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Carmel Pharma AB in brief

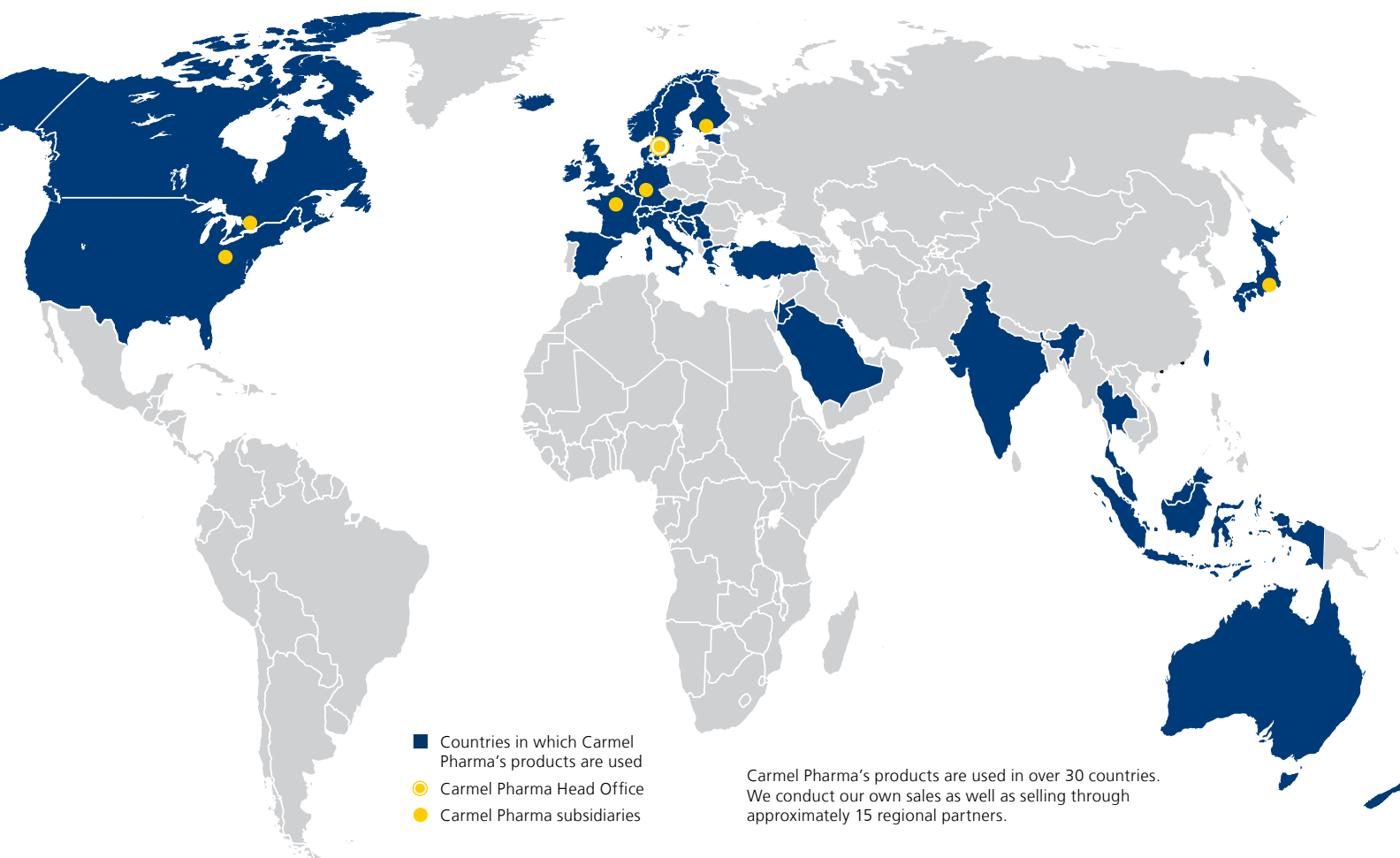


VISION & MISSION

- Our vision is to remain the world leader in closed drug transfer systems for handling toxic medications.
- Our mission is to improve the quality of life of those people who prepare and administer toxic medication as well as handle it as waste by offering PhaSeal, a unique medical technology system with scientifically documented benefits.

- Carmel Pharma has been active in the Swedish market since the company was founded in 1994. Today, PhaSeal® is well established in Sweden and used in most Swedish hospitals.
- Sales in the USA and Canada sales are conducted through our own subsidiaries, Carmel Pharma, Inc. and Carmel Pharma Canada Inc. PhaSeal is currently used routinely for the handling of cytostatics in over 1,350 hospitals in North America, including a large number of cancer centers in the USA.
- In Europe and Asia, PhaSeal is sold in part through our own subsidiaries in Germany, France, Finland and Japan for example; and in part through regional distributors.
- Interest in PhaSeal has increased worldwide as an increasing number of studies have shown that personnel handling cytostatics and certain antibiotics are at risk of injury to their health.
- The company's head office is located in Mölndal, Sweden, where its products are also manufactured.
- Carmel Pharma AB has around 200 shareholders, the main ones being Investor Investment Europe Ltd and Priveq Investment Fund III.





The year in brief

- Income for the year amounted to KSEK 284,047 (230,868).
- The increase in turnover amount to 23 % (24 %).
- The consolidated earnings after net financial income/expenses amounted to KSEK 35,135 (25,250).
- Earnings per share before dilution were SEK 2.86 (2.11) for the period.
- Available liquid funds including unutilized credit amounted to KSEK 32,777 (28,241).
- At the end of the year, the company had over 2,000 customers.
- New products have been released to the market.
- A competitor was required by law to withdraw misleading advertising material.

Management Report

Carmel Pharma AB (publ) is a Swedish company, and is thus subject to Swedish law. If nothing to the contrary is indicated, all amounts are reported in Swedish Kronor. Thousands of Kronor are abbreviated as KSEK. In the Annual Report figures, the amounts in parentheses refer to 2008, unless otherwise indicated. Pages 6–52 have been audited by the company's auditor.

The Board of Directors and Chief Executive Officer hereby present the Annual Report and consolidated accounts for Carmel Pharma AB (publ), headquartered in Gothenburg, corp. no. 556533–7648 for the financial year 1 January 2009–31 December 2009, which is the company's fifteenth year of operation.

OUR BUSINESS

Carmel Pharma develops, manufactures and markets PhaSeal®, a product system for the closed handling of hazardous intravenous medication. Examples of hazardous medications include cytostatics, antibiotics and antiviral preparations. The company's head office is located in Mölndal, Sweden, which is also where the company manufactures its products. Sales are conducted via the company's own sales organization in strategically important markets such as the USA, Germany, France, Finland, Canada, Japan and Sweden. PhaSeal is also sold through distributors in over ten countries in Europe and Asia.

Vision & Mission

Carmel Pharma's vision is to remain the world leader in closed drug transfer systems for handling toxic medications.

Our mission is to improve the quality of life of those people who prepare and administer toxic

medication as well as handle it as waste by offering PhaSeal, a unique medical technology system with scientifically documented benefits.

PhaSeal – a unique concept

PhaSeal uses a patented double membrane technology that ensures leakage-free connections and disconnections throughout the entire preparation and administration chain. PhaSeal also has a unique pressure equalizing function. The expansion chamber prevents any positive or negative pressure from arising during preparation, without the need for ventilation to the surrounding air. Toxic medications remain fully contained. Leakage in the form of particles, aerosol and gas form is prevented.

The components of the system

PhaSeal consists of the product categories Protector, Injector and Connector. Each category contains products designed to make the system compatible with most product systems used in the healthcare industry.

Protector™ is a safety product that is fixed onto the medicine vial, during preparation of medications, for closed transfer into injection vials.

Injector™ is a safety product with encapsulated cannula for closed transfer from the medicine vial to the hypodermic and finally to the patient.

Connector™ is a safety product for closed connection to an infusion bag or administration of medications via the patient's intravenous port.





MARKET

Customer interest in PhaSeal has increased across all markets. This has resulted in an increase in sales in 2009 of just over 23 % (24 % in Swedish crowns, or 15 % (35 %) in fixed currencies, compared to the same period the previous year. This increased activity within the market segment from various players has had the advantage of rapidly spreading information to potential customers about the risks involved in the handling of hazardous medications.

North America

During 2009, growth in sales to end users in the North American market continued unabated, and an additional 270 new clinics in the USA implemented the use of PhaSeal during the period. Sales amounted to KSEK 194,557 (160,582).

Europe

In the European market, growth continued in sales to end users. PhaSeal has maintained its strong position in the Nordic countries, despite increased competition. Sales in the European market amounted to KSEK 53,035 (49,113), of which the Nordic market accounted for KSEK 29,094 (28,884).

Other markets

In other markets, sales amounted to KSEK 36,455 (21,173). Our subsidiary in Japan has developed positively during the period. In the spring, one of Israel's biggest hospitals, Sheba

Hospital in Tel Aviv, selected PhaSeal as its closed system for handling hazardous medications, in tough competition with a local manufacturer.

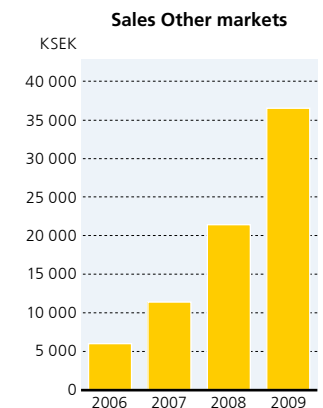
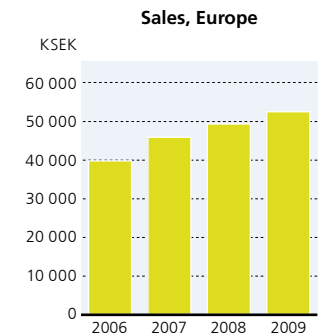
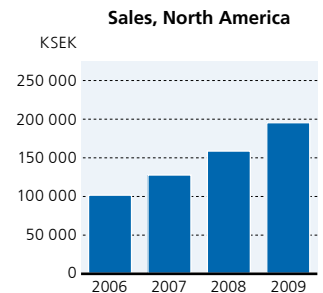
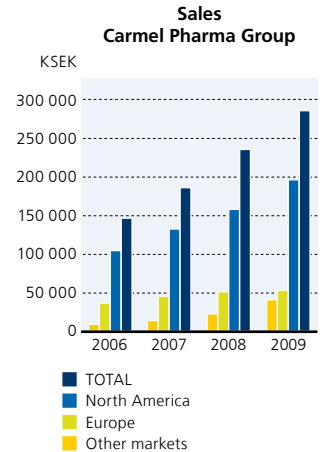
NEW PRODUCTS

During the year, several new products have been launched on the market to satisfy customer needs. These products focus on simplicity and user-friendliness with their ergonomic grips and provide the highest safety level for users.

LEGAL DISPUTES

Carmel Pharma holds a number of patents and other intellectual property rights that are vital to the company. Other players in the market hold a number of other patents, etc, and in some instances there are weaknesses in the way in which the patent claims have been formulated. Carmel Pharma is currently not involved in any legal process concerning its own rights or the rights of others. However there are no guarantees that such claims will not be made by or directed against the company in the future.

During the year, Carmel Pharma was successful in market law litigation in Germany, as a result of which a competitor was enjoined to withdraw its misleading advertising material immediately. Carmel Pharma deems that there are good prospects that the coming court hearings will confirm the injunction.





Financial Information

THE GROUP

Earnings and profit

Invoiced sales for 2009 amounted to KSEK 284,047 (230,868), which is equivalent to an increase of 23 %. The consolidated earnings after financial items amounted to KSEK 35,135 (25,250). The growth in sales and improved outcome compared to the same period in 2008 is primarily explained by increased volumes as a result of intensive marketing efforts, which markedly increased the number of hospitals using PhaSeal.

Liquidity and financial position

Cash flow during the period amounted to KSEK 9,292 (6,600). Cash flow from current operations amounted to KSEK 19,882 (26,708). This negative trend in cash flow from current operations compared to the same period last year is primarily explained by the Group having increased its stock levels by KSEK 12,074, and the intensive marketing efforts that have been made.

At the end of the period, available liquid funds amounted to KSEK 32,777 (28,241). Consolidated net debt at the end of the period amounted to KSEK 23,004 (21,729), of which financial leasing comprised KSEK 19,160 (13,968). The consolidated balance sheet total was KSEK 197,854 (166,965) as of 31 December 2009, of which shareholders' equity amounted to KSEK 112,434 (89,920).

Investments

Investments totaling KSEK 24,999 (18,622) were made in machinery, equipment and intangible assets during the period, of which KSEK 7,253 (4,899) has been financed through leasing.

PARENT COMPANY

Earnings and profit

The parent company's net sales for the year amounted to KSEK 247,493 (169,472), which represents an increase of 46 % and the operating profit amounted to KSEK 40,535 (11,432). The year's marked increase in net sales and operating profit are primarily a result of increased sales to subsidiaries as part of the process of improving sales of products to end users. The parent company's result for the period has also been affected by the continuation of the

intensive marketing efforts being made across the board, but in particular in the USA, Japan, Canada, Germany and France.

