good credit quality.

*All provisions are for accounts receivable overdue

Large outstanding accounts receivables for the Group:	Outstanding accounts receivables, December 31, 2013	% of total accounts receivables
Company A	4,245	21%
Company B	3,823	19%

Large outstanding accounts receivables for the Parent Company:	Outstanding accounts receivables, December 31, 2013	% of total accounts receivables
Company X	4,245	62%
Company Y	1,273	19%
Company Z	672	10%

On December 31, 2013, accounts receivables amounting to MSEK 18.0 (17.9) matured without any need for impairment. The age analysis is shown below.

	Parent Company		Group	
Age analysis of accounts receivable	**2013**	**2012**	**2013**	**2012**
Not overdue	1,935	13,271	1,935	13,481
Overdue, Less than 3 months	4,917	3,792	18,234	16,403
Overdue, 3 to 6 months	-	-	-222	1,487
Overdue, More than 6 months	-	-	-	-
	6,852	**17,063**	**19,946**	**31,371**

	Parent Company		Group	
Changes in provisions for doubtful accounts receivable	**2013**	**2012**	**2013**	**2012**
As of January 1	-	-277	-117	-394
Additional provisions for doubtful accounts receivable	-1,672	-	-1,672	-
Receivables depreciated during the year as non-recoverable	-	-	23	-
Reversed unutilized amount	-	277	-	277
Carrying amount at the end of the period	**-1,672**	**0**	**-1,766**	**-117**

	Parent Company		Group	
Accounts receivable excluding overdue accounts receivables and financial statement receivables with impairment requirements	**2013**	**2012**	**2013**	**2012**
Accounts receivable excluding overdue accounts receivables and financial statement receivables with impairment requirements	263	13,271	168	13,364

NOTE 17. PREPAID EXPENSES AND ACCRUED INCOME

	Parent Company		Group	
	2013	2012	2013	2012
Accrued expenses	3,747	3,117	3,747	3,059
Rent for premises	648	652	648	652
Other property expenses	9	18	9	18
Insurance expenses	744	553	905	553
Pension costs	200	190	200	190
Other prepaid expenses	404	1,763	740	1,854
	5,752	**6,293**	**6,249**	**6,326**

NOTE 18. CASH AND CASH EQUIVALENTS

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

	Parent Company		Group	
	2013	2012	2013	2012
Cash and bank balances	22,244	50,838	27,138	53,423

Cash and cash equivalents include bank guarantees totaling MSEK 0.7 in both the Parent Company and the Group.

NOTE 19. EQUITY

Equity

Moberg Pharma's managed assets comprise shareholders' equity. Changes in managed shareholders' equity are stated in the "Consolidated statement of changes in shareholders' equity," page 39. Moberg Pharma aims to create value and generate a solid return for shareholders through profitable growth deriving from organic sales growth as well as acquisitions and in-licensing of new products. The company´s financial objectives are to achieve continued healthy growth and an operation margin (EBITDA margin) of at least 25 percent within three years.

Share capital

Date[18]	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
Opening balance, 2012				**9,079,020**	**907,902.00**	**0.10**		
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
Closing balance, 2012				**10,812,572**	**1,081,257.20**	**0.10**		
Opening balance, 2013				**10,812,572**	**1,081,257.20**	**0.10**		
July 2013	Private placement	1,081,000	108,100.00	11,893,572	1,189,357.20	0.10	33.54	36 256,740
Closing balance, 2013				**11,893,572**	**1,189,357.20**	**0.10**		

[18] Refers to the date of registration at the Swedish Companies Registration office

Share-based remuneration

Employee stock options	2008:1	2008:2	2009:1	2010:1	2010:2	2011:1	2012:1	2012:2	2013:1
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	Apr 23, 2013
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	Dec 31, 2017
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 on December 31, 2014, 2015, 2016 and 2017, respectively.	Jun 30, 2016
Exercise price, SEK per share	16.55	32.75	32.75	32.75	32.75	29	32.22	42.81	36.77
Number originally allocated	30,000	16,498	13,833	89,501	40,576	121,747	50,750	125,000	60,750
Outstanding, January 2013	30,000	13,499	13,833	89,501	40,576	121,747	50,750	125,000	0
Allocated in 2013	0	0	0	0	0	0	0	0	60,750
Forfeited prior years	0	2,999	333	0	0	747	15,750	0	0
Forfeited in 2013	0	0	0	0	0	0	0	0	0
Exercised in 2013	0	0	0	0	0	0	0	0	0
Due in 2013	0	0	0	0	0	0	0	0	0
Outstanding, December 31, 2013	30,000	13,499	13,500	89,501	40,576	121,000	35,000	125,000	60,750
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**	**60,750**
Vested, December 31, 2013	30,000	13,499	13,500	89,501	40,576	121,000	0	0	0

