

## Karolinska Development AB (publ)

Corporate Identity Number 556707-5048

# Interim report January – March 2011

## Group

### January – March 2011

- Revenue amounted to SEK 2.9m (2.6)
- Profit/loss after tax amounted to SEK -37.5m (0.1) of which SEK -12.3m (18.7) comprised net changes in fair value which do not impact the cash flow (see Note 1)
- During the period, investments in portfolio companies (including subsidiaries, joint ventures and associates) amounted to SEK 35.7m (46.3)
- Cash flow for the period amounted to SEK 34.5m (-210.1)
- The total valuation of the whole portfolio at 31 March 2011 according to the International Private Equity and Venture Capital Valuation Board Guidelines (including subsidiaries, associates and other financial investments) was SEK 1,461.9m (1,564). The value as at 31 December 2010 amounted to SEK 1,454.7m
- Earnings/loss per share both before and after dilution amounted to SEK -1.04 (-0.05)
- Net asset value per share amounted to SEK 53.0 (61.3) (Definition, see Note 1)

### Significant events during the period

- Torbjörn Bjerke appointed as new CEO of Karolinska Development
- Terje Kalland appointed as new CSO of Karolinska Development
- The collaboration with the European Investment Fund resulted in that the jointly owned KCIF Co-Investment Fund KB acquired shares from Karolinska Development in the portfolio companies Aprea AB, Athera Biotechnologies AB, Umecrine Mood AB, and XSpray Microparticles AB
- The biomaterials company Promimic AB received a 510 (k) approval for the implant surface HA<sup>NANO</sup> Surface™. The approval means the company can market and sell the surface in the United States in the field of dental implants
- Aprea AB reported completion of the Phase I/II safety study with its candidate drug APR-246 in cancer patients, showing that the compound is safe and tolerated
- Karolinska Development AB decided to broaden its shareholder base through a new issue of Series B shares and to apply for a listing of Karolinska Development's Series B shares on the NASDAQ OMX Stockholm exchange
- Karolinska Development extended its portfolio by investing in BioChromix AB – a Swedish *in vitro* diagnostic company focusing on Alzheimer's disease

## Significant events after the end of the period

- Axelar AB announced positive interim results from its ongoing Phase I/II study – its primary endpoint was successfully reached, identifying the appropriate Phase II dose as well as providing evidence that AXL1717 is safe and tolerated
- Kurma Biofund carried out its first joint investment in the portfolio company Umecrine Mood AB
- Karolinska Development AB was listed on NASDAQ OMX Stockholm on 15 April 2011. In conjunction with the listing, a total of 15,200,000 Series B shares were issued raising SEK 608.0m gross and SEK 576.7m net of issue costs.
- Karolinska Development took the lead in a SEK 123 million funding round of one of its accelerated growth portfolio companies, Axelar AB
- Karolinska Development participated in an offset share issue in its portfolio company Pergamum of SEK 77.6m
- KCIF Co-Investment Fund KB acquired shares in Pharmanest AB and Umecrine Mood AB from Karolinska Development

## Parent Company

### January – March 2011

- Revenue amounted to SEK 0.9m (2.6)
- Operating loss amounted to SEK -19.0m (-9.8)
- Investments in subsidiaries during the period amounted to SEK 18.0m (11.5) and in joint ventures, associates and other financial investments to SEK 17.7m (34.8)

## CEO's comment

Since I took over as CEO of Karolinska Development in the middle of January this year, we have successfully listed the company on NASDAQ-OMX Stockholm generating SEK 577m after issue costs. Importantly we attracted top quality institutional investors from Sweden, Norway, the US and the UK.

With the increased funding through the IPO, Karolinska Development is even more strongly positioned to build and invest in pioneering projects, from Karolinska Institutet and other top-ranked universities, that could solve significant unmet medical needs. Furthermore, it will enable us to develop our highest-priority portfolio companies more quickly, and provide a higher level of funding for promising new projects.