Liquidity and financial position

Cash flow for 2009 amounted to KSEK 9,295 (7,316). Cash flow from current operations amounted to KSEK 18,215 (21,260). This negative trend in cash flow from current operations compared to the same period last year is primarily explained by the parent company having increased its stock levels by KSEK 3,847, and the intensive marketing efforts that have been made.

Available liquid funds amounted to KSEK 29,558 (20,263). During the year, the parent company has utilized a promise of credit of MSEK 3, which is why its bank overdraft facility amounted to MSEK 9 at the end of the year. The parent company's net cash amounted to KSEK 18,321 (6,073) at the end of the period. On 31 December 2009, the parent company had total assets of KSEK 147,971 (116,305), of which shareholders' equity amounted to KSEK 115,505 (85,805).

Investments

Investments amounting to KSEK 6,568 (6,223) in tangible and intangible fixed assets have been made during the period.

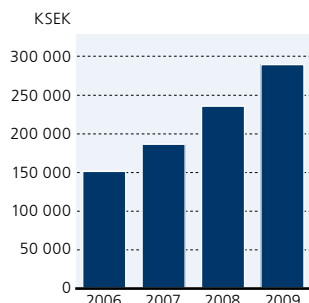
RESEARCH AND DEVELOPMENT

All research and development is conducted at the parent company. In the parent company, the costs of research and development are written off as they are incurred, while in the consolidated accounts, from 1 January 2007, the costs of development are capitalized. During the period, R&D costs amounted to KSEK 19,708 (14,698) before the activation and depreciation of capitalized development works. Capitalized development expenditure amounted to KSEK 9,718 (6,782).

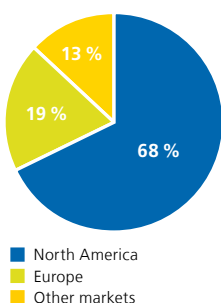
LEASES OF SIGNIFICANCE

Carmel Pharma leases buildings in Gothenburg and in Columbus. The building leased by Carmel Pharma in Gothenburg comprises office space, warehouse and production facilities. The current lease expires during 2010. However Carmel Pharma has extended the lease by a new period

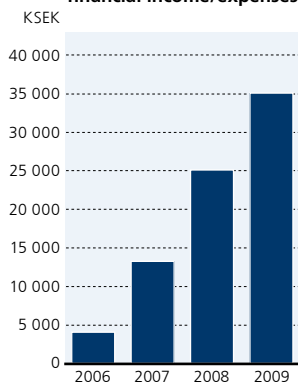
Net sales



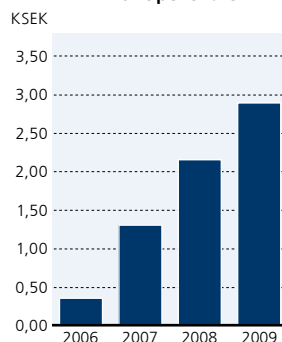
Net sales geographical markets



Profit/loss after net financial income/expenses



Profit per share



that expires in 2015. The new lease includes the rebuilding of new office spaces and the extension of the cleanroom to cater for future expansion. In Columbus, the lease covers offices and a warehouse. The lease expires in 2012.

NEW SUBSIDIARIES

During November, a new subsidiary was established in Finland – Carmel Pharma OY. From 1 January 2010, sales of PhaSeal in Finland will be exclusively through our own organization instead of as previously through a distributor.

PERSONNEL

During the financial year, just over 30 people have been employed, an increase of 19 % compared to the previous year. These increases in the organization have been primarily in the production department and in the local sales subsidiaries.

ENVIRONMENTAL IMPACT

The Group does not operate any activities that require permits or are notifiable under Sweden's Environment Code (Miljöbalken).

IMPORTANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

No important events have occurred since the end of the period.

RISKS, RISK MANAGEMENT AND SENSITIVITY ANALYSIS

All business activity involves risks and uncertainty factors, and controlled risk-taking is a condition of maintaining a good level of profitability. The dramatic developments in the financial markets in recent times have meant a general and pervasive increase in uncertainty, which has also meant risks and uncertainties for our operations. The risks that Carmel Pharma is primarily exposed to are the following:

- Risks from our business environment, such as patent infringement, and competition within our product concept
- Operational risks, for example, that the development of new products is both

risky and requires high levels of capital investment, and product liability claims

- Financial risks such as cash flow risk, currency risk, interest rate risk, financing and liquidity risk, counterparty credit risk and capital management risk

Carmel Pharma's financial risk management and operating risks are presented in Note 32.

SHARES AND OWNERSHIP

Shareholder Structure

The number of shares in Carmel Pharma AB amounted to 7,934,312. All the shares are of the same type. Each share entitles the owner to one vote. All shares have equal rights to a share in the company's assets and profit. Total share capital amounts to SEK 7,934,312. In the case of full conversion of issued convertible debts, the number of shares will increase by 857,900. After full dilution, the number of shares amounts to 8,792,212 and share capital amounts to SEK 8,792,212.

Shareholders

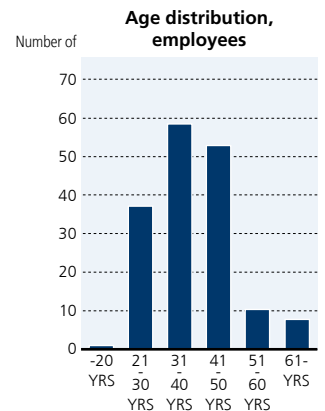
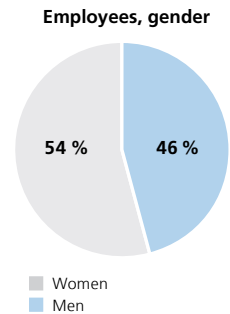
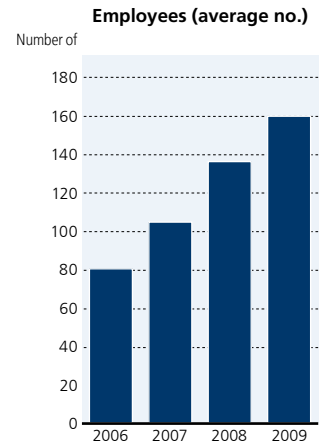
The shareholder structure in Carmel Pharma AB is presented in the table on page 10.

Significant changes in ownership

In April 2009, Priveq Investment reported that they had acquired all of 3i Group PLC's shares in the company, which corresponds to 25.9 % of the shares in Carmel Pharma AB. Priveq Investment is a private equity company, whose business concept is to create value through long-term investments in and active ownership of unlisted growth companies.

Dividend policy

Carmel Pharma AB is in a startup and expansion phase, which means that the Board is continuously evaluating how large a percentage of the company's profits are best utilized to finance the continued development and expansion of the business and to achieve a good level of financial stability. In previous years, Carmel Pharma AB has reinvested its profits, and as a consequence no dividends have been paid. The Board does not intend to propose the payment of any dividends to shareholders until the company's profit, financial position and capital requirements warrant such.





Shares and Ownership

The change in share capital as of 31 December 2009.

Year	Event	Change in Shares	Issue price	Number of Shares	Total Number of Shares	Share Capital (SEK)
1996	Formation of the company	1 000	100	1 000	1 000	100 000
1996	Share split 100:1	99 000	–	99 000	100 000	100 000
1996	New share issue	978 700	1.00	978 700	1 078 700	1 078 700
1996	New share issue	78 000	10.00	78 700	1 157 400	1 157 400
1996	New share issue	202 300	20.00	202 300	1 359 700	1 359 700
1997	New share issue	200 000	25.00	200 000	1 559 700	1 559 700
1997	New share issue	553 232	25.00	553 232	2 112 932	2 112 932
1998	New share issue	171 000	65.00	171 000	2 283 932	2 283 932
1998	New share issue	41 000	65.00	41 000	2 324 932	2 324 932
1999	New share issue	88 000	65.00	88 000	2 412 932	2 412 932
1999	New share issue	60 000	65.00	60 000	2 472 932	2 472 932
2000	New share issue	2 657 465	16.25	2 657 465	5 130 397	5 130 397
2002	New share issue	479 860	22.50	479 860	5 610 257	5 610 257
2002	Conversion of loan	266 666	22.50	266 666	5 876 923	5 876 923
2003	New share issue	650 486	30.00	650 486	6 527 409	6 527 409
2003	New share issue	333 333	30.00	333 333	6 860 742	6 860 742
2004	Conversion of loan	255 000	27.50	255 000	7 115 742	7 115 742
2006	New share issue	778 570	30.00	778 570	7 894 312	7 894 312
2007	Conversion of loan	40 000	50.00	40 000	7 934 312	7 934 312

Number of Shareholders

As of 31 December 2009, Carmel Pharma AB had a total of 212 (205) shareholders.

List of major shareholders as of 31 December 2009	Number of shares	Holding (%)	Votes	Votes (%)
Investor Investments Europe LTD	2 638 631	33.3	2 638 631	33.3
Priveq Investment Fund III	2 055 417	25.9	2 055 417	25.9
Stiftelsen Industrifonden	444 446	5.6	444 446	5.6
Start Invest AB	313 661	4.0	313 661	4.0
Göran Wessman with company	279 122	3.5	279 122	3.5
Dan Pitulia and family	179 090	2.2	179 090	2.2
Others	2 023 945	25.5	2 023 945	25.5
Total	7 934 312	100 %	7 934 312	100 %

Comparison of key ratios

	THE GROUP			
	2009	2008	2007	2006
Net sales	284 047	230 868	186 196	146 781
EBITDA	45 080	37 920	27 014	14 889
Operating profit/loss	36 181	26 731	15 527	4 467
Profit/loss after net financial income/expenses	35 135	25 250	13 071	3 856
Research and development expenses	9 990	7 916	6 951	9 332
Sales growth, %	23.0	24.0	26.9	109.8
Operating margin, %	12.7	11.6	8.3	3.0
Profit margin, %	12.4	10.9	7.0	2.6
Balance sheet total	197 854	166 965	143 724	131 200
Equity/Assets Ratio, %	56.8	53.9	52.1	47.3
Return on equity, %	22.4	20.3	15.4	3.8
Return on capital employed, %	19.9	17.3	11.6	5.1
Liquid ratio, %	110.8	98.2	85.9	72.7
Liquid funds	23 709	14 573	7 470	8 144
Earnings per share before dilution	2.86	2.11	1.34	0.29
Earnings per share, after dilution	2.58	1.91	1.23	0.29
Weighted average number of outstanding shares before dilution	7 934	7 934	7 918	7 894
Weighted average number of outstanding shares after dilution	8 792	8 792	8 626	8 578
Number of shares (thousands) at start of period	7 934	7 934	7 894	7 116
Number of shares (thousands) at end of period	7 934	7 934	7 934	7 894
Average number of employees	160	134	105	79

The comparison of key ratios is reported in accordance with IFRS. The company has decided not to recalculate the comparative figures for periods prior to 2006 to the IFRS standard. Please refer to previous years' Annual Reports for comparative figures for those periods.

PROPOSAL FOR APPROPRIATION OF PROFITS FOR CARMEL PHARMA AB (PUBL), CORP. NO. 556533-7648.

The following amount is at the disposal of the AGM in non-restricted reserves and profit in SEK:

Share premium reserve	24 538 530
Unappropriated retained earnings	2 142 741
Net profit/loss for the year	29 699 861
Total	56 381 132

The Board proposes that the retained earnings are to be appropriated as follows:

The following amount is to be carried forward:	56 381 132
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For information about the earnings and the position of the parent company and the Group, please refer to the following accounts.



DEFINITIONS

EBITDA

Earnings before interest, taxes, depreciation and amortization

Available liquid funds

Available liquid funds are liquid funds including unutilized credit

Equity/Assets Ratio

Adjusted equity as a percentage of total assets.

Return on Equity

Net profit/loss for the year as a percentage of average adjusted equity

Return on Capital Employed

Operating profit/loss plus interest income as a percentage of the average total assets.

Liquidity ratio

Current assets (excluding inventories) as a percentage of current liabilities.

Operating margin

Operating profit/loss after depreciation as a percentage of net sales.

Profit margin

Earnings after financial items as a percentage of net sales

These financial statements have been prepared in both Swedish and English versions. In the case of variances between these two, the Swedish version shall apply.