Employee stock options are issued by the subsidiary Moberg Derma Incentives AB. The employee stock options may be exercised by the holder at any time after the vesting day through the closing day, with each employee stock option entitling the holder to subscribe for one warrant. Each warrant in turn entitles the holder to subscribe for two common shares in Moberg Pharma, with the exception of the 2011:1, 2012:1, 2012:2 and 2013:1 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 Pharma is required to pay social security contributions on the difference between the market price of the share when the option is exercised and the exercise price paid by the employee. The expected social security contributions have been calculated and a provision has been made in the accounts.

The fair value of the employee stock options granted during the period was determined using the Black-Scholes valuation model at SEK 6.53 per option in the 2013:1 program. Key input data used in the model for the 2013:1 option program was the market price per share of SEK 33.43, exercise price of SEK 36.77, risk-free interest of 1.1 percent, volatility 25 percent, expected term 4.6 years, staff turnover 0 percent and no dividend.

Group costs for the employee stock option program (excluding estimated social security costs) for 2013 were MSEK 0.4. Corresponding costs for 2012 were MSEK 0.8.

A total of 654,779 warrants have been issued by the subsidiary Moberg Derma Incentives AB. These warrants are intended to be transferred and used for subscription of new shares upon exercise of the same number of employee stock options and to cover any social security contributions 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	162,433	162,433
2011 - Closing date for subscription: Dec 31, 2015 Subscription price SEK 0.10	159,018	159,018
2012:1 - Closing date for subscription: Dec 31, 2016 Subscription price SEK 32.22	45,997	45,997
2012:2 - Closing date for subscription: Dec 31, 2018 Subscription price SEK 42.81	126,813	126,813
2013:1 - Closing date for subscription: Dec 31, 2017 Subscription price SEK 36.77	77,096	77,096
	654,779	**654,779**

If all 654,779 outstanding warrants were to be exercised to subscribe for shares, the total number of shares would increase by 900,634 shares, from 11,893,572 shares to 12,794,206 shares, corresponding to a dilution of 7.0 percent.

NOTE 20. LONG-TERM LIABILITIES

	Parent Company		Group	
	2013	2012	2013	2012
Long-term bank loans	16,667	27,778	16,667	27,778
Other long-term liabilities	-	16,250	1,860	14,492
Carrying amount at the end of the period	**16,667**	**44,028**	**18,527**	**42,270**

	Parent Company		Group	
Maturity period for long-term liabilities:	2013	2012	2013	2012
Date of maturity 1-2 years from the balance-sheet date	13,333	29,583	13,333	27,825
Date of maturity 2–5 years from the balance-sheet date	3,334	14,445	3,334	14,445
Date of maturity more than 5 months from the balance-sheet date	-	-	1,860	-
Carrying amount at the end of the period	**16,667**	**44,028**	**18,527**	**42,270**

	Parent Company		Group	
Expected future interest payments:	2013	2012	2013	2012
Date of maturity 1-2 years from the balance-sheet date	1,986	3,408	1,986	3,408
Date of maturity 2–5 years from the balance-sheet date	17	599	17	599
Date of maturity more than 5 months from the balance-sheet date	-	-	-	-
Total expected future interest payments	**2,004**	**4,007**	**2,004**	**4,007**

	Parent Company		Group	
Carrying amount in MSEK, per currency, for long-term liabilities:	2013	2012	2013	2012
SEK	16,667	27,778	16,667	27,778
USD	-	16,250	1,860	14,492
	16,667	**44,028**	**18,527**	**42,270**

The Group has loan financing totaling MSEK 30 from Swedbank as at December 31, 2013. The credit facility is available providing the company fulfills certain financial covenants pertaining to EBITDA and cash flow. The loan carries variable interest and matures on January 30, 2016, with quarterly amortization from April 30, 2013.