The recent SEK 123 million funding round, led by Karolinska Development, for one of our accelerated growth portfolio companies, Axelar, is a demonstration of Karolinska Development's investment strategy. Axelar is focusing on the development of anti-cancer products and is currently in clinical Phase I/II. The funding will play a key role in progressing the company's lead product to proof-of-concept in patients suffering from lung cancer.

During the period, a number of our portfolio companies have also shown positive clinical and commercial development. Examples include Axelar and Aprea, which concluded their Phase I/II clinical studies in cancer patients, and Promimic, which received approval from the FDA to market and sell its product in the USA. We have divested small portions of our portfolio to KCIF, our co-investment vehicle with the European Investment Fund, and undertaken our first joint investment with Kurma Biofund. I am pleased with the progress we have made so far, but I recognize we will need more and bigger deals in the future to capitalize on the portfolio. We have therefore a significant focus on business development and commercialization of our portfolio companies. At the same time, we will continue to review and prioritize the portfolio to optimize near-term value creation.

*Torbjörn Bjerke*

Chief Executive Officer

## Information regarding the operations

Karolinska Development aims to create value for investors, patients, and researchers by developing innovations from world class research into products that can be sold or out-licensed with high returns. The business model is to: *select* the most commercially attractive medical innovations; *develop* these to the stage where the greatest return on investment can be achieved; and *commercialize* the innovations through the sale of companies or out licensing of products. This will result in upfront payments, milestone payments and royalties.

An exclusive deal flow agreement with Karolinska Institutet Innovations AB, along with other cooperation agreements with leading Nordic universities, delivers a continuous flow of innovations.

Karolinska Development's flexible exit strategy enables projects to be exited at whichever stage of development offers the greatest return on investment, usually after Phase II clinical trials have indicated the desired pharmaceutical effect on patients - this being an important value enhancing step.

Today, the portfolio consists of over 40 projects at various stages, from concept development to Phase II clinical trials, twelve projects are in clinical trials with six in Phase II. The portfolio is particularly strong in the areas of cancer, dermatology, inflammation, cardiovascular disease, women's health and diseases that affect the central nervous system.

## Significant events during the reporting period

### January – March 2011

On January 13, Torbjörn Bjerke was appointed as new CEO in Karolinska Development and on February 15 , Terje Kalland was appointed as CSO.

During February, Karolinska Development divested part of its participations in four portfolio companies, Aprea AB, Athera Biotechnologies AB, Umecrine Mood AB and XSpray Microparticles AB, to the fund KCIF Co-Investment Fund KB, jointly owned by Karolinska Development and EIF. The divestment of shares in these four portfolio companies amounted to SEK 20.4m, based on the value of the completed issues carried out after the formation of the co-investment fund on 17 November 2009. These sales shares were carried out because it was not possible for KCIF to subscribe to the original share issues due to time constraints. Consequently, Karolinska Development also subscribed to KCIF's portion of the share issues in order to sell them subsequently to KCIF (a procedure which is regulated by agreements with the EIF and KCIF).

The biomaterials company Promimic AB received a 510 (k) approval for the implant surface HANANO Surface™. The approval means the company can market and sell the surface in the United States in the field of dental implants

Aprea announced that its clinical safety study in Phase I / II of cancer patients who were treated with APR-246 has been completed and demonstrated that the product is safe and tolerated.

Karolinska Development AB decided to broaden its shareholder base through a new issue of Series B shares and to apply for a listing of Karolinska Development's Series B shares on the NASDAQ OMX Stockholm exchange

Karolinska Development extended its portfolio through an investment in BioChromix AB of SEK 2.0m. BioChromix AB is a diagnostics company with a focus on Alzheimer's disease.

## Significant events after the end of the reporting period

Axelar reported positive interim results from an ongoing Phase I/II study. The Company also achieved the goal of identifying the optimal Phase II dose, as well as demonstrating that AXL1717 is safe and tolerated.