Consolidated Profit and Loss Statement (KSEK)

		2009	2008	2007
INCOME				
Net sales	Note 2	284 047	230 868	186 196
Other operating income		659	3 431	349
Change in inventory of products in progress		2 244	5 200	-46
		286 950	239 499	186 499
EXPENSES				
Raw materials and supplies		-48 750	-51 354	-31 882
Personnel expenses	Note 6	-108 371	-90 347	-76 372
Other operating expenses	Notes 3,4,5	-84 749	-59 919	-51 313
Depreciation	Notes 11,12,14,15,16	-8 899	-11 148	-11 405
		-250 769	-212 768	-170 972
OPERATING PROFIT/LOSS		36 181	26 731	15 527
Financial income	Note 7	46	164	370
Financial expenses	Note 8	-1 092	-1 645	-2 826
		-1 046	-1 481	-2 456
NET INCOME BEFORE TAXES		35 135	25 250	13 071
Income tax	Note 9	-12 465	-8 488	-2 483
NET PROFIT/LOSS FOR THE YEAR		22 670	16 762	10 588
Attributable to:				
Parent company's shareholders		22 670	16 762	10 588
Earnings per share, weighted average number of shares				
	Note 10			
Earnings per share before dilution		2,86	2,11	1,34
Earnings per share after dilution		2,58	1,91	1,23

Consolidated statement of comprehensive income (KSEK)

		2009	2008	2007
Net profit/loss for the period		22 670	16 762	10 588
Other comprehensive income				
Translation difference on international operations		-156	-1 793	243
Other comprehensive income for the period		-156	-1 793	243
Comprehensive income for the period		22 514	14 969	10 831
Comprehensive income for the period attributable to:				
Parent company's shareholders		22 514	14 969	10 831

Consolidated Balance Sheet (KSEK)

		2009	2008	2007
ASSETS				
FIXED ASSETS				
Tangible assets				
Machinery and other technical equipment	Note 11	25 324	14 011	17 921
Equipment	Note 12	2 510	1 992	1 926
Investments in progress	Note 13	6 083	12 105	6 209
		33 917	28 108	26 056
Intangible fixed assets				
Capitalized expenditure for development	Note 14	21 689	12 465	5 847
Patents and similar rights	Note 15	887	1 741	2 666
Software	Note 16	186	0	0
Investments in progress	Note 17	1 250	0	0
		24 012	14 206	8 513
Financial assets				
Deferred prepaid tax	Note 9	20 088	31 054	37 648
Other investments held as fixed assets	Note 19	0	0	128
Other long-term receivables	Note 20	302	330	141
		20 390	31 384	37 917
Total fixed assets		78 319	73 698	72 486
Current assets				
Inventory	Note 21	44 065	31 991	25 603
Accounts receivable and other receivables	Note 22	50 575	46 416	36 109
Current tax recoverables		1 125	226	2 056
Available for sale, financial assets	Note 23	61	61	0
Liquid funds	Note 24	23 709	14 573	7 470
Total current assets		119 535	93 267	71 238
TOTAL ASSETS		197 854	166 965	143 724

Consolidated Balance Sheet (KSEK)

		2009	2008	2007
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity attributable to the parent company's shareholders				
Share capital	Note 25	7 934	7 934	7 934
Contributed funds		51 189	51 189	51 189
Unappropriated retained earnings including period's comprehensive income		53 311	30 797	15 828
		112 434	89 920	74 951
Long-term liabilities				
Long-term liabilities to credit institutions	Note 26	17 315	12 635	13 638
Convertible debts	Note 27	0	1 986	1 986
		17 315	14 621	15 624
Current liabilities				
Bank overdraft facilities	Note 26	25 169	17 144	12 943
Short-term loans from credit institutions	Note 26	4 082	6 523	9 166
Convertible debts	Note 27	2 613	0	0
Accounts payable - trade - and other current liabilities	Note 28	36 124	36 897	30 770
Current tax liabilities		117	1 860	270
		68 105	62 424	53 149
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		197 854	166 965	143 724
Pledged assets and Contingent liabilities	Note 29	91 569	75 719	64 564

Group Change in Equity (KSEK)

	Share equity	Contributed equity	Unappropriated earnings	Total shareholders' equity
Shareholders' equity 01-01-2007	7 894	51 189	3 037	62 120
New share issue*	40		1 960	2 000
Comprehensive income for the period			10 831	10 831
Shareholders' equity 31-12-2007	7 934	51 189	15 828	74 951
	Share equity	Contributed equity	Unappropriated earnings	Total shareholders' equity
Shareholders' equity 01.01.08	7 934	51 189	15 828	74 951
Comprehensive income for the period			14 969	14 969
Shareholders' equity 31-12-2008	7 934	51 189	30 797	89 920
	Share equity	Contributed equity	Unappropriated earnings	Total shareholders' equity
Shareholders' equity 01-01-2009	7 934	51 189	30 797	89 920
Comprehensive income for the period			22 514	22 514
Shareholders' equity 31-12-2009	7 934	51 189	53 311	112 434

* On January 1, 2006 a new Companies Act (ABL) was introduced in Sweden, under which funds provided to the share premium reserve prior to the new legislation coming into force are to continue to constitute a statutory reserve (contributed capital). Funds provided to the share premium reserve after 1 January 2006, however, are to constitute unappropriated retained earnings. Unappropriated retained earnings includes a share premium reserve of KSEK 24,539 (24,539).

Consolidated Cash Flow Statement (KSEK)

		2009	2008	2007
CURRENT OPERATIONS				
Payments from customers		280 581	234 233	183 446
Payments to suppliers and employees		-256 376	-205 590	-160 658
Interest received		46	150	191
Interest paid		-1 002	-1 509	-2 770
Tax paid		-3 367	-576	-75
Cash flow from current operations		19 882	26 708	20 134
INVESTMENT OPERATIONS				
Plant and machinery acquisitions	Note 11	-4 261	-4 583	-4 462
Equipment acquisitions	Note 12	-1 694	-847	-1 082
Acquisitions of investments in progress in fixed tangible assets	Note 13	-613	-1 511	0
Acquisition of capitalized expenditure for development	Note 15	-9 719	-6 782	-5 919
Acquisition of software	Note 16	-190	0	0
Acquisitions of investments in progress in fixed intangible assets	Note 17	-1 269	0	0
Acquisition of investments held as fixed assets	Note 19	0	0	-441
Acquisition of long-term receivables	Note 20	0	-105	0
Liquid funds from the sale of equipment		0	0	74
Liquid funds from the sale of investments held as fixed assets		0	107	313
Liquid funds from the sale of long-term receivables		0	0	76
Cash flow from investment operations		-17 746	-13 721	-11 441
FINANCING OPERATIONS				
Change in convertible loans	Note 27	627	0	-3 846
Change in bank overdraft facilities	Note 26	9 481	1 334	-1 436
Raising of loans	Note 26	0	0	4 283
Amortization of loans	Note 26	-2 952	-6 971	-7 555
Change in current liabilities (of a financial nature)		0	-750	-750
Cash flow from financing operations		7 156	-6 387	-9 304
CHANGE IN LIQUID FUNDS				
Liquid funds at year start		14 573	7 470	8 145
Cash flow from current operations		19 882	26 708	20 134
Cash flow from investment operations		-17 746	-13 721	-11 441
Cash flow from financing operations		7 156	-6 387	-9 304
Liquid funds at year end		23 865	14 070	7 534
Exchange rate differences in liquid funds		-156	503	-64
Liquid funds at year end	Note 24	23 709	14 573	7 470
CASH FLOW FOR THE PERIOD		9 292	6 600	-611

Parent company Profit and Loss Statement (KSEK)

		2009	2008	2007
INCOME				
Net sales	Note 2	247 493	169 472	143 917
Other operating income		739	4 280	180
Capitalized work on own account		383	0	0
Change in inventory of products in progress		2 244	5 200	-46
		250 859	178 952	144 051
EXPENSES				
Raw materials and supplies		-54 775	-41 320	-27 871
Other external expenses	Note 3.4	-89 000	-66 810	-54 249
Personnel expenses	Note 6	-61 095	-53 024	-44 510
Depreciation	Notes 11,12,15	-5 454	-6 337	-6 839
Other operating expenses	Note 5	0	-28	0
		-210 324	-167 519	-133 469
OPERATING PROFIT/LOSS		40 535	11 433	10 582
Financial income	Note 7	174	324	328
Financial expenses	Note 8	-324	-677	-1 325
		-150	-353	-997
NET INCOME BEFORE TAXES		40 385	11 080	9 585
Income tax	Note 9	-10 685	-5 082	-2 864
NET PROFIT/LOSS FOR THE YEAR		29 700	5 998	6 721

Parent company Balance Sheet (KSEK)

		2009	2008	2007
ASSETS				
FIXED ASSETS				
Intangible fixed assets				
Patents and similar rights	Note 15	887	1 741	2 666
Investments in progress	Note 17	735	0	0
		1 622	1 741	2 666
Tangible assets				
Machinery and other technical equipment	Note 11	11 697	10 239	10 616
Equipment	Note 12	1 076	549	900
Investments in progress	Note 13	613	1 511	0
		13 386	12 299	11 516
Financial assets				
Shares in Group companies	Note 18	1 491	1 465	1 465
Deferred prepaid tax	Note 9	18 257	28 942	34 024
Other long-term receivables	Note 20	0	0	69
		19 748	30 407	35 558
Total fixed assets		34 756	44 447	49 740
Current assets				
Inventory	Note 21	27 578	23 011	17 016
Accounts receivable	Note 22	16 198	10 380	12 170
Receivables from Group companies		41 661	19 921	22 726
Current tax recoverables		225	206	2 018
Other receivables	Note 22	2 878	3 205	2 131
Prepaid expenses and accrued income	Note 22	4 115	3 872	4 667
Liquid funds	Note 24	20 558	11 263	3 947
Total current assets		113 215	71 858	64 676
TOTAL ASSETS		147 971	116 305	114 416

Parent company Balance Sheet (KSEK)

		2009	2008	2007
SHAREHOLDERS' EQUITY AND LIABILITIES				
Restricted equity				
Share capital	Note 25	7 934	7 934	7 934
Statutory reserve		51 189	51 189	51 189
		59 123	59 123	59 123
Non-restricted equity				
Unappropriated retained earnings		26 682	20 684	13 963
Net profit/loss for the year		29 700	5 998	6 721
		56 382	26 682	20 684
Shareholders' equity		115 505	85 805	79 807
Long-term liabilities				
Long-term liabilities to credit institutions	Note 26	1 342	2 417	4 073
Convertible debts	Note 27	0	1 986	1 986
		1 342	4 403	6 059
Current liabilities				
Short-term loans from credit institutions	Note 26	895	2 773	7 043
Convertible debts	Note 27	2 613	0	0
Accounts payable - trade	Note 28	16 446	13 035	9 206
Liabilities to Group companies		929	0	0
Other liabilities	Note 28	2 194	2 154	1 898
Accrued expenses and deferred income	Note 28	8 047	8 135	10 403
		31 124	26 097	28 550
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		147 971	116 305	114 416
Pledged assets and Contingent liabilities	Note 29	40 169	32 144	27 943

Parent Company Change in Equity (KSEK)

	Share equity	Statutory reserve	Unappropriated earnings	Total shareholders' equity
Shareholders' equity 01-01-2007	7 894	51 189	12 003	71 086
New share issue*	40		1 960	2 000
Net profit/loss for the period			6 721	6 721
Shareholders' equity 31-12-2007	7 934	51 189	20 684	79 807
Shareholders' equity 01.01.08	7 934	51 189	20 684	79 807
Net profit/loss for the period			5 998	5 998
Shareholders' equity 31-12-2008	7 934	51 189	26 682	85 805
Shareholders' equity 01-01-2009	7 934	51 189	26 682	85 805
Net profit/loss for the period			29 700	29 700
Shareholders' equity 31-12-2009	7 934	51 189	56 382	115 505

* On January 1, 2006 a new Companies Act (ABL) came into force in Sweden, which meant that funds allocated to the share premium reserve prior to the legislation would continue to comprise statutory reserve. Funds provided to the share premium reserve after 1 January 2006, however, are to constitute unappropriated retained earnings. Unappropriated retained earnings include a share premium reserve of KSEK 24,539 (24,539).