NOTE 21. CURRENT RECEIVABLES

	Parent Company		Group	
Interest-bearing current liabilities	2013	2012	2013	2012
Current bank loans	13,333	12,222	13,333	12,222
Carrying amount at the end of the period	**13,333**	**12,222**	**13,333**	**12,222**

	Parent Company		Group	
Other current liabilities	2013	2012	2013	2012
Employee withholding taxes	528	518	528	518
Settled social security contributions	447	381	447	381
Provisions for social security contributions for employee stock option schemes	922	1,509	922	1,509
Contingent purchase consideration	18,116	16,250	17,530	16,250
Other current liabilities	-211	350	-211	350
	19,802	**19,008**	**19,216**	**19,008**

Contingent purchase consideration pertains to the contingent purchase consideration of MSEK 16.2 valued at maximum cost paid in connection with the acquisition of Moberg Pharma North America and the unpaid portion of product acquisitions from Bayer HealthCare totaling MSEK 1.9.

NOTE 22. ACCRUED EXPENSES AND DEFERRED INCOME

	Parent Company		Group	
	2013	2012	2013	2012
Accrued personnel expenses	4,764	5,140	6,893	5,140
Accrued Board expenses	1,252	745	1,252	745
Audit	235	305	397	305
Marketing Development Funds	-	-	1,714	3,090
Accrued marketing expenses	-	-	1,879	1,434
Returns and discounts	-	-	1,067	1,069
Other accrued expenses	984	4,641	1,266	8,254
	7,235	**10,831**	**14,469**	**20,037**

	Parent Company		Group	
Accrued personnel expenses	2013	2012	2013	2012
of which, accrued salaries	2,277	2,786	4,406	2,786
of which, accrued vacation pay liability	1,291	1,008	1,291	1,008
of which, accrued social security contributions	633	832	633	832
of which, accrued pension costs	22	115	22	115
of which, accrued payroll tax on pension costs	541	399	541	399
	4,764	**5,140**	**6,893**	**5,140**

NOTE 23. PLEDGED ASSETS AND CONTINGENT LIABILITIES

Moberg Pharma has no contingent liabilities. As collateral for the loan financing during 2012, Moberg Pharma pledged chattel mortgages in the amount of MSEK 20 and shares in Moberg Pharma North America LLC (Alterna LLC). In addition, there are previously blocked bank deposits of MSEK 0.7.

	Group	
Pledged assets in the Group	**2013**	**2012**
Shareholders' equity in the subsidiary Moberg Pharma North America	157,977	170,396
Chattel mortgage	20,000	20,000
Bank guarantee, cash and cash equivalents	702	702
	178,679	**191,098**

	Parent Company	
Pledged assets in the Parent Company	**2013**	**2012**
Shares in the subsidiary Moberg Pharma North America	178,006	178,006
Chattel mortgage	20,000	20,000
Bank guarantee, cash and cash equivalents	702	702
	198,708	**198,708**

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

December 31, 2013	**Assets/debt valued at fair value via profit or loss**	**Loan receivables and accounts receivables**	**Other financial liabilities**	**Total**
Assets in the balance sheet				
Accounts receivable and other receivables (excluding interim receivables)	-	18,864		18,864
Cash and cash equivalents	-	27,138		27,138
Total	**0**	**46,002**		**46,002**
Liabilities in the balance sheet				
Bank loan			31,860[19]	31,860
Contingent purchase consideration (level 3)	17,530[20]			17,350
Accounts payable and other liabilities excluding non-financial liabilities			23,786[21]	23,786
Total	**17,530**		**37,141**	**54,671**

December 31, 2012	**Assets/debt valued at fair value via profit or loss**	**Loan receivables and accounts 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	**0**	**85,190**		**85,190**
Liabilities in the balance sheet				
Bankloan			40,000	40,000
Contingent purchase consideration (level 3)	14,492		-	14,492
Accounts payable and other liabilities excluding non-financial liabilities			28,000	28,000
Total	**14,492**		**68,000**	**82,492**

[19] Consists of long-term debt of 18,527 plus short-term borrowings of 13,333, see Note 20
[20] See Note 21
[21] Composed of accounts payable of 4,570 plus other current liabilities (excluding contingent purchase consideration employee withholding taxes and social security contributions) of 711, see Note 21

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

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

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

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

For all items above, with the exception of borrowing, the carrying amount is an approximation of the fair value, which is why these items are not divided into levels according to the measurement hierarchy.

The fair value of borrowing for disclosure purposes amounted to MSEK 31.9 (40.0) and is based on future cash flows of capital and interest, discounted to current market rates on the balance-sheet date, meaning level 2 in the measurement hierarchy.