Kurma Biofund executed its first joint investment with Karolinska Development in the portfolio company Umecrine Mood AB. Through the new share issue, Kurma Biofund has become an important shareholder in Umecrine Mood AB. After the new share issue, Karolinska Development owns 39% of the shares in Umecrine Mood AB.

Karolinska Development AB was listed on NASDAQ OMX Stockholm on 15 April 2011. In conjunction with the listing, a total of 15,200,000 Series B shares were issued raising SEK 608.0m gross and SEK 576.7m net of issue costs. As of 29 April 2011, the number of shares in Karolinska Development AB amounted to 48,531,417, distributed between 1,503,098 Series A shares and 47,028,319 Series B shares, totaling 62,059,299 votes in the Company.

Karolinska Development took the lead in a SEK 123 million funding round of one of its accelerated growth portfolio companies, Axelar AB

Karolinska Development participated in the new share issue in the portfolio company, Pergamum AB, whereby outstanding loans amounting to SEK 77.6m were converted into shares in Pergamum. Other main noteholders participated in the issue with the application of similar conditions. After the conversion, Karolinska Development holds 61.09% of the shares in Pergamum AB.

During May, Karolinska Development divested part of its participations in two companies, Pharmanest AB and Umecrine Mood AB, to the fund KCIF Co-Investment Fund KB, jointly owned by Karolinska Development and EIF. The divestment of shares in these two portfolio companies amounted to SEK 2.2m, based on the value of the completed issues carried out after the formation of the co-investment fund on 17 November 2009. These sales shares were carried out because it was not possible for KCIF to subscribe to the original share issues due to time constraints. Consequently, Karolinska Development also subscribed to KCIF's portion of the share issues in order to sell them subsequently to KCIF (a procedure which is regulated by agreements with the EIF and KCIF).

## Financial overview - Group

### *Total fair value*

The total value of portfolio holdings at 31 March 2011 calculated in accordance with the International Private Equity and Venture Capital Valuation Board Guidelines for fair value was SEK 1,461.9m (1,564.0), compared with SEK 1,454.7m as at 31 December 2010.

### *Revenue*

Consolidated revenue during the first quarter of 2011 amounted to SEK 2.9m (2.6), which is an increase of SEK 0.3m compared to the previous year.

### *Results*

The Group's operating profit for the period amounted to SEK -41.6m (-0.6), which is a change of SEK -42.2m compared with the corresponding period last year. Profit after tax amounted to SEK -37.5m (-0.1). Profit has decreased due to a higher level of operating costs in both the Parent Company and the subsidiaries, as well as a negative fair value change in some of the portfolio companies.

Reported fair value in the Group (in which the subsidiaries are not included, see Note 4) amounts to SEK 1,230.5m, compared with SEK 1,245.6m as at December 31, 2010.

The Fair value change during the first quarter amounted to SEK -15.3m, of which SEK -2.8m was comprised of divestitures (SEK -20.4m) and investments (SEK 17.6m). The portion of the change in fair value affecting income during the first quarter amounted to SEK -12.3m (18.7) and can be attributed to the following key factors:

- Increased value in the company portfolio, as a result of the companies delivering in line with, or in excess of, the estimates that formed the basis for valuation as of 31 December 2010, amounted to SEK 17.9m.
- Reduced value in portfolio companies not achieving the estimates from the previous quarter amounted to SEK -12.0m.
- Sales of participations in portfolio companies to KCIF Co-Investment Fund, as well as investments in the fund, amounted to SEK -9.9m.
- Other changes in ownership and investments amounted to SEK -8.3m.

### *Financial position*

The Group's equity to debt ratio was 97 (97) percent as at 31 March, 2011 and equity amounted to SEK 1,679.6m (1,717.2).

Cash and bank deposits amounted to SEK 141.8m at 31 March, 2011 which is an increase of SEK 34.5m as a result of the disposal of short-term investments and sales of participations in portfolio companies to KCIF Co-Investment Fund KB.