Parent Company Cash Flow Statement (KSEK)

		2009	2008	2007
CURRENT OPERATIONS				
Payments from customers		220 673	179 391	136 843
Payments to suppliers and employees		-202 308	-157 804	-123 662
Interest received		174	350	321
Interest paid		-324	-677	-1 514
Cash flow from current operations		18 215	21 260	11 988
INVESTMENT OPERATIONS				
Plant and machinery acquisitions	Note 11	-4 261	-4 583	-4 462
Equipment acquisitions	Note 12	-959	-129	-593
Acquisitions of investments in progress in fixed tangible assets	Note 13	-613	-1 511	0
Acquisitions of investments in progress in fixed intangible assets	Note 17	-735	0	0
Acquisition of shares in Group companies	Notes 18, 30	-26	0	-165
Cash flow from investment operations		-6 594	-6 223	-5 220
FINANCING OPERATIONS				
Change in convertible loans	Note 27	627	0	-3 846
Raising of loans	Note 26	0	0	4 283
Amortization of loans	Note 26	-2 953	-6 971	-7 555
Change in current liabilities (of a financial nature)		0	-750	-750
Cash flow from financing operations		-2 326	-7 721	-7 868
CHANGE IN LIQUID FUNDS				
Liquid funds at year start		11 263	3 947	5 047
Cash flow from current operations		18 215	21 260	11 988
Cash flow from investment operations		-6 594	-6 223	-5 220
Cash flow from financing operations		-2 326	-7 721	-7 868
Liquid funds at year end	Note 24	20 558	11 263	3 947
CASH FLOW FOR THE PERIOD		9 295	7 316	-1 100

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Patents and similar rights	15	42
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Investments in progress in intangible fixed assets	17	42
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Inventory	21	44
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Notes and comments on the consolidated and parent company's accounts

GENERAL INFORMATION

The Carmel Pharma Group develops, manufactures and markets PhaSeal®, a system of products for the closed handling of hazardous medications for intravenous use. Examples of hazardous medications include cytostatics, antibiotics and antiviral preparations. The Group's production facilities are located at its head office in Mölndal. Sales are conducted via the company's own sales organization in strategically important markets such as the USA, Germany, Finland, France, Canada, Japan and Sweden. PhaSeal is also sold through distributors in over ten countries in Europe and Asia.

Carmel Pharma AB, which is the Parent Company of the Carmel Pharma Group, is a limited liability company with its registered office in Gothenburg, Sweden. The address to Head Office is: P.O. Box 5352, SE-402 28 Gothenburg, Sweden.

Carmel Pharma AB's shares are not listed on any regulated share market.

On 18 March 2010, the Board approved the consolidated accounts reported herein for publication.

NOTE 1 SUMMARY OF IMPORTANT ACCOUNTING PRINCIPLES

The most important accounting principles applied in the preparation of these consolidated accounts are specified below. These principles have been applied consistently for all the years presented herein, unless otherwise indicated.

BASIS FOR THE PREPARATION OF THESE REPORTS

The consolidated accounts for the Carmel Pharma Group have been prepared on the basis of Sweden's Annual Accounts Act, RFR 1, Supplementary Accounting Regulations for Groups; and the International Financial Reporting Standards (IFRS), including the interpretations published by the International Financial Reporting Interpretations Committee (IFRIC), which were approved by the EU Commission for implementation from 31 December 2009.

The consolidated accounts comprise the accounts for Carmel Pharma AB and its subsidiaries, and have been prepared in accordance with the acquisition value method.

IMPORTANT VALUATIONS AND DETERMINATIONS

In order to prepare the accounts according to IFRS's accounting principles, the company must make determinations and assumptions that affect the reported asset and liability amounts and other information such as contingent liabilities, etc, submitted in the financial statements, as well as the income and expenses reported for the period. The actual future outcome with respect to certain transactions may deviate from the estimated outcome reported when these financial reports were prepared. Differences of this kind will affect the outcome in the financial reports for future accounting periods.

CONSOLIDATED ACCOUNTS

Carmel Pharma AB's consolidated accounts cover the parent company Carmel Pharma AB, and all subsidiaries in which Carmel Pharma AB directly or indirectly owns more than half the number of share votes. The subsidiaries are entered into the consolidated accounts from the date on which this controlling influence is transferred to the Group, and are removed from the consolidated accounts from the date on which the controlling influence ceases. The transfer of a controlling influence is normally the date of the acquisition. Acquired companies are consolidated in the consolidated accounts according to the acquisition method, which means that the acquisition value of the shares in the subsidiary is eliminated in exchange for their shareholders' equity on the date of acquisition. The Group's shareholders' equity includes therefore only the portion of the subsidiary's shareholders' equity that has accrued after the acquisition.

Carmel Pharma AB applies IFRS 3 Business Combinations. Shareholders' equity in the subsidiaries is thus based on a market-based valuation of identifiable assets, liabilities, provisions and contingent liabilities on the date of acquisition. In cases where the the acquisition value for the shares in the subsidiary exceeds the acquired shareholder's equity (which is calculated as described above) the difference is classified as goodwill. If the acquisition cost is lower than the actual value of the acquired subsidiary's net assets, negative goodwill is reported directly in the Profit and Loss Statement as other operating income.

Intra-group transactions and balance sheet items, as well as unrealized gains from transactions between the Group companies, are eliminated. Unrealized losses are also eliminated, but any losses are regarded as an indication of the existence of a write-down requirement for the transferred asset. The accounting principles for the subsidiaries have been changed when applicable to guarantee consistency in the application of the Group's principles.

CLASSIFICATION

Fixed assets and long-term liabilities are comprised of the amounts that are expected to be recouped or paid after more than twelve months from the balance sheet date. Current assets and short-term liabilities are comprised of the amounts that are expected to be recouped or paid within twelve months from the balance sheet date.

TRANSLATION OF FOREIGN CURRENCIES

Country	Currency	CLOSING DAY RATE			AVERAGE RATE		
		2009	2008	2007	2009	2008	2007
Euro	EUR	10.35	10.97	9.47	9.35	9.20	9.20
Japan	JPY	0.0780	0.0864	0.0573	0.0809	0.0570	0.0590
Canada	CAD	6.88	6.35	6.58	6.66	6.25	6.40
USA	USD	7.21	7.79	6.47	7.35	6.66	7.20

Functional currency

All items in the financial reports of the Group's units are valued in the currency used in the financial environment in which the subsidiary principally operates (functional currency). The consolidated accounts are reported in Swedish Kronor, which is the parent company's functional and reporting currency.

Translation of non-Swedish operations

Carmel Pharma AB applies the current method for the translation of the balance sheets and profit and loss statements of non-Swedish subsidiaries. This implies that all of the assets and liabilities of the subsidiaries are translated at the closing day rate, while all items in the Profit and Loss Statements are translated at the average exchange rate. The average exchange rate is an approximation of the exchange rates that applied at the time of each transaction. Any translation differences that arise thereby constitute an effect in part of the difference between the Profit and Loss Statements' average rates of exchange and the closing day rates, and in part of the fact that net assets are translated at another rate at year-end rather than the one used at year-start. Translation differences are posted directly to the Other comprehensive income statement. In the case of the disposal of assets, the combined translation difference is reported with the profit/loss emanating from the transaction.

Receivables and payables in foreign currencies

Receivables and payables in foreign currencies are valued at the closing day rate and unrealized gains or losses are included in income. Exchange rate differences attributable to business-related receivables and payables are reported as operating income/operating expenses. Exchange rate differences relating to financial assets and liabilities are reported with other financial items.

OPERATING SEGMENTS

Carmel Pharma's operations are managed and reported primarily per geographical region. When making strategic decisions, the Board looks at operations from the geographical and product perspectives. Segments are consolidated in accordance with the same principles as used by the Group in its entirety.

IFRS 8, Operating segments replaces IAS 14, Segment Reporting. IFRS 8 requires that a segment is reported based on the "the management approach" and includes selected information about its reportable segments, so that the segment profit or loss in the Annual Report is reported in such a way that it reflects how the Group reports financial information about the segment internally for organizational reasons. This standard applies to companies whose debt or equity instruments are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or is in the process of filing its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market. This standard applies from 1 January 2009. This change has not had any impact on Carmel Pharma's financial reporting.

Carmel Pharma's shares are not traded in any public market, that is, in any domestic or foreign stock exchange or OTC market, including local and regional markets, and consequently Carmel Pharma has chosen not to report Operating Segments in its Annual Report.

REVENUE RECOGNITION

Revenue is recognized once essentially all the risks and entitlements connected with ownership having been transferred to the buyer (which usually occurs at the time of delivery), the price has been set, and the collection of receivables has been reasonably assured. Interest income is rendered on a current account basis. In the consolidated accounts, intra-group sales have been eliminated.

LEASING

Financial leasing

Leasing of machines is classified as financial leasing if the Group has fundamentally the same legal position if it owned the asset directly. Financial leasing is capitalized from the day the leasing contract comes into force by reporting the asset as in the course of construction, and as a liability to a credit institution. Once the asset can be utilized in production, it is capitalized at either the asset's

actual value or the estimated current value of the underlying leasing payments, whichever is lower. Each leasing payment is distributed between liabilities and financial expenses so that the interest payments on the outstanding debt are proportional. After deduction of the financing costs, the corresponding leasing debt is attributed to interest-bearing liabilities, while the interest part of the leasing cost is recognized in revenue during the leasing period. Machinery acquired through leasing is written off over the estimated utilization period.

The parent company applies the exemption rule in RFR 2:2 Accounting for legal entities. This means that in the parent company all charges for financial leasing are carried as expenses in accordance with the rules that apply for operational leasing contracts.

Operational Leasing

Leasing of assets where the leasing company to all intents and purposes remains the owner of the asset are classified as operational leasing, and payments made under operational leasing or rental contracts are carried as expenses proportionally during the period of the leasing or rental contract. If the leasing contract is cancelled before the end date, any remuneration that the lessee, according to the contract, is obliged to pay to the lessor is carried as an expense in the period in which the contract is terminated. Any gains resulting from the termination of the leasing contract are reported on a net present value basis.

Financial agreements relating to company vehicles, copying machines and similar items are reported as operational contracts for materiality reasons.

REMUNERATION TO EMPLOYEES

Presentation of pensions

There are only defined contribution pension schemes at Carmel Pharma. Normally the schemes are financed by payments from each Group company and the employees. The parent company is generally covered by Sweden's supplementary pensions for salaried employees (ITP) scheme, which does not assume any payments from employees.

Defined Contribution Schemes

These schemes comprise schemes under which Carmel Pharma pays defined contributions to a separate legal entity, and does not have any legal or informal obligation to pay any further contributions. The Group's payments to defined contribution schemes are reported as an expense for the period when the employees performed the services on which the contributions are based. The portion of the ITP scheme related to family pension, disability pension and industrial group life insurance through Alecta is a defined benefit pension scheme that covers several employers. According to IAS 19, this pension scheme implies that a company in general reports its percentage of the defined benefit pension obligation, and of the administration assets and costs connected to the pension scheme. The accounts are also to include disclosures in accordance with the requirements for defined benefit pension schemes. At present, Alecta does not have the option of supplying the required information concerning why the pension schemes mentioned above are reported as a defined contribution scheme in accordance with point 30 in IAS 19. This means that premiums paid to Alecta continuously will be reported as expenses in the future as well.

Severance Pay

Severance pay is paid out when an employee's employment is terminated by the Group before his/her normal retirement date, or when an employee accepts voluntary termination of employment in exchange for severance pay. The Group reports severance payments when it is demonstrably obliged to do so.

Bonus Plans

Bonuses are reported by the Group as a debt and an expense based on a formula that takes into account the profit that is attributable to the company's shareholders after certain adjustments.

FINANCIAL INCOME AND EXPENSES

Financial income and expenses comprises the interest income from bank funds and receivables, interest expenses for loans, and exchange rate differences.

BORROWING EXPENSES

Borrowing expenses that are directly attributable to the acquisition value of an asset that takes a significant amount of time to transport to its location and in the condition for it to be utilized in accordance with the purpose of the acquisition are activated as part of the asset's acquisition value. Other borrowing expenses are reported as expenses during the period in which they arise.

TAXES

Income tax for the year comprises current taxes, tax adjustments relating to previous periods, and the change in deferred taxes. Tax is reported directly against shareholders' equity if it is attributable to items reported directly against shareholders' equity.

Deferred taxes are reported in their entirety, in accordance with the balance sheet method, on all temporary differences that arise between the taxable value of assets and liabilities and their reported values in the consolidated accounts. However, deferred tax is not reported if it arises as a consequence of a transaction that is the first reporting of an asset or liability that is not a business acquisition, and which, at the time of the transaction, has no effect on either the accounts or the fiscal outcome.

Temporary differences arise mainly through profits from internal stock transactions within the Group, expenditure for capitalized development works, financial leasing and fiscal deficit deductions, of which the latter are reported as an asset only to the extent that it is likely that they will be matched by future taxable profits.

All income tax liabilities/recoverables are valued at nominal amounts and determined in accordance with the tax regulations or rates that have been decided or advised and which are highly likely to be ratified.

EARNINGS PER SHARE

The calculation of earnings per share is based on the consolidated net profit/loss for the year attributable to the parent company's shareholders and on the weighted average number of outstanding shares during the year.

TANGIBLE ASSETS

Machinery, inventories and other tangible assets are reported at their acquisition value with deductions for their accumulated depreciations and write-downs where applicable. The acquisition value includes the purchase price and costs directly attributable to transporting the asset to its location and in the condition for it to be utilized in accordance with the purpose of the acquisition. Costs that may be included in the acquisition value are those for delivery and handling, installation, borrowing expenses or consultancy services.

Tangible assets comprised of components with differing service periods are treated as separate components of tangible assets. The assets' residual values and service period are tested on each accounting date and adjusted if required. An asset's reported value is immediately written down to its recoverable value, if the asset's reported value exceeds its estimated recoverable value.