NOTE 25. IMPACT OF CASH FLOW FROM INVESTMENTS IN SUBSIDIARIES – FOR THE GROUP

	2013	2012
Acquisition of participations in subsidiaries paid for in cash during the year	-16,658	-99,151
Current balance in acquired company	-	2,084
Group's cash flow impact	**-16,658**	**-97,067**

The acquisition of Alterna LLC (currently Moberg Pharma North America LLC) includes supplementary purchase considerations that are triggered if revenue for the acquired company reaches a certain amount. If the set targets are achieved, supplementary purchase considerations totaling a maximum of MUSD 2.5 will be paid per period, totaling a maximum of MUSD 5 to the sellers of Alterna LLC. The targets for the first supplementary consideration were achieved and MUSD 2.5 was paid in the first quarter of 2013.

NOTE 26. PARTICIPATIONS 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	2013	2012
Opening cost	178,106	100
Acquisitions	-	178,006
Closing accumulated cost	**178,106**	**178,106**
Closing carrying amount	**178,106**	**178,106**

In the Parent Company, Moberg Pharma AB, direct costs attributable to the acquisition of Alterna LLC (MSEK 6.6) are capitalized in shares in subsidiaries, while these costs are recognized under administrative expenses in consolidated profit or loss. A part of the supplementary purchase consideration payable to senior executives in Moberg Pharma North America LLC is also conditional upon continued employment in the company; in the consolidated financial statements, this is recognized as salary continuously during the vesting period, while the entire supplementary purchase consideration is 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.

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

It was announced on October 25, 2012 that Moberg Pharma had acquired its U.S. distributor, Alterna LLC. As a result of the acquisition, Moberg Pharma gained access to a well-developed distribution network in the US for non-prescription drugs and a portfolio of established trademarks, including 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 Pharma Group. The acquisition price was MSEK 170 on a debt-free basis, which includes a supplementary purchase consideration of not more than MUSD 5 and an initial purchase consideration of MSEK 138, of which MSEK 39 comprised 825,652 shares in the company through an issue in kind. The remaining purchase consideration was paid in cash. The cash portion of the purchase consideration was financed through a private placement of 907,900 shares to certain Swedish institutional investors valued at approximately MSEK 32, bank financing of MSEK 40 from Swedbank and own funds. The acquisition includes supplementary purchase considerations that fall due if Alterna's revenue for the period January 1, 2012 - December 31, 2012, and January 1, 2012 - June 30, 2014, respectively reach certain amounts. If the targets are achieved, a supplementary 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 supplementary purchase consideration were achieved and MUSD 2.5 was paid in the first quarter of 2013. The acquisition encompasses 100 percent of the share capital in Alterna LLC.

Direct expenses attributable to the acquisition, which are recognized in the consolidated income statement under administrative expenses, amounted to 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 Pharma's business/product development capacity and the acquired strategic platform for the sale of pharmaceuticals in the U.S. The acquisition also resulted in the return of the rights to Kerasal Nail in the U.S. to Moberg Pharma.

The entire amount of recognized goodwill is expected to be tax deductible in the U.S. The table below summarizes 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.

Acquisition estimate (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 expenses	-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 was MSEK 15.3, corresponding to the carrying amount. Recognized accounts receivable are expected to be received in their entirety.

One of the accounting effects of the acquisition is a revaluation up to fair value of the inventory held by the U.S. firm in an amount of MSEK 4.6, thus reducing earnings by the corresponding amount. MSEK 1.5 of MSEK 4.6 was charged to consolidated earnings in 2012 and MSEK 3.1 was charged against earnings for 2013.

NOTE 28. INTRA-GROUP TRANSACTION

Intra-Group transactions from the Parent Company's perspective

	2013	2012
Sale of goods	34,169	1,978
Marketing contributions	-4,883	-674
Interest on intra-Group loans	290	8
	29,576	**1,312**

NOTE 29. FINANCIAL RISKS AND FINANCE 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 Pharma applies a cautious investment policy.

Through its activities, Moberg Pharma 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 Pharma's policy is to not hedge financial risks relating to loans, transactions 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 Pharma is in an expansion phase and invests in marketing and product development activities aimed at generating future income.. The company's operations have been financed by revenue from product sales, shareholder contributions through new share issues and loans. Future investments are expected to be financed by revenue from current cash flow and existing funds. Should the opportunity arise for faster growth, for example through acquisitions, Moberg Pharma may need to raise additional capital through new share issues or loans.

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

The Group had loan financing of MSEK 30 as at December 31, 2013. The credit facility is available providing the company fulfills certain financial covenants pertaining to EBITDA and cash flow.