Total assets on 31 March 2011 amounted to SEK 1,737.3m (1,773.6).

### *Investments in portfolio companies during the period*

During the period, Karolinska Development invested a total of SEK 35.7m in the portfolio companies, compared with SEK 46.3m during the equivalent period in the previous year. For further information see Note 8.

## Financial overview - Parent Company

### *Revenue*

Parent company revenue during the reporting period from services rendered to portfolio companies decreased and amounted to SEK 0.9m (2.6). This was primarily due to the activity in KCIF Fund Management AB, which sells services to KCIF Co - Investment Fund KB during the introduction phase, being lower than expected.

### *Results*

The Parent company operating loss during the reporting period amounted to SEK -19.0m (-9.8), a reduction of SEK -9.2m compared to the equivalent period in the previous year.

Income after taxes during the period amounted to SEK -18.4m (-10.2).

### *Investments in portfolio companies during the reporting period*

Parent company investments in subsidiaries during the reporting period amounted in total to SEK 18.0m (11.5). The largest investments were SEK 10.0m made in Akinion Pharmaceuticals AB and SEK 4.0m in NovaSaid AB. The Parent Company has invested SEK 14.7m (34.7) in associated companies and joint ventures. The largest investments were SEK 5.9m made in Aprea AB and SEK 4.0m in Dilafor AB. The Parent Company has invested SEK 3.0m (2.6) in other financial investments (Note 9).

## Information regarding risks and uncertainties

### *Parent company and Group*

Risks and uncertainties relate primarily to risks in connection with the investment operations of the Group and indirectly to the operational risks of the portfolio companies' development, as well as financial risks.

### *Future financing needs*

Future investments in new and current portfolio companies will require capital. There is no guarantee that capital may be generated on favourable terms, or that generated capital will be sufficient to finance operations in accordance with the operational plan, or that such capital may be generated at all.

### *Valuation risks*

Companies operating within pharmaceutical development and medical technology at an early phase are difficult to value, as lead times are of a significant length and the development risks are high. Forecasts and assessments are, to a high degree, based on future profits and very rarely on existing cash flows. The uncertainty in these assessments entails that the estimated value of the portfolio can deviate substantially from the actual value.

The CEO hereby certifies that this interim report gives a true and fair view of the Parent Company's and the Group's operations, financial position and results of operations and describes the material risks and uncertainties faced by the Parent Company and the companies included in the Group.

Solna, 25 May 2011

Torbjörn Bjerke  
CEO

## Dates for publication of financial information

Interim report January – June 2011  
Interim report January – September 2011  
Year-end report 2011

25 August 2011  
25 November 2011  
February 2012

The reports will be published on Karolinska Development's homepage, [www.karolinskadevelopment.com](http://www.karolinskadevelopment.com)

### **For further information, please contact:**

Torbjörn Bjerke, CEO  
+46 (0) 72 744 41 23

Gunnar Casserstedt  
CFO and Deputy CEO  
+46 (0) 73 068 37 00

See also [www.karolinskadevelopment.com](http://www.karolinskadevelopment.com)

Karolinska Development AB (publ)  
Fogdevreten 2A,  
SE-171 65 Solna, Sweden

This interim report has not been subject to review by the Company's auditors.

*NB: This report is a translation of the Swedish interim report. In case of any discrepancies, the Swedish version shall prevail.*