Normal maintenance or repair costs are written off in the period they are incurred. Extensive renovation or upgrade costs are capitalized only if it is probable that they will generate future financial benefits and written off over the object's remaining service period.

Depreciation is based on the following expected service periods:

Type of Asset	Depreciation, number of years
Machinery	5–7
Production Tools	3–5
Equipment	3–5
Computer Equipment	3–5

Discarding, selling or disposal of tangible assets is reported by the acquisition cost and the accumulated depreciations being cancelled and any depreciation adjustments being entered in the Profit and Loss Statement as a decrease in value. Capital gains/losses are reported under other operating income/expenses.

INTANGIBLE ASSETS

Intangible assets are reported in the consolidated accounts in accordance with IAS 38, Intangible Assets. Intangible assets comprise capitalized expenditure for development work, software and patents. Intangible assets are reported at their acquisition value with deductions for accumulated depreciations over their estimated service period and any write-downs.

Acquired software is reported as intangible assets if the expenses that have been incurred when the software was acquired and commissioned will, with a high degree of certainty, contribute future economic advantages to the Group. The costs for maintenance of the software or expenditure that does not entail economic benefits are written off in the period in which they are incurred. Acquired software is written off over the estimated service period of 5 to 7 years.

In accordance with this accounting recommendation, expenditure for the development of new products is to be reported as intangible assets if such expenditure is highly likely to lead to future economic advantages for the company. These rules mean that the requirements are much higher for reporting expenditure for development work for new products under assets. For example, it must be possible to demonstrate a new product's technical functionality before the expenditure for its development can be reported as an asset. The capitalized value includes expenses for materials, direct salary costs and indirect costs that can be reasonably and consistently attributed to the asset. If not, development expenditure is to be written off when it occurs. Research costs are charged to the net profit/loss as they are incurred. Development costs reported in the Profit and Loss Statement for a period are never capitalized in subsequent periods.

The parent company applies the exemption rule in RFR 2:2 Accounting for legal entities. This means that in the parent company all R&D costs are written off in the period in which they are incurred.

Capitalized expenditure is written off linearly from the time the asset starts being used commercially

and throughout the asset's estimated service period. The service period for strategic development projects is over 5 years.

Type of Asset	Depreciation, number of years
Patents	5
Software	5–7
Capitalized expenditure for development, etc	5–10

WRITE-DOWNS

At the end of each accounting period the book value of assets is evaluated to determine if there are any indications for write-downs. If so, the asset's replacement cost is calculated. The replacement value is regarded as either the net realizable value and service value, whichever is the highest, at which point write-downs are reported as soon as the book value is higher than the replacement value. Previously reported write-downs are reversed if the recoverable value is deemed to have increased, but not to a larger extent than what the book value had been if no write-down had been reported in previous years.

INVENTORIES

Inventories are valued at the lower of the acquisition value or net realizable value. The acquisition value for finished goods and products in progress comprises raw materials, direct salaries, other direct costs and production related expenses including depreciations. Loan costs are not included. The net realizable value is the estimated sales price in current operations, with deduction for the applicable variable selling expenses.

An estimate of the obsolescence in inventories is done regularly throughout the year. The value of inventories is adjusted with an estimated depreciation for discontinued items, physical damage and handling and selling expenses. A valuation reserve for inventory obsolescence is created if the net realizable value falls below the acquisition cost.

FINANCIAL INSTRUMENTS

A financial asset or financial liability is reported in the Balance Sheet when the company is party to the instrument's contractual obligations. A financial asset is removed from the Balance Sheet when the contractual rights are executed, expire or the company loses control over them. A financial liability is removed from the Balance Sheet when the contractual obligations are fulfilled or by some other means have been extinguished. The acquisition or disposal of financial assets is reported on the day of the transaction, which is the day the company commits to acquire or dispose of the asset. On each occasion of reporting, the company evaluates if there are any objective indications that a financial asset or group of financial assets is in need of a write-down.

Accounts receivable

Receivables are initially reported at their actual value, thereafter at their accrued acquisition value, less any provision for depreciation. A provision for depreciation of accounts receivable is effected when there is objective evidence that the Group will not receive all the amounts due as per the receivables' original terms. The size of this provision is the difference between the asset's reported value and the current value of the estimated future cash flow, discounted by the original effective annual interest rate. The asset's reported value is depreciated using a depreciation account and the

lost is reported in the Profit and Loss Statement under "Other External Costs". When a receivable cannot be collected, it is written off in the contingency account for receivables. Collection of an amount that has previously been written off is credited to "Other External Costs" in the Profit and Loss Statement. Since the anticipated term of accounts receivables is short, this value is reported at the nominal amount without discounting.

Available for sale financial assets

Available for sale financial assets are assets not classified in any other category, or financial assets that the company has at the outset chosen to classify in this category. They are part of fixed assets unless the management intends to sell the asset within 12 months after the closing day.

Liquid funds

Liquid funds include cash and bank balances. Liquid funds are reported at their nominal amounts, which corresponds approximately to their real value. Bank overdraft facilities are classified among liabilities under current liabilities.

Liabilities to credit institutions

Liabilities to credit institutions are initially appraised at their actual value, thereafter at their accrued acquisition value. Long-term liabilities to credit institutions are expected to have a term longer than 1 year, whereas current liabilities have a term of less than 1 year.

Convertible debts

Issued convertible bonds can be converted to shares when the other party utilizes their option to convert their claim into shares. Convertible debts are reported as long-term liabilities when the term is longer than 1 year, while short-term convertible debts have a term shorter than 1 year. The debt is reported at its actual value, which is the nominal amount without discounting. Interest is not payable on convertible bonds.

Accounts payable – trade

Accounts payable are initially reported at their actual value and thereafter at their accrued acquisition value. Accounts payable are reported at their nominal amount without discounting, as their term is expected to be short.

CONTINGENT LIABILITIES

Contingent liabilities refer to undertakings that are not reported as liabilities/provisions, either because it is not likely that an outflow of resources will be required to settle the undertaking, or a sufficiently reliable amount cannot be estimated.

CASH FLOW STATEMENT

The Cash Flow Statement is prepared according to IAS 7 – Cash Flow Statement, direct method. The cash flows from non-Swedish Group companies are translated at the average exchange rate.

Liquid funds comprise cash and bank.

NEW ACCOUNTING STANDARDS AND ADDENDUMS TO STANDARDS THAT CAME INTO FORCE IN 2009

The following interpretations came into force and are mandatory for the consolidated accounts for the financial year:

IFRS 2 (Amendment), Share-based payments, clarifies that only service conditions and performance conditions are recognized as conditions for the transfer of shares. All other conditions are to be included in the fair value at the grant date and do not affect the number of allocations anticipated to occur or the fair value after the grant date. This change does not have any impact on Carmel Pharma's accounts.

IFRS 3 (Revised), Business Combinations, the revised standard continues to apply the acquisition method for business combinations, with some significant changes. All costs associated with the acquisition must be expensed at the actual value at the time of the acquisition, and in the case of contingent considerations, these are recognized at their fair value in the profit and loss statement. Goodwill can be calculated based on the parent company's share of the net assets or comprise a portion of the goodwill for a noncontrolling interest (minority interest), even if all the transaction costs are expensed. This revision applies from 1 July 2009. This change has not had any impact on Carmel Pharma's financial reporting.

IFRS 8, Operating Segments, replaces IAS 14 and requires that an entity adopts "the management approach" and reports selected information about its reportable segments, so that the segment profit or loss in the annual report in such a way that it reflects how the group reports financial information about the segment internally for organizational reasons. This standard applies to companies whose debt or equity instruments are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or is in the process of filing its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market. This standard applies from 1 January 2009. This change has not had any impact on Carmel Pharma's financial reporting.

IAS 1 (Revised) Presentation of Financial Statements, aims to make it easier and simpler for the user to analyze and compare information that is presented in annual reports by requiring changes in equity in a company arising from transactions with equity holders to be presented separately from other changes in equity. This revision applies from 1 January 2009. This change has had a marginal impact on Carmel Pharma's financial reporting.

IAS 23 Borrowing costs (Amendment)

The amendment means that borrowing costs are to be included in the asset's acquisition value if the borrowing costs are directly attributable to an asset's acquisition, construction or production, and that it takes a significant amount of time to acquire, construct or produce the asset for its intended use or sale. Previously, Carmel Pharma has expensed borrowing costs directly. This amendment applies from 1 January 2009, and the Group has applied IAS 23 in the activation of borrowing costs from 1 January 2009 but not retrospectively.

NEW ACCOUNTING STANDARDS AND AMENDMENTS TO STANDARDS, AND INTERPRETATIONS NOT YET ADOPTED IN 2009

A number of new and amended standards and interpretations come into force during 2010 and have not been applied in advance in the preparation of these financial reports. It is not either planned to apply new standards or amendments in advance that are applicable from the financial year after 2010.

The revised and amended standards will be applied from 1 January 2010 and are deemed to have only prospective – not retrospective – effects on Carmel Pharma.

NOTE 2 NET SALES

Carmel Pharma organizes its business around the world into a number of geographical regions. These are managed and reported primarily per the geographical region. Segments are consolidated in accordance with the same principles as used by the Group in its entirety.

SALES BREAKDOWN PER GEOGRAPHICAL AREA	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Markets						
Nordic countries	29 094	28 884	26 568	29 288	28 884	26 565
Other European Countries	23 941	20 229	19 156	21 703	17 559	17 294
North America	194 557	160 582	128 377	159 720	102 646	88 589
Japan	11 933	4 250	646	12 259	3 505	21
Other Markets	24 522	16 923	11 449	24 523	16 878	11 448
	284 047	230 868	186 196	247 493	169 472	143 917

NOTE 3 REMUNERATION TO AUDITORS

	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
BDO						
Audit assignment	156	293	220	150	290	220
Other assignments	67	54	188	67	54	188
	223	347	408	217	344	408
OTHER AUDITORS						
Audit assignment	285	177	213	0	0	0
Other assignments	62	54	0	0	0	0
	347	231	213	0	0	0

Audit assignments refer to the auditing of the annual report and the accounts, administration by the Board of Directors and the President, and other tasks that fall to the Company's auditor to perform. The audit also includes consultation or other assistance initiated by findings in the audit. Anything else comprises independent consultation.

NOTE 4 LEASING

New leasing contracts were signed during 2009. These comprised financial leasing contracts for machinery for the production facility in Gothenburg and the extension of the parent company's lease.

FINANCIAL LEASING	Leasing charges, minimum			Present value of financial leasing charges		
	2009	2008	2007	2009	2008	2007
GROUP						
Future payments:						
– Maturity date within 1 year	3 395	1 705	2 700	3 317	1 619	2 612
– Maturity date within 2 to 5 years	20 512	1 494	2 746	20 206	1 452	2 652
– Maturity date more than 5 years	11 422	0	0	11 262	0	0
	35 329	3 199	5 446	34 785	3 071	5 264
Minus interest charge	-544	-128	-182	–	–	–
Present value of future mini-leasing charges	34 785	3 071	5 264	34 785	3 071	5 264

TANGIBLE ASSETS ACQUIRED THROUGH FINANCIAL LEASING	THE GROUP		
	2009	2008	2007
Plant and machinery			
Acquisition value brought forward	20 483	19 969	19 969
Investments	1 783	514	0
Reclassification	10 594	0	0
Sales/Disposals	-15 182	0	0
Accumulated acquisition value carried forward	17 678	20 483	19 969
Accumulated depreciation brought forward	-16 712	-12 664	-8 670
Sales/Disposals	15 182	0	0
Depreciation for the year	-2 352	-4 048	-3 994
Accumulated depreciation carried forward	-3 882	-16 712	-12 664
Book value	13 796	3 771	7 305

Investments in financial leasing are comprised of financial leasing contracts for machinery for the production facility in Gothenburg. The interest rate is set at the point when the contract is entered into. All the leasing contracts have fixed repayments; there are no contracts with variable charges. The actual value of Carmel Pharma AB's leasing obligations corresponds to their reported value. Leased assets under financial leasing contracts are burdened with the lessor's ownership reservation.

OPERATIONAL LEASING

Group

In the consolidated accounts, leasing costs for assets held via operational leasing such as rented premises, large computer and office equipment and car leasing are reported among operating expenses.

Parent Company

The parent company reports leasing costs for assets held via operational leasing such as rented premises, large computer and office equipment, and car leasing among operating expenses. The parent company applies the exemption rule in RFR 2:2 Accounting for legal entities. This means that in the parent company all charges for financial leasing are carried as expenses in accordance with the rules that apply for operational leasing contracts.

	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Expense related to operational leasing	8 596	7 516	6 978	8 915	10 433	9 950

Future leasing charges for non-voidable leasing contracts amounted to the following on the closing day:

Maturity date within 1 year	6 005	6 139	6 644	8 672	9 399	9 416
Maturity date within 2 to 5 years	29 998	4 322	12 103	48 698	12 748	12 949
Maturity date more than 5 years	0	0	0	11 262	0	0
	36 003	10 461	18 747	68 632	22 147	22 365

The marked increase in future leasing charges in the parent company compared with 2008 is primarily attributable to the parent company having extended its lease by a new five-year period and investments made in new machinery during the year. The increase in the consolidated accounts is primarily attributable to the extension of the lease by the parent company.