Currency risk

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

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

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

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

The Group did not use currency hedging in 2013 but will regularly review the need for currency hedging as the business expands. Operating expenses for the fiscal year totaled MSEK 170.8, of which costs in foreign currencies accounted for approximately 72 percent. Of total revenue in 2013 of MSEK 155.7, about 76 percent pertained to revenue in foreign currencies. Most of the exposure was in USD, both in terms of revenue and expenses, with revenue in USD accounting for about 69 percent of the Group's total revenue and expenses in USD for approximately 58 percent of the total operating expense.

The corresponding figures for 2012 were, operating expenses MSEK 102.6, of which approximately 44 percent accounted for costs in foreign currency. Of total revenue in 2012 of MSEK 112.5, about 24 percent pertained to revenue in foreign currencies.

Operating profit was impacted during the fiscal year by net exchange gains of MSEK 0.2. Future revenue and expenses will be affected by fluctuations in foreign currencies.

Sensitivity analysis of foreign currency risk 2013 (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
EUR	-110	216	106
GBP	-	20	20
USD	-1,092	998	-94
Others	-	2	2
Total	**-1,203**	**1,236**	**34**

Of the Group's outstanding receivables as at December 31, 2013, MSEK 21.2 pertained to foreign currency, of which 85 percent in USD and 15 percent in EUR. Of the Group's outstanding liabilities as at December 31, 2013, MSEK 35.8 pertained to foreign currency, of which 89 percent in USD, 10 percent in EUR and 1 percent in other currencies.

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 Pharma secures its short-term ability to meet payment obligations by maintaining adequate liquidity in the form of cash balances.

Interest-rate risk pertains to the risk that changes in the general interest-rate situation will have a negative impact on the Group's net profit. The speed by which changes in interest rates will impact the net profit depends on the fixed-interest period for the loan. Moberg Pharma's current loans have 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 Pharma is exposed to counterparty risk primarily in connection with distribution and licensing agreements and financial investments. When a distribution or licensing agreement is to be entered into, the counterparty is always evaluated prior to signing the agreement. Payment of accounts receivable is monitored continuously, thus making Moberg Pharma's exposure to doubtful receivables low. The Group limits its current counterparty risk in connection with financial investments by investing excess liquidity with counterparties with very high credit ratings.

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 33.

NOTE 31. RELATED-PARTY TRANSACTIONS

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

Acquisition of Moberg Pharma North America

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 minority owners of the acquired company. The acquisition includes supplementary purchase considerations that are triggered if revenue for the acquired company reaches a certain amount. If the established targets are achieved, a supplementary purchase consideration of a maximum of MUSD 2.5 per period, a total of a maximum of MUSD 5, is to be paid to the sellers of Moberg Pharma North America. The targets for the first supplementary purchase consideration were achieved and MUSD 2.5 was paid in the first quarter of 2013. Part of the supplementary purchase consideration is conditional upon the continued employment of Steve Cagle and Jim Barton in Moberg Pharma North America.

Remuneration of 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 Pharma that are or were unusual in terms of their character or contract terms and that took place in the current year. Nor has Moberg Pharma made loans, issued guarantees or provided surety bonds to or on behalf of any of the Directors, senior executives of the company.

ASSURANCE BY THE BOARD OF DIRECTORS

The undersigned certify that the consolidated financial statements and 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 faces by the companies included in the Group.

Bromma April 11, 2014

Mats Pettersson
Chairman

Wenche Rolfsen
Vice Chair

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 April 11, 2014

Ernst & Young AB

Magnus Fagerstedt
Authorized Public Accountant

AUDITOR'S REPORT

To the annual meeting of the shareholders of Moberg Pharma AB (publ), Corp. Reg. No. 556697-7426

REPORT ON THE ANNUAL ACCOUNTS AND C ONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Moberg Pharma AB (publ) for the year 2013. The annual accounts and consolidated accounts of the company are included in this document on pages 30-66.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE CEO

The Board of Directors and the CEO are responsible for the preparation and fair presentation of the 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 CEO 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. These 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 judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making these 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 CEO, 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 financial position of the Parent Company as of 31 December 2013 and of its financial statements and cash flows for the year 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 2013 and of its financial statements and cash flows for the year 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 also recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the Parent Company, and the statement of comprehensive income and the statement of financial position for the Group.

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 CEO of Moberg Pharma AB (publ) for the year 2013.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE CEO

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 CEO 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 CEO is liable to the company. We also examined whether any member of the Board of Directors or the CEO 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 audit 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 CEO be discharged from liability for the fiscal year.