# Financial reports

## Condensed consolidated income statements

<i>Amounts in TSEK</i>	<i>Note</i>	<b>2011</b> <i>Jan–Mar</i>	<b>2010</b> <i>Jan–Mar</i>	<b>2010</b> <i>Full year</i>
Income	2	2,901	2,601	13,895
Other external expenses		-18,158	-10,027	-62,559
Personnel costs		-13,631	-10,458	-43,393
Depreciation, amortisation and write-down of tangible and intangible assets		-406	-250	-27,418
Changes in fair value participations in joint ventures and associates		-9,560	19,996	-224,104
Changes in fair value in other financial investments		-2,766	-1,266	-1,685
<b>Operating profit/loss</b>		<b>-41,620</b>	<b>596</b>	<b>-345,264</b>
<b>Financial net</b>		<b>541</b>	<b>-488</b>	<b>5,983</b>
<b>Profit/loss before tax</b>	2	<b>-41,079</b>	<b>108</b>	<b>-339,281</b>
Deferred taxes		3,535	0	4,697
<b>Profit/loss for the year</b>		<b>-37,544</b>	<b>108</b>	<b>-334,584</b>
<b>Attributable to:</b>				
Owners of the parent company		-34,537	1,614	-325,615
Minority interests		-3,007	-1,506	-8,969
<b>Total</b>		<b>-37,544</b>	<b>108</b>	<b>-334,584</b>

## Consolidated statement of comprehensive income

<i>Amounts in TSEK</i>	<i>Note</i>	<b>2011</b> <i>Jan–Mar</i>	<b>2010</b> <i>Jan–Mar</i>	<b>2010</b> <i>Full year</i>
<b>Profit/loss for the year</b>		<b>-37,544</b>	<b>108</b>	<b>-334,584</b>
<b>Profit/loss comprehensive income</b>		<b>-37,544</b>	<b>108</b>	<b>-334,584</b>
<b>Attributable to:</b>				
Parent Company's shareholders		-34,537	1,614	-325,615
Non-controlling interests		-3,007	-1,506	-8,969
<b>Total</b>		<b>-37,544</b>	<b>-108</b>	<b>-334,584</b>

## Earnings per share

<i>Amounts in SEK</i>	<i>Note</i>	<b>2011</b> <i>Jan-Mar</i>	<b>2010</b> <i>Jan-Mar</i>	<b>2010</b> <i>Full year</i>
Earnings per share, weighted average, before and after dilution, SEK	6	-1.04	0.05	-9.79
Number of shares, weighted average, before dilution		33,331,417	33,079,705	33,263,938

## Condensed consolidated statement of financial position

<i>Amounts in TSEK</i>	<i>Note</i>	<b>31 Mar 2011</b>	<b>31 Mar 2010</b>	<b>31 Dec 2010</b>
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	3	179,856	154,310	179,778
Property, plant and equipment		2,368	2,892	2,493
Investments in joint ventures and associates	4	1,205,467	1,392,480	1,220,791
Other financial investments	4	25,055	32,173	24,761
<b>Total non-current assets</b>		<b>1,412,746</b>	<b>1,581,855</b>	<b>1,427,823</b>
<b>Current assets</b>				
Trade receivables		467	2,331	680
Other short-term receivables	5	90,590	45,307	93,054
Prepaid expenses and accrued income		13,002	2,902	8,138
Current investments		78,633	250,908	136,607
Cash and cash equivalents		141,841	184,006	107,325
<b>Total current assets</b>		<b>324,533</b>	<b>485,454</b>	<b>345,804</b>
<b>TOTAL ASSETS</b>		<b>1,737,279</b>	<b>2,067,309</b>	<b>1,773,627</b>

## Condensed consolidated statement of financial position (cont.)

<i>Amounts in TSEK</i>	<i>Note</i>	<b>31 Mar 2011</b>	<b>31 Mar 2010</b>	<b>31 Dec 2010</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Issued capital	6	16,665	16,576	16,665
Share premium		1,212,611	1,201,043	1,212,611
Retained earnings including current period result		419,868	781,713	454,484
<b>Equity attributable to owners of the parent company</b>		<b>1,649,144</b>	<b>1,999,332</b>	<b>1,683,760</b>
Share of non-controlling interest		30,486	21,618	33,414
<b>Total equity</b>		<b>1,679,630</b>	<b>2,020,950</b>	<b>1,717,174</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Deferred taxes	7	30,660	30,015	34,195
Interest-bearing liabilities		2,000	0	2,000
<b>Total non-current liabilities</b>		<b>32,660</b>	<b>30,015</b>	<b>36,195</b>
<b>Current liabilities</b>				
Trade payables		7,224	3,926	3,117
Other short-term liabilities		4,838	2,045	5,044
Accrued expenses and prepaid income		12,927	10,373	12,097
<b>Total short-term liabilities</b>		<b>24,989</b>	<b>16,344</b>	<b>20,258</b>
<b>Total liabilities</b>		<b>61,184</b>	<b>46,359</b>	<b>56,453</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,737,279</b>	<b>2,067,309</b>	<b>1,773,627</b>