NOTE 5 LOSS FROM SALES OF TANGIBLE ASSETS

	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Loss, sales of tangible assets	0	41	82	0	28	0
	0	41	82	0	28	0

NOTE 6 PERSONNEL

The average number of employees in the Group was	2009		2008		2007	
	Men	Women	Men	Women	Men	Women
Finland	0	0	0	0	0	0
Japan	8	5	5	4	3	3
Canada	0	2	0	1	0	0
Sweden	43	53	33	47	24	38
Germany	0	3	1	3	2	3
USA	21	25	19	21	15	17
	72	88	58	76	44	61

The average number of employees in the parent company was	2009		2008		2007	
	Men	Women	Men	Women	Men	Women
Sweden	43	53	33	47	24	38

SICKNESS ABSENCE IN %	PARENT COMPANY		
	2009	2008	2007
Sickness absence as a percentage of normal working hours			
Sickness absence, all employees	3.6 %	3.7 %	2.5 %
Percentage of total sickness absence lasting 60 days or longer	22.0 %	0.0 %	0.0 %
Sickness absence for women	4.2 %	3.5 %	2.7 %
Sickness absence for men	2.8 %	3.8 %	2.2 %
Sickness absence for personnel aged 29 or younger	5.6 %	6.6 %	2.8 %
Sickness absence for personnel aged 30–49	3.3 %	3.4 %	2.8 %
Sickness absence for personnel older than 50	*	1.0 %	1.1 %

* Not reported as the exemption rule in the legislation states that no information is required if the number of employees in the group is no more than 10, or if the information can be attributed to an individual. Group here refers to both gender and age categories.

	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Salaries & Remuneration						
Members of the Board and CEO	5 546	6 028	5 599	2 967	2 818	2 403
Others	76 906	62 440	50 484	36 269	31 765	24 705
Pension Costs						
Members of the Board and CEO	1 076	1 097	1 014	1 004	834	739
Others	4 636	3 872	3 903	3 839	3 254	3 418
Social Security Expenses						
	17 274	14 795	12 104	13 466	11 924	9 777
	105 438	88 232	73 104	57 545	50 595	41 042

Salaries and remuneration per country	Members of the Board and CEO			Other employees		
	2009	2008	2007	2009	2008	2007
Finland	0	0	0	65	0	0
Japan	0	0	0	8 041	4 072	2 608
Canada	0	0	0	1 418	612	0
Sweden	2 967	2 818	2 403	36 269	31 765	24 705
Germany	451	1 060	1 060	1 255	588	1 368
USA	2 128	2 150	2 136	29 858	25 403	21 803
	5 546	6 028	5 599	76 906	62 440	50 484

Pension Costs per country	Members of the Board and CEO			Other employees		
	2009	2008	2007	2009	2008	2007
Finland	0	0	0	12	0	0
Japan	0	0	0	0	0	0
Canada	0	0	0	126	37	0
Sweden	1 004	834	739	3 839	3 254	3 418
Germany	0	202	202	0	0	0
USA	72	61	73	659	581	485
	1 076	1 097	1 014	4 636	3 872	3 903

GENDER DISTRIBUTION OF EXECUTIVE MANAGEMENT ON CLOSING DAY IN %	2009	2008	2007
Women:			
Members of the Board	17 %	17 %	0 %
Other people in the Company's executive management incl. CEO	29 %	29 %	17 %
Men:			
Members of the Board	83 %	83 %	100 %
Other people in the Company's executive management incl. CEO	71 %	71 %	83 %

REMUNERATION TO MEMBERS OF THE BOARD AND EXECUTIVE MANAGEMENT OF CARMEL PHARMA AB

Principles

Fees are paid to the Chairman and Members of the Board in accordance with the decision taken at the AGM. Remuneration to the CEO and other executive officers comprises a fixed salary, variable remuneration, other benefits and pension. 'Other executive officers' refers to the six people (six people 2008/five people 2007) who, together with the CEO, comprise the company's Executive Management. The CEO's bonus is maximized to 100% of his fixed salary. The bonuses for other executive officers are based on the outcome in relation to the company's profit-based targets.

Remuneration and other benefits in 2009	Fixed salary	Directors' fees	Bonus	Pension cost	Total
Chairman of the Board	0	190	0	0	190
Members of the Board	0	356	0	0	356
Chief Executive Officer	2 241	0	180	1 004	3 425
Other executive officers	5 492	0	25	1 491	7 008
	7 733	546	205	2 495	10 979

Remuneration and other benefits in 2008	Fixed salary	Directors' fees	Bonus	Pension cost	Total
Chairman of the Board	0	165	0	0	165
Members of the Board	0	222	0	0	222
Chief Executive Officer	2 251	0	180	834	3 265
Other executive officers	5 385	0	301	1 441	7 127
	7 636	387	481	2 275	10 779

Remuneration and other benefits in 2007	Fixed salary	Directors' fees	Bonus	Pension cost	Total
Chairman of the Board	0	150	0	0	150
Members of the Board	0	300	0	0	300
Chief Executive Officer	1 953	0	0	739	2 692
Other executive officers	4 312	0	100	1 203	5 615
	6 265	450	100	1 942	8 757

Bonuses and other remuneration

Bonuses refer to bonuses carried as an expense for the 2009 financial year, which are paid out during 2010. Members of the Board have received no other remuneration over and above their directors' fees.

Pensions

The CEO's pension benefit is a pension premium that amounts to 35 % of his fixed salary. The retirement age for the Chief Executive Officer is 65 years. The pension agreements for other executive officers follow the company's general pension policy, with defined contribution premium steps corresponding to the ITP scheme. The retirement age for other executive officers is 65 years. All pension benefits are transferable, that is, not conditional on future employment.

Severance pay

Should the Chief Executive Officer resign, the period of notice required is six months. The Chief Executive Officer is entitled to salary during for a period of notice of one year, as well as severance pay equivalent to twelve times his fixed monthly salary at the time of the termination of his employment. Other income is not deducted from the salary during the period of notice, whereas income from other employment is deducted from the severance pay. In the case of the termination of employment of other executive officers, they are entitled to receive salary for a period of notice no less than 6 months and no longer than 1 year.

NOTE 7 FINANCIAL INCOME

	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Earnings from investments and receivables	0	40	0	0	0	0
Interest income	19	124	284	14	61	148
Interest income, Group companies	0	0	0	160	263	180
Additional information	27	0	86	0	0	0
	46	164	370	174	324	328

NOTE 8 FINANCIAL EXPENSES

	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Interest expenses	1 092	1 642	2 816	324	674	1 315
Additional information	0	3	10	0	3	10
	1 092	1 645	2 826	324	677	1 325

NOTE 9 INCOME TAXES

	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Current tax expenses	827	1 893	335	0	0	0
Deferred tax	11 638	6 595	2 148	10 685	5 082	2 864
	12 465	8 488	2 483	10 685	5 082	2 864

Estimated tax on net profit for the year in Sweden has been estimated at 26.3 %. For the years 2007 and 2008, income tax has been calculate at the rate of 28 %. Taxes for other countries have been estimated in accordance with the tax rates used locally.

Relationship between tax expenses for the year and net profit before tax:

	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Net profit before tax	35 135	25 250	13 071	40 385	11 079	9 584
Taxes acc. to applicable tax rate 26.3 % (28 %)	9 240	7 070	3 660	10 621	3 102	2 684
Adjustment of tax expenses from previous years	0	-25	98	0	0	0
Tax effect of non-deductible expenses	117	465	194	64	112	180
Tax effect of tax-free income	0	-3	0	0	-2	0
Change in deficit deductions not capitalized	-70	-33	78	0	0	0
Utilized deficit deductions previously capitalized	-10 685	-3 212	-3 011	-10 685	-3 212	-2 864
Altered valuation of temporary differences	2 272	-2 963	-764	0	0	0
Adjustment for tax rates in non-Swedish subsidiaries	-47	594	80	0	0	0
Presented current tax expenses	827	1 893	335	0	0	0

Deferred prepaid tax relates to the following temporary differences and deficit deduction:

	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Deferred prepaid tax attributable to:						
Temporary differences in fixed assets	4 974	3 778	3 784	0	0	0
Temporary differences in current assets	7 582	5 390	5 261	0	0	0
Deficit deduction	18 257	28 942	34 024	18 257	28 942	34 024
Deferred prepaid tax	30 813	38 110	43 069	18 257	28 942	34 024
Deferred tax liability attributable to:						
Temporary differences in fixed assets	-10 725	-7 056	-5 421	0	0	0
Deferred tax liability	-10 725	-7 056	-5 421	0	0	0
Deferred prepaid tax, net	20 088	31 054	37 648	18 257	28 942	34 024

The change in net deferred income tax recoverable is presented below:

	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Deferred income taxes recoverable, brought forward	31 054	37 648	39 797	28 942	34 024	36 888
Change in deficit deduction due to change in tax rate	0	-1 870	0	0	-1 870	0
Utilized deficit deductions previously capitalized	-10 685	-3 212	-2 864	-10 685	-3 212	-2 864
Change in temporary differences, net	-281	-1 512	715	0	0	0
Net deferred income tax recoverable, carried forward	20 088	31 054	37 648	18 257	28 942	34 024

During the month of December 2008 the Swedish government decided to reduce corporate tax rate from 28 % to 26.3 %. This reduction does not apply to income years for tax purposes that begin before 1 January 2009. In accordance with accepted accounting standards however, deferred income tax recoverables are to be valued on the basis of the tax rates that are anticipated to apply according to the tax rates that have determined or announced per closing day at the time that the deferred income tax recoverable is recovered. For the 2008 financial year, this means that the deferred income tax recoverable and deferred taxes for 2008 have been calculated at the rate of 26.3 %.

NOTE 10 EARNINGS PER SHARE**Before dilution**

Earnings per share before dilution are estimated by dividing the net profit attributable to the parent company's shareholders by the weighted average number of outstanding shares during the period.

	THE GROUP		
	2009	2008	2007
Earnings attributable to the parent company's shareholders	22 670	16 762	10 588
Weighted average number of outstanding shares (thousands)	7 934	7 934	7 918
Earnings per share before dilution (SEK per share)	2.86	2.11	1.34

After dilution

Earnings per share after dilution are calculated by adjusting the weighted average number of outstanding shares for the dilution effect of all potential shares. The parent company has a category of shares with a potential dilution effect: convertible debts. The convertible debts are assumed to have been converted to shares and the net profit has been adjusted to eliminate interest expenses minus the tax effect.

	THE GROUP		
	2009	2008	2007
Earnings attributable to the parent company's shareholders	22 670	16 762	10 588
Interest expenses for convertible debts (after tax)	0	0	0
Net profit used to determine earnings per share after dilution	22 670	16 762	10 588
Weighted average number of shares before dilution	7 934	7 934	7 918
Adjusted for the assumed conversion of convertible debts (thousands)	858	858	708
Weighted average number of shares after dilution (thousands)	8 792	8 792	8 626
Earnings per share after dilution (SEK per share)	2.58	1.91	1.23

NOTE 11 PLANT AND MACHINERY

	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Acquisition value brought forward	61 191	56 930	52 468	40 708	36 961	32 499
Investments	6 044	5 097	4 462	4 261	4 583	4 462
Reclassifications	12 105	0	0	1 511	0	0
Sales/Disposals	-15 599	-836	0	-201	-836	0
Accumulated acquisition value carried forward	63 741	61 191	56 930	46 279	40 708	36 961
Depreciation brought forward	-47 180	-39 009	-29 822	-30 469	-26 346	-21 152
Sales/Disposals	15 241	808	0	56	808	0
Depreciation for the year	-6 478	-8 979	-9 187	-4 169	-4 931	-5 194
Accumulated depreciation carried forward	-38 417	-47 180	-39 009	-34 582	-30 469	-26 346
Book value	25 324	14 011	17 921	11 697	10 239	10 615

NOTE 12 EQUIPMENT

	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Acquisition value brought forward	7 902	7 300	6 481	4 638	5 277	4 684
Investments	1 695	847	1 082	959	129	593
Sales/Disposals	-372	-855	-161	-316	-768	0
Translation difference on consolidation	-258	610	-102	0	0	0
Accumulated acquisition value carried forward	8 967	7 902	7 300	5 281	4 638	5 277
Depreciation brought forward	-5 910	-5 374	-4 212	-4 090	-4 377	-3 656
Sales/Disposals	372	854	5	316	768	0
Translation difference on consolidation	143	-309	55	0	0	0
Depreciation for the year	-1 062	-1 081	-1 222	-431	-481	-721
Accumulated depreciation carried forward	-6 457	-5 910	-5 374	-4 205	-4 090	-4 377
Book value	2 510	1 992	1 926	1 076	548	900

NOTE 13 INVESTMENTS IN TANGIBLE FIXED ASSETS UNDER CONSTRUCTION

	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Acquisition value brought forward	12 105	6 209	0	1 511	0	0
Investments	613	1 511	0	613	1 511	0
Reclassification	-12 105	0	0	-1 511	0	0
Investments in financial leasing	5 470	4 385	6 209	0	0	0
Book value	6 083	12 105	6 209	613	1 511	0

Investments in progress are comprised of new machinery for the production facility in Sweden.