Stockholm, April 11, 2014
Ernst & Young AB

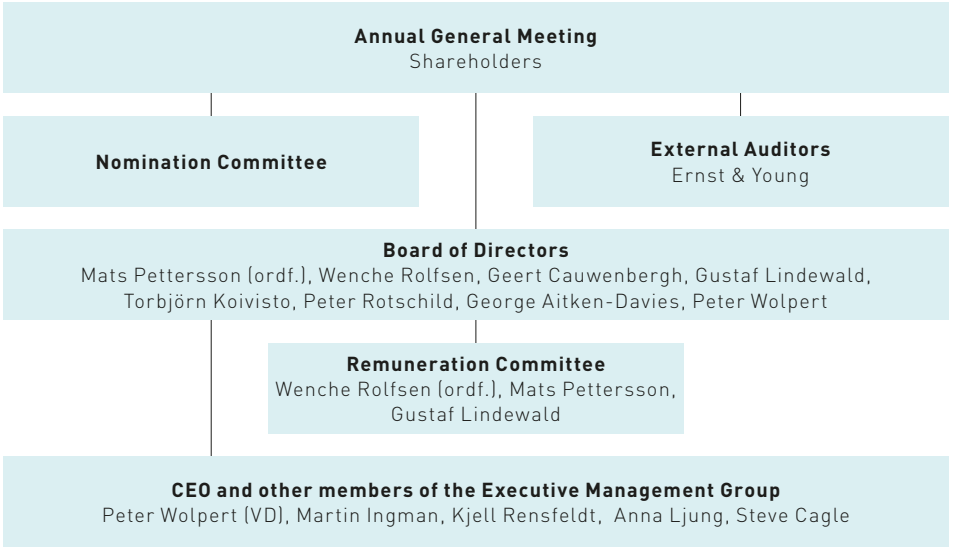
Magnus Fagerstedt
Authorized Public Accountant

CORPORATE GOVERNANCE REPORT

Moberg Pharma AB (publ), corporate registration number 556697-7426, is a Swedish limited liability company headquartered in Stockholm, Sweden. Prior to its listing on NASDAQ OMX Nordic Exchange Stockholm, the company's corporate governance activities were based on Swedish law and internal rules and regulations.

The company was listed on the NASDAQ OMX Nordic Exchange Stockholm on May 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 Pharma 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 Pharma's shareholders. The objective is to create sound prospects for an active and responsible ownership role, a well-balanced division of responsibility between the owners, Board of Directors and management and transparency towards owners, the capital markets, employees and society at large.

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

Internal regulatory structures and policies that affect corporate governance

- Articles of Association
- Board of Directors' Rules of Procedure and CEO's Instructions
- Remuneration Principles for Senior Executives
- Risk Management Policy
- Finance Policy
- IT Policy
- 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
- Corporate governance

GENERAL SHAREHOLDERS' MEETINGS

In accordance with the Swedish Companies Act, Moberg Pharma'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 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 Pharma'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 Moberg Pharma 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 Pharma's website. The website also provides information on shareholders' right to have matters considered at the meeting and the deadline before which such requests must reach the company.

The 2013 AGM took place on April 23, 2013. The meeting was attended by 18 shareholders, in person or by proxy. These represented 42.3 percent of the shares and votes of Moberg Pharma. The Chairman of the Board, Mats Pettersson, was elected Chairman of the meeting. The CEO and all Directors attended the meeting. The minutes from the AGM are available at www.mobergpharma.se under corporate governance. At the AGM, shareholders resolved to authorize the Board until the next AGM to decide on the issuance of new shares, on one or more occasions, either with preferential rights or disapplying the shareholders' preferential rights. The total number of shares encompassed by such new share issues may not exceed ten percent of the shares in the company at the time of the 2013 AGM.

Prior to the 2014 AGM, the Board proposes shareholders to authorize the issuance of new shares at a total not exceeding 20 percent of outstanding shares in the company.

BOARD OF DIRECTORS

After a 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 Pharma's financial position and results and evaluating the company's operational management. The Board is responsible for ensuring that the Annual Report and consolidated financial statements and interim reports are prepared in time. The Board also appoints the Chief Executive Officer. Directors are elected each year at the AGM for the period until the end of the next AGM. Moberg Pharma's 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 significant issues. Moberg Pharma's Board currently consists of eight Directors. The Board is presented in the Annual Report on page 76.