## Pledged assets and contingent liabilities

<i>Amounts in TSEK</i>	<i>Note</i>	<b>31 Mar 2011</b>	<b>31 Mar 2010</b>	<b>31 Dec 2010</b>
Pledged assets	8	4,529	None	4,563
Contingent liabilities	8	1,900	600	2,100
		<b>6,429</b>	<b>600</b>	<b>6,663</b>

## Consolidated statement of changes in equity

<i>Equity attributable to owners of the Parent Company</i>							
<i>Amounts in TSEK</i>	<i>Note</i>	<i>Issued capital</i>	<i>Share premium</i>	<i>Retained earnings incl. current year result</i>	<i>Total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
<b>Balance at 1 Jan 2011</b>		<b>16,665</b>	<b>1,212,611</b>	<b>454,484</b>	<b>1,683,760</b>	<b>33,414</b>	<b>1,717,174</b>
<i>Profit/loss for the year</i>				-38,072	-38,072	-3,007	-41,079
Total profit/loss for the year		0	0	-38,072	-38,072	-3,007	-41,079
Change in non-controlling interests				-79	-79	79	0
<b>Balance at 31 Mar 2011</b>	<b>6</b>	<b>16,665</b>	<b>1,212,611</b>	<b>419,868</b>	<b>1,649,144</b>	<b>30,486</b>	<b>1,679,630</b>
<b>Balance at 1 Jan 2010</b>		<b>16,576</b>	<b>1,201,673</b>	<b>780,099</b>	<b>1,998,348</b>	<b>0</b>	<b>1,998,348</b>
<i>Profit/loss for the year</i>				1,614	1,614	-1,506	108
Total profit/loss for the year		0	0	1,614	1,614	-1,506	108
Acquisition of subsidiaries					0	23,125	23,125
Share issue costs			-631		-631		-631
<b>Balance at 31 Mar 2010</b>	<b>6</b>	<b>16,576</b>	<b>1,201,042</b>	<b>781,713</b>	<b>1,999,331</b>	<b>21,619</b>	<b>2,020,950</b>
<b>Balance at 1 Jan 2010</b>		<b>16,576</b>	<b>1,201,673</b>	<b>780,099</b>	<b>1,998,348</b>	<b>0</b>	<b>1,998,348</b>
<i>Net profit/loss for the year</i>				-325,615	-325,615	-8,969	-334,584
Total profit/loss for the year		0	0	-325,615	-325,615	-8,969	-334,584
Acquisition of subsidiaries					0	42,383	42,383
Share options issued			613		613		613
New share issue		89	10,956		11,045		11,045
Share issue costs			-631		-631		-631
<b>Balance at 31 Dec 2010</b>	<b>6</b>	<b>16,665</b>	<b>1,212,611</b>	<b>454,484</b>	<b>1,683,760</b>	<b>33,414</b>	<b>1,717,174</b>