NOTE 14 CAPITALIZED EXPENDITURE FOR DEVELOPMENT

	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Acquisition value brought forward	12 701	5 919	0	0	0	0
Investments	9 719	6 782	5 919	0	0	0
Accumulated acquisition value carried forward	22 420	12 701	5 919	0	0	0
Depreciation brought forward	-236	-72	0	0	0	0
Depreciation for the year	-495	-164	-72	0	0	0
Accumulated depreciation carried forward	-731	-236	-72	0	0	0
Book value	21 689	12 465	5 847	0	0	0

NOTE 15 PATENTS AND SIMILAR RIGHTS

	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Acquisition value brought forward	15 155	15 155	15 155	15 155	15 155	15 155
Accumulated acquisition value carried forward	15 155	15 155	15 155	15 155	15 155	15 155
Depreciation brought forward	-13 414	-12 489	-11 565	-13 414	-12 489	-11 565
Depreciation for the year	-854	-925	-924	-854	-925	-924
Accumulated depreciation carried forward	-14 268	-13 414	-12 489	-14 268	-13 414	-12 489
Book value	887	1 741	2 666	887	1 741	2 666

NOTE 16 SOFTWARE

	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Acquisition value brought forward	0	0	0	0	0	0
Investments	190	0	0	0	0	0
Translation difference on consolidation	6	0	0	0	0	0
Accumulated acquisition value carried forward	196	0	0	0	0	0
Depreciation brought forward	0	0	0	0	0	0
Translation difference on consolidation	-1	0	0	0	0	0
Depreciation for the year	-9	0	0	0	0	0
Accumulated depreciation carried forward	-10	0	0	0	0	0
Book value	186	0	0	0	0	0

NOTE 17 INVESTMENTS IN PROGRESS IN INTANGIBLE FIXED ASSETS

	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Acquisition value brought forward	0	0	0	0	0	0
Investments	1 269	0	0	735	0	0
Translation difference on consolidation	-19	0	0	0	0	0
Book value	1 250	0	0	735	0	0

Investments in progress comprises software in Sweden and Japan.

NOTES 18 PARTICIPATIONS IN SUBSIDIARIES

Company details, etc.	Extent of holding		Book value	Book value	Book value
			2009	2008	2007
Carmel Pharma Harbor AB	Number of shares	1 000	100	100	100
Corp. no. 556473-1700	Proportion of equity	100 %			
Reg. office: Gothenburg, Sweden	Share of voting power	100 %			
Carmel Pharma GmbH	Number of shares	1	230	230	230
Reg. office: Frankfurt am Main, Germany	Proportion of equity	100 %			
(sales company)	Share of voting power	100 %			
Carmel Pharma, Inc.	Number of shares	100	398	398	398
Reg. office: Columbus, Ohio, USA	Proportion of equity	100 %			
(sales company)	Share of voting power	100 %			
Carmel Pharma Japan K.K	Number of shares	200	671	671	671
Reg. office: Tokyo, Japan	Proportion of equity	100 %			
(sales company)	Share of voting power	100 %			
Carmel Pharma Canada Inc.	Number of shares	100	1	1	1
Reg. office: Ontario, Canada	Proportion of equity	100 %			
(sales company)	Share of voting power	100 %			
Carmel Pharma SARL	Number of shares	7 000	65	65	65
Reg. office: Paris, France	Proportion of equity	100 %			
(sales company)	Share of voting power	100 %			
Carmel Pharma OY	Number of shares	250	26	0	0
Reg. office: Helsinki, Finland	Proportion of equity	100 %			
(sales company)	Share of voting power	100 %			
Book value			1 491	1 465	1 465

NOTE 19 OTHER INVESTMENTS HELD AS FIXED ASSETS

Convertible debts	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Acquisition value brought forward	0	128	0	0	0	0
Investments	0	0	441	0	0	0
Sales	0	-67	-313	0	0	0
Reclassification	0	-61	0	0	0	0
Book value	0	0	128	0	0	0

NOTE 20 OTHER LONG-TERM RECEIVABLES

Deposits	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Acquisition value brought forward	330	141	214	0	69	69
Investments	0	231	0	0	0	0
Sales	0	-141	-72	0	-69	0
Translation difference on consolidation	-28	99	-1	0	0	0
Book value	302	330	141	0	0	69

NOTE 21 INVENTORIES

Deposits	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Raw materials and supplies	6 986	8 845	4 070	6 986	8 845	4 070
Work-in-progress	9 983	5 521	4 648	9 983	5 521	4 648
Finished goods	27 096	17 625	16 885	10 609	8 645	8 298
Book value	44 065	31 991	25 603	27 578	23 011	17 016

Of the recorded value of inventories, KSEK 0 (0) is presented as net realizable value. Obsolescence written off amounted to KSEK 1,573 (535).

NOTE 22 ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Accounts receivable	40 824	38 311	30 475	16 198	10 380	12 170
Minus: reservation for bad debts	0	0	0	0	0	0
Accounts receivable, net	40 824	38 311	30 475	16 198	10 380	12 170
Other receivables	5 163	4 186	2 752	2 878	3 205	2 131
Prepaid expenses and accrued income	4 588	3 919	2 882	4 115	3 872	4 667
	50 575	46 416	36 109	23 191	17 457	18 968

Since the accounts receivable reported above are current receivables, the booked amounts constitute a reasonable estimate of their actual value. The age analysis of accounts receivable is reported in Note 32.

	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Other receivables						
VAT recoverable	3 203	3 479	1 929	2 164	2 569	1 425
Other receivables	1 960	707	823	714	636	706
Book value	5 163	4 186	2 752	2 878	3 205	2 131

The Group anticipates recovering the VAT recoverable reported above within a period of 1–3 months after the end of the fiscal year, depending on the accounting period applicable in each country.

	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Prepaid expenses and accrued income						
Prepaid rental and leasing costs	2 239	2 073	2 128	2 229	2 073	2 128
Prepaid raised leasing rates	0	0	0	0	640	1 938
Other prepaid expenses and accrued income	2 349	1 846	754	1 886	1 159	601
Book value	4 588	3 919	2 882	4 115	3 872	4 667

NOTE 23 AVAILABLE FOR SALE FINANCIAL ASSETS

	THE GROUP		
	2009	2008	2007
Convertible debts			
Acquisition value brought forward	61	0	0
Reclassification	0	61	0
Book value	61	61	0

NOTE 24 LIQUID FUNDS

	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Cash and bank	23 709	14 573	7 470	20 558	11 263	3 947

NOTE 25: PARENT COMPANY'S SHARE CAPITAL

	Outstanding number of shares:	Ratio value per share:
2007-12-31	7 934 312	1
2008-12-31	7 934 312	1
2009-12-31	7 934 312	1

The company's share capital must be no less than KSEK 3,000 and no more than KSEK 12,000 according to the Articles of Association. The share capital can be raised or lowered within these limits without the need to change the Articles of Association. The highest number of shares is 12 million. On 31 December 2009, the company had a share capital of KSEK 7,934 (7,934). No share are held by Carmel Pharma AB or its subsidiaries.

Dividends

The Board has proposed no dividends for the 2009 financial year.

NOTE 26 LIABILITIES TO CREDIT INSTITUTIONS

	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Bank overdraft facilities	25 169	17 144	12 943	0	0	0
Bank loans	2 237	5 189	11 116	2 237	5 189	11 116
Financial leasing liabilities	19 160	13 968	11 688	0	0	0
	46 566	36 301	35 747	2 237	5 189	11 116
Bank overdraft limit						
Approved credit limit	34 236	27 812	24 116	9 000	6 000	6 000
Unused portion	-9 067	-10 668	-11 173	-9 000	-6 000	-6 000
Utilized credit amount	25 169	17 144	12 943	0	0	0

The bank overdraft facility utilized by the Group comprises a bank overdraft facility in the subsidiary Carmel Pharma Inc, which has an approved credit limit of MUSD 3.5 (2.8).

The parent company has a bank loan of MUSD 0.3 (0.7).

The booked loans mentioned above constitute a reasonable estimate of actual value.

The terms of the loans and distribution of currencies are reported in Note 32. The assets pledged by Carmel Pharma for the loans are reported in Note 29.

NOTE 27 CONVERTIBLE DEBTS

The parent company has issued convertible debts that entitle the holder to exchange the convertible debts for shares in Carmel Pharma AB on payment of a given amount of cash.

Outstanding loan amount	Accords the right to (number of) shares	Conversion price	Converted last	Annually interest
KSEK 1,385	500,000 shares.	SEK 42.77/share	2010-05-31	0 %
KSEK 160	57,900 shares.	SEK 42.77/share	2010-05-31	0 %
KSEK 441	150,000 shares.	SEK 47.94/share	2010-05-31	0 %
KSEK 627	150,000 shares.	SEK 50.18/share	2010-12-31	0 %

	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Liabilities brought forward	1 986	1 986	7 832	1 986	1 986	7 832
Loans raised	627	0	441	627	0	441
Amortization	0	0	-6 287	0	0	-6 287
Book value	2 613	1 986	1 986	2 613	1 986	1 986

NOTE 28 ACCOUNTS PAYABLE – TRADE – AND OTHER SHORT-TERM LIABILITIES

	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Accounts payable – trade	17 738	15 363	10 610	16 446	13 035	9 206
Other current liabilities	2 605	2 652	2 240	2 194	2 154	1 898
Accrued expenses and deferred income	15 781	18 882	17 920	8 047	8 135	10 403
Book value	36 124	36 897	30 770	26 687	23 324	21 507

Accrued expenses and deferred income	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Accrued vacation pay and social security expenses	8 699	11 576	10 980	6 292	6 621	8 534
Interest expenses	10	25	38	0	0	0
Fees to consultants and commissions	3 232	3 666	3 830	1 591	1 231	1 666
Other accrued expenses	1 241	1 091	1 286	164	283	203
Deferred income	2 599	2 524	1 786	0	0	0
Book value	15 781	18 882	17 920	8 047	8 135	10 403

NOTE 29 PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Chattel mortgages	15 000	15 000	15 000	15 000	15 000	15 000
Accounts receivable and inventories	32 428	29 210	23 107	0	0	0
Assets burdened with ownership reservations (financial leasing)	18 972	14 365	13 514	0	0	0
	66 400	58 575	51 621	15 000	15 000	15 000
Contingent liabilities						
Guarantee in favor of Group companies	25 169	17 144	12 943	25 169	17 144	12 943
	25 169	17 144	12 943	25 169	17 144	12 943

The subsidiary Carmel Pharma, Inc. has used their accounts receivable and inventory as security for a bank overdraft of MUSD 3.5 (2.8). According to the underlying contract, lending possibilities are limited, and the overdraft is further limited by a percentage at which lending can occur.

Assets with ownership reservations serve as security for interest-bearing debts to credit institutions.

NOTE 30 NEW SUBSIDIARY**Carmel Pharma OY**

During the month of November 2009, Carmel Pharma OY was formed and the company has been consolidated from that date. Carmel Pharma AB owns 100 % of shares in Carmel Pharma OY. From 1 January 2010, Carmel Pharma OY has taken over sales in Finland from distributors, as previously was the case. The new company's accounts are reported below.

Share capital: KSEK 26
 - of which financed with liquid funds KSEK 26

Liquid funds in the subsidiary after the company formation: KSEK 26

From the company formation date, Carmel Pharma OY has contributed KSEK 0 to the Group's sales and KSEK 0 to the Group's net profit before taxes.

NOTE 31 TRANSACTIONS WITH AFFILIATES

Transactions between Carmel Pharma AB and its subsidiaries, considered affiliates to Carmel Pharma AB, have been eliminated in the consolidated accounts and therefore have not been included in this note.

Products and services between Group companies are supplied on the basis of normal business terms and market prices. Intra-group sales during 2009 amounted to 71 % (65 %) of the parent company's net sales.

No member of the Board or executive officer has or has had any direct or indirect participation in any of the business transactions between themselves and the Group, which are or were unusual with respect to their terms and conditions. No other transactions with affiliates have taken occurred in addition to this.

Remuneration and benefits to key individuals on the Board and in the Executive Management (see Note 6).