	Attendance (no. of meetings 2013)				Independent in relation to	
	Board meetings	Remuneration Committee	Directors' fees 2013, KSEK	Elected	The company	Owners
Chairman of the Board, Mats Pettersson	13	2		2010	Yes	Yes
Vice Chairman, Wenche Rolfsen	11	2	329[15]	2010	Yes	Yes
Board member, Gustaf Lindewald	13	2	150	2006	Yes	Yes
Board member, Geert Cauwenbergh	13		187[16]	2012	Yes	Yes
Board member, Torbjörn Koivisto	13		150	2009	Yes	No
Board member, Peter Rotschild	13		150	2011	Yes	Yes
Board member, George Aitken-Davies	13		0	2012	Yes	No
President and 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 (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 Pharma's financial position.

The CEO is required to keep the Board informed of Moberg Pharma'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 Pharma 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 74.

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, 2013, 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 and SEK 250,000 to the Deputy Chairman. Other directors will receive SEK 150,000 each, with the exception of Peter Wolpert and George Aitken-Davies, who do not receive Board fees.

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, 2013, the following guidelines were resolved for senior executives of Moberg Pharma: 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 at least three months if this is on the initiative of the senior executive and between three and 12 months if the company takes the initiative. Severance amounts are not payable. Any share and share-price-related programs must be adopted by an Annual General Meeting. Allotment from such programs must be in accordance with a resolution from the Annual General Meeting. With the exception of the employee stock options that have been allotted and vested, and what is provided for under employment contracts as referred to above, senior executives are not entitled to any post-employment/assignment benefits.

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

	Basic salary	Variable salary	Other benefits	Pension costs	Share-based remuneration	Other remuneration	Total
President and CEO, Peter Wolpert	1,764	397		489	127	0	2,777
Other senior executives (5 persons)	5,697	1,451		813	471	1,172	9,605
Total	**7,461**	**1,848**	**0**	**1,302**	**598**	**1,172**	**12,382**

19 These costs do not give rise to any payment and do not affect the company's cash flow. Estimated costs for social security contributions are not included in the recognized amounts.

20 The line includes payment of KSEK 977 to Steve Cagle (CEO of Moberg Pharma North America) and KSEK 195 to Jim Barton (CFO of Moberg Pharma North America) in the form of the expensed part of the supplementary purchase consideration for the acquisition of the U.S. operations (the supplementary purchase consideration is conditional upon continued employment in the company and is recognized as salary continuously during the earnings period).

SHARE-BASED INCENTIVE SCHEMES

Moberg Pharma has introduced share-based incentive schemes comprising warrants and employee stock options designed to promote the company's long-term interests by motivating and rewarding certain 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 75.

Moberg Pharma's incentive schemes are based on employee stock options with vesting periods extending over several years. An employee may, for example, vest his or her first options after three years' employment with further entitlements after years 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.

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. Moberg Pharma does not intend to introduce new stock option schemes aimed at Directors in future. The company's employee stock option scheme up to 2012 had a vesting period of less than three years. As an adaptation of the Code, the employee stock option scheme from 2013 and ahead has a vesting period of more than three years.

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 Pharma'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 76.

Remuneration of auditors

The remuneration paid to the auditor is subject to approval by a General Shareholders' Meeting. The AGM on April 23, 2013 resolved to approve remuneration of the auditor as per approved invoice.

In 2013, remuneration of MSEK 1.4 was paid to the auditor, of which audit assignments accounted for MSEK 0.7, audit work in addition to the assignment for MSEK 0.2 and other assignments for MSEK 0.5. 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 provided in 2013 were primarily connected to the acquisition of product rights and capital procurement.

NOMINATION COMMITTEE

The Nominating Committee submits proposals for the appointment of a Chairman and other Board Members, as well as proposals on fees and other compensation to be paid to Directors. The Nominating Committee also presents proposals for the appointment and remuneration of the company's auditor. The Nominating Committee's proposals will be presented in the notice of the 2014 AGM.

The AGM on April 23, 2013 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, 2013, which 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. Changes in the composition of the Nomination Committee must immediately be published. No fee is payable to members for their work on the committee.

The Nomination Committee for the 2014 AGM was announced on Moberg Pharma's website and in a press release on November 8, 2013. The Nomination Committee met twice during the year.