NOT 32 RISKS, RISK MANAGEMENT AND SENSITIVITY ANALYSIS

Over 92 % (89 %) of Carmel Pharma Group's sales are generated outside Sweden (all production is in Sweden). This results in the Group being exposed to several types of financial risks: currency risk, interest risk, credit risk and liquidity risk, refinancing and counterparty risk which can result in variations in the net profit/loss for the year, cash flow and shareholders' equity due to changes in exchange and interest rates. The Group is also exposed to other risks such as risks from our business environment and operational risks.

The parent company's task is to support operations, and to identify and manage the Group's risks in the best possible way. The Group uses derivatives to safeguard itself from some of its financial risk exposure and to minimize any unfavorable effects of the financial result.

Business environment and operational risks

Carmel Pharma is the leader in closed handling of hazardous medications for intravenous use. The Group invests large amounts of resources in product development to assure future earnings. Carmel Pharma analyses the basis for intellectual property rights for various products and identifies and protects its inventions through patents.

Through its operations, Carmel Pharma has assumed a certain products liability. Any injury occurring that is caused by the company's products can lead to a claim being made against Carmel Pharma. Insurance has been taken out to cover these risks to which the Group is exposed.

Cash Flow Risk

The company is in phase of strong expansion, which impacts cash flow. It is vital for the company to adapt the expansion to the cash flow that the company can bear. By raising loans, Carmel Pharma has committed itself to achieving certain financial key ratios connected to the company's cash flow.

Currency Risk

The Group is active internationally, and is therefore exposed to currency risks from exposure to different currencies, in particular the USD, EUR, and YEN. Currency exposure arises in conjunction with the cash flows in foreign currencies (transaction exposure) and in conjunction with the translation of the balance sheets and profit and loss statements of non-Swedish subsidiaries into Swedish Kronor (translation exposure).

Cash flows resulting from sales proceeds and selling expenses for goods sold in foreign currencies result in currency exposure that impacts the consolidated net profit or loss when there are exchange rate fluctuations. The Group's cash flows in foreign currencies are generated mainly through the parent company's export sales. The most important currencies are USD and EUR. Carmel Pharma AB's fiscal policy stipulates that exchange risk cover must be arranged to cover the forecast net inflow of foreign currencies. This cover is arranged with the help of forward exchanges and currency options.

Translation exposure – Profit and Loss Statement

The translation into Swedish Kronor of the net profit/loss of the non-Swedish group companies results in a currency exposure that impacts the Group's net profit/loss when exchange rate fluctuations occur. Hedging against this exposure is not normally arranged.

Translation exposure – Balance Sheet

The translation of the non-Swedish Group companies' net assets to Swedish Kronor results in a currency exposure that impacts the Group's shareholders' equity. Hedging against this exposure is not normally arranged.

The amounts presented for accounts receivable and other receivables per currency are:

Distribution per currency (KSEK)	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
SEK	10 284	9 688	8 032	10 275	10 202	10 056
USD	21 758	23 976	16 284	346	221	417
EUR	14 199	7 677	10 193	12 524	6 499	8 498
CAD	1 507	1 431	1 011	0	0	0
YEN	2 781	3 110	587	0	0	0
Other currencies	46	534	2	46	535	-3
	50 575	46 416	36 109	23 191	17 457	18 968

The maximum currency risk exposure on closing day is the actual value presented above.

The amounts presented for accounts payable – trade – and other current liabilities per currency are:

Distribution per currency (KSEK)	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
SEK	20 774	20 383	18 961	20 772	20 383	18 961
USD	9 190	12 607	8 095	1 826	1 058	458
EUR	4 247	2 731	2 702	2 966	1 502	1 544
CAD	155	67	211	0	0	0
YEN	950	1 037	521	315	315	265
Other currencies	808	72	280	808	66	279
	36 124	36 897	30 770	26 687	23 324	21 507

Amounts presented for borrowings, per currency:

Distribution per currency (KSEK)	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
SEK	21 773	15 954	13 674	2 613	1 986	1 986
USD	27 405	22 333	24 059	2 237	5 189	11 116

Borrowings includes utilized bank overdraft facilities, convertible loans, bank loans and financial leasing (see Notes 26 & 27).

Interest Risk

Interest rate risk means the risk of changes in the market interest rates that affect the Group's the net interest income/expenses. How rapidly a change in interest rates has an impact on the net interest income/expenses depends on the length of the fixed rate term applicable to the loan. The fixed interest terms of current loans are 3–6 months.

Financing and Liquidity Risk

Financing and liquidity risk refers to the risk that the cost will increase and financing options will decrease when a loan is to be renewed, and that payment obligations cannot be met as a result of insufficient liquidity or difficulty in obtaining finance. The Group's liquid funds are invested short-term, and the goal is for the excess liquidity to be used for the amortization of loans.

Table of maturity for loans	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
within 12 months	6 695	6 523	9 166	2 613	2 773	7 043
between 2–5 years	14 580	14 620	15 624	1 342	4 402	6 059
more than 5 years	27 904	17 144	12 943	0	0	0

Credit Risk and Counterparty Risk

The Group's financial transactions incur credit risk as a result of its dealings with financial counterparties. Credit risk or counterparty risk refers to the risk of losses if counterparties do not meet their obligations. The Group's policy is that credit risk is to be limited by only accepting counterparties with good credit ratings. If there is the least doubt about a client's financial position, the Group demands letters of credit that are irrevocable and drawn on a bank. The Group's liquidity is invested as bank deposits with negligible credit risk. Commercial credit risks are limited by a diversified customer base with good credit ratings.

Age analysis of accounts receivable	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Not yet due	33 809	34 611	21 827	12 186	8 968	7 824
0–90 days	5 029	3 696	6 604	2 718	1 412	2 696
91–180 days	1 605	4	1 764	913	0	1 370
>181 days	381	0	280	381	0	280
	40 824	38 311	30 475	16 198	10 380	12 170

The following accounts receivable fell due on 31 December but no write-offs were considered necessary. These refer to a number of independent customers who have not previously had payment difficulties. The Group works actively to assure cash inflows from its customers.

Management of Capital Risk

Carmel Pharma's debt structure is focused on capital markets where banks are used primarily to supply reserves. The goal of the Group's capital management is to protect the Group's capacity to continue current operations and to maintain an optimum capital structure in order to reduce capital expenses. The Group monitors its capital so that its debt-equity ratio remains at a low level. A debt-equity ratio of 0.80 or lower indicates a strong balance sheet and financial flexibility. The debt-equity ratio is presented below. For 2008 and 2009, the parent company reports a net cash-in-hand.

Capital structure	THE GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Interest-bearing liabilities	46 713	36 302	35 747	2 237	5 190	11 116
Interest-bearing assets	23 709	14 573	7 470	20 558	11 263	3 947
Interest-bearing net debt/net cash	23 004	21 729	28 277	-18 321	-6 073	7 169
Shareholders' equity, total	112 434	89 920	74 951	115 505	85 805	79 807
Debt-equity ratio	0.20	0.24	0.38	n/a	n/a	0.09

Sensitivity analysis

The consolidated earnings have primarily been affected by group sales, cost of materials, personnel and other operating expenses. The sensitivity analysis below is based on the 2009 financial year, and how the variables specified might have affected the earnings after financial items. Each variable is treated separately on the condition that the others remain unchanged. The analysis does not claim to be exact but should rather be seen as indicative

Variable	Change	Effect on earnings (MSEK)
Net sales	+/- 1%	2.8
Cost of materials	+/- 1%	0.5
Other operating expenses	+/- 1%	0.8
Personnel expenses	+/- 1%	1.1
Change in exchange rates:		
EUR	+/- 1%	0.2
USD	+/- 1%	0.1

Gothenburg 18 March 2010

Per Carendi
(Chairman)

Thomas Eklund

Mats Enegren

Thomas Pollare

Peter Hentschel

Louise Nilsson

Dan Pitulia
(Chief Executive Officer)

My audit report was submitted on 18 March 2010.

Clas Gullmarstrand
Authorized Public Accountant

Auditor's report

To the Annual General Meeting of Carmel Pharma AB (publ)

Corp. no.: 556533-7648

I have examined the Annual Accounts, the Consolidated Accounts, the accounting records as well as the administration of the Board of Directors and Chief Executive Officer of Carmel Pharma AB (publ) for the financial year 1 January 2009 to 31 December 2009. The company's annual report and consolidated accounts are included in this document on pages 6–52. The Board and the CEO are responsible for the financial statements and the administration of the Company as well as for the application of the Annual Accounts Act and the international accounting standards (IFRS) that have been adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. My responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on my audit.

The audit was conducted in accordance with generally accepted auditing standards in Sweden. These standards require me to plan and perform the audit to a high, though not absolute, degree of certainty that the annual accounts and consolidated accounts are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles and their application by the Board of Directors and the CEO and significant estimates made by the Board of Directors and the CEO when preparing the annual accounts and the consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for my opinion concerning discharge from liability, I examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any Board member or the CEO. I also examined whether any Board member or the CEO in any other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts have been prepared in accordance with Sweden's Annual Accounts Act and thus give a true and fair view of the net profit/loss and financial position of the company in accordance with accepted accounting standards in Sweden. The consolidated accounts have been prepared in accordance with those parts of IFRS that have been adopted by the EU and Sweden's Annual Accounts Act and give a true and fair view of the net profit/loss and financial position of the Group. The Administration Report is consistent with the other parts of the annual accounts and the consolidated accounts.

I therefore recommend that the profit and loss accounts and balance sheets of the Parent Company and the Group be adopted by the Annual General Meeting, that the profit of the Parent Company be dealt with in accordance with the proposal in the Administration Report and that the Board of Directors and the CEO be discharged from liability for the financial year.

Gothenburg 18 March 2010

Clas Gullmarstrand
Authorized Public Accountant



Members of the board



From left to right:

MATS ENEGREN

Born: 1957. Member of the Board since 2001. CEO, Start Invest AB.
Other directorships: Chairman of TimePlan Hotel AB. Member of the Boards of Aqualiv AB, Oxeon AB, Betjänten AB, Alfasensor AB, Poseidon Diving Group AB, Safe at Sea AB, Capee Group AB, Penboost AB, Greendip AB and Trigentic AB.
Shares: 0. **Convertibles:** 0.

TOMAS EKLUND

Born: 1967. Member of the Board since 2003. Managing Director, Investor Growth Capital.
Other directorships: CMA Microdialys, Memira AB and Neoventa Medical AB, Biotage AB and Vårdapoteket i Norden AB.
Shares: 30 942. **Convertibles:** 0.

THOMAS POLLARE

Born: 1953. Member of the Board since 2006.
Other directorships: Trigen AG, Axellia AS and PharmSwed AB.
Shares: 0. **Convertibles:** 0.

LOUISE NILSSON

Born: 1967. Member of the Board since 2009. Partner and investment manager, Priveq Investment.
Other directorships: ByggPartner i Dalarna Holding AB, Innovativ Vision AB and Vårdapoteket i Norden AB.
Shares: 0. **Convertibles:** 0.

PER CARENDI Chairman

Born: 1948. Chairman of the Board since 2006. Member of the Board since 2005. CEO of SLS Invest AB.
Other directorships: Chairman of the Board of Doxa AB. Member of the Board of Exirgruppen AB, OxThera AB and DevPort AB.
Shares: 25 000. **Convertibles** with subscription rights to 70,000 shares.

PETER HENTSCHEL

Born: 1949. Member of the Board since 2006. Former Senior Vice President Mölnlycke Health Care AB.
Other directorships: Aidera AB, Appeartex AB, Lumina Adhesives AB and Sentoclone AB
Shares: 0. **Convertibles** with subscription rights to 5,000 shares.

Executive management



From left to right:

LENNART BERGSTRÖM Chief Financial Officer.

Born 1947. Employee since 1994.
Shares: 170,940. **Convertibles** with subscription rights to 16,000 shares.

PER RÖNNEKLEV Vice President Marketing.

Born 1955. Employee since 1994.
Shares: 21,076. **Convertibles** with subscription rights to 15,000 shares.

DAN PITULIA Chief Executive Officer

Born 1956. Employee since 2005.
Shares: 179,090. **Convertibles** with subscription rights to 231,000 shares.

ELISABET HELMERSON Vice-President Research & Development

Born 1952. Employee since 2003.
Shares: 5,454. **Convertibles** with subscription rights to 15,000 shares.

JANE WALL VP Clinical Support Global

Born 1966. Employee since 2004.
Shares: 0. **Convertibles** with subscription rights to 20,000 shares.

FREDRIK BÄCKSTRÖM Vice-President Production

Born 1965. Employed since 2001.
Shares: 10,000. **Convertibles** with subscription rights to 15,000 shares.

KJELL ANDREASSON Vice President Quality

Born 1950. Employee since 1995.
Shares: 77,833. **Convertibles** with subscription rights to 15,000 shares.

Financial information may be ordered from: Carmel Pharma AB, Box 5352, SE-402 28 Göteborg, Sweden, or by e-mail from info@carmelpharma.com or by phone from +46 (0)31 703 04 00. This information can also be downloaded from our website www.carmelpharma.com