Nomination committee for the 2014 annual meeting

Name	Representing	Percentage of shares and votes, September 30, 2013	Percentage of shares and votes, December 31, 2013
Per-Olof Edin	The Baltic Sea Foundation	19.1%	19.1%
Håkan Åström	SIX SIS AG	15.3%	13.9%
Henrik Blomquist	Bure Equity Ab (Publ)	9.1%	8.3%
Mats Pettersson	The Board of Moberg Pharma	0.1%	0.1%
Total		**43.6%**	**41.4%**

INTERNAL CONTROL AND RISK MANAGEMENT OF FINANCIAL REPORTING

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

The internal control environment mainly comprises the following five components: Control environment, Risk assessment, Control activities, Information and communication, as well as Monitoring compliance.

Control environment

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

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

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

Information and communication

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

The company's internal instructions and policies, which are available for all employees, provide information on applicable procedures in all parts of the company and 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 Pharma's management conducts monthly performance follow-up, including an analysis of deviations from budget and the preceding period, also on a project level. The 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 Pharma 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 2013, Moberg Pharma was not subject to decisions passed by the NASDAQ OMX Nordic Exchange Stockholm's disciplinary committee or statements by the Swedish Securities Council regarding infringement of Nasdaq OMX Nordic Exchange Stockholm's regulations or accepted market practices.

Stockholm April 11, 2014

Mats Pettersson
Chairman

Wenche Rolfsen
Vice Chair

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

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE REPORT

To the annual meeting of the shareholders of Moberg Pharma AB Corp. Reg. No. 556697-7426

It is the Board of Directors who is responsible for the corporate governance report for 2013 on pages 68-73 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance report and based on this information 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 report is different and substantially more limited in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

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

Stockholm, April 11, 2014

Ernst & Young AB

Magnus Fagerstedt
Authorized Public Accountant

MANAGEMENT

Peter Wolpert | Martin Ingman | Kjell Rensfeldt | Anna Ljung | 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 and 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 and Chief Medical Officer, 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).

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).

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 Chairman of the Board of Genmab A/S and 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 subsidiaries and of InDex Pharmaceuticals AB, as well as Board member of APL AB, Denator AB, Industrifonden Foundation, Swedish Match AB, TFS Trial Form Support International AB 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. 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 Board member and CEO of RXi Pharmaceuticals Corp (U.S.), Managing Partner of Phases123 LLC (U.S.), Board member of Cutanea Life Sciences (U.S.), as well as Alto Pharmaceuticals (Canada). He has previously worked as Chairman and CEO of Barrier Therapeutics (U.S.) 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, especially in the area of Life Sciences He has previous experience from Mannheimer Swartling, Lindahl and Bird & Bird. He is Director of Forslid & Co 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 75.

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 May 13, 2014 at Moberg Pharma's premises on Gustavslundsvägen 42, 5th floor, Bromma, Stockholm. Shareholders who wish to have an issue addressed by the Annual General Meeting must submit their request by April 3, 2014 by post to the company's address or e-mail to arsstamma@mobergpharma.se.

All shareholders who are registered in their own name in the register of shareholders maintained by Euroclear Sweden AB on May 7, 2014, 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 2014

Interim report January – March 2014	May 13, 2014
Interim report January – June 2014	August 13, 2014
Interim report January – September 2014	November 14, 2014

FINANCIAL INFORMATION

The reports are available in Swedish and English and will be available on www.mobergpharma.se. Contact Investor Relations, Peter Östling, tel: +46 (0)8- 522 807 32,
e-mail peter.ostling@mobergpharma.se

HISTORY

2006
Moberg Pharma 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 the Limtop pharmaceutical project, 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 (U.S.) 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 U.S. 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 Kerasal Nail™/Nalox™/Emtrix® 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 Walmart 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
In December, Moberg Pharma acquired three well-established, non-prescription products in the U.S. from Bayer Healthcare. The acquired portfolio includes the products Domeboro®, a topical drug for the treatment of itching and irritated skin, Vanquish®, an analgesic drug, and Fergon®, an iron supplement. A private placement was implemented aimed at Bure Equity AB.
During the year, a new distribution agreement was signed with Leosons International for the marketing of Kerasal Nail™ in the Middle East and North Africa. In addition, the distribution agreement with Merarini was expanded to also include China and the distribution agreement with Paladin to also include Mexico.
In December, positive interim results were published from the ongoing Phase II clinical trial for MOB-015. After six months of treatment with MOB-015, 40 percent of the patients were mycologically cured (free from fungus). No safety concerns were identified.

GLOSSARY

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.

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

DERMATOLOGY
The science of the skin and its diseases.

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

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

MYCOLOGY
The study of fungi.

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

OTC
Over-the-counter

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.

MOBERG PHARMA AB

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