## Condensed consolidated statement of cash flows

<i>Amounts in TSEK</i>	<i>Note</i>	<b>2011</b> <i>Jan–Mar</i>	<b>2010</b> <i>Jan–Mar</i>	<b>2010</b> <i>Full year</i>
<b>Cash flows from operating activities</b>				
Operating income		-41,620	596	-345,264
Adjustment for depreciation and impairments		406	250	27,418
Adjustment for changes in fair value		12,326	-18,730	225,789
Interest paid		-22	-493	-22
Interest received		383	5	29
<b>Net cash used in operating activities, before changes in working capital</b>		<b>-28,527</b>	<b>-18,372</b>	<b>-92,050</b>
<b>Cash flows from changes in working capital</b>				
Increase (-)/Decrease (+) in working capital assets		1,102	-5,703	2,358
Increase (+)/Decrease (-) in working capital liabilities		4,731	-3,654	-7,632
<b>Net cash used by operating activities</b>		<b>-22,694</b>	<b>-27,729</b>	<b>-97,324</b>
<b>Cash flows from investing activities</b>				
Payments for intangible assets		-216	-34	-2,697
Payments for property, plant and equipment		-143	-376	-497
Payments to acquire subsidiaries		0	16,820	25,213
Payments to acquire shares in Joint Ventures and associated companies	8	-8,788	-32,215	-135,327
Payments to acquire other long-term financial investments	8	-2,002	-2,555	-9,293
Sales and disposals of current investments		58,365	-129,516	-11,296
Sale of shares in Joint Ventures and associated companies		20,394	0	17,881
Borrowings to associated companies		-9,400	-16,421	-65,870
<b>Net cash generated/used by investing activities</b>		<b>57,210</b>	<b>-164,297</b>	<b>-181,886</b>
<b>Cash flows from financing activities</b>				
New share issue		0	8,826	19,960
Share issue costs		0	-26,865	-27,496
<b>Net cash generated/used by financing activities</b>		<b>0</b>	<b>-18,039</b>	<b>-7,536</b>
<b>Net increase/decrease in cash and cash equivalents</b>		<b>34,516</b>	<b>-210,065</b>	<b>-286,746</b>
Cash and cash equivalents at the beginning of the period		107,325	394,071	394,071
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD<sup>1</sup></b>		<b>141,841</b>	<b>184,006</b>	<b>107,325</b>

<sup>1</sup>The Group, in addition to cash and cash equivalents, has at its disposal short-term investments amounting to 78,633 (250,908) and 136,607 as of 31 December 2010

## Income Statements for the parent company

		<b>2011</b>	<b>2010</b>	<b>2010</b>
<i>Amounts in TSEK</i>	<i>Note</i>	<i>Jan–Mar</i>	<i>Jan–Mar</i>	<i>Full year</i>
Net sales		852	2,635	11,007
<b>Revenue</b>		<b>852</b>	<b>2,635</b>	<b>11,007</b>
Other external expenses		-9,408	-5,772	-31,048
Employee benefit expenses		-7,589	-6,598	-25,685
Depreciation of tangible and amortization of intangible assets		-17	-22	-88
Impairment in shares in subsidiaries, associates and other financial investments		-2,797	0	-63,680
Result from sale of shares		0	0	-29,439
Dividends from subsidiaries		0	0	21,552
<b>Operating loss</b>		<b>-18,959</b>	<b>-9,757</b>	<b>-117,381</b>
Financial net		536	-479	6,032
<b>LOSS FOR THE PERIOD</b>		<b>-18,423</b>	<b>-10,236</b>	<b>-111,349</b>

## Comprehensive income for the parent company

		<b>2011</b>	<b>2010</b>	<b>2010</b>
<i>Amounts in TSEK</i>	<i>Note</i>	<i>Jan–Mar</i>	<i>Jan–Mar</i>	<i>Full year</i>
<b>Profit/loss for the period</b>		<b>-18,423</b>	<b>-10,236</b>	<b>-111,349</b>
<b>Comprehensive income for the period</b>		<b>-18,423</b>	<b>-10,236</b>	<b>-111,349</b>
<b>Attributable to:</b>				
Parent company's shareholders		-18,423	-10,236	-111,349
<b>TOTAL</b>		<b>-18,423</b>	<b>-10,236</b>	<b>-111,349</b>

## Statement of financial position for the parent company

<i>Amounts in TSEK</i>	<i>Note</i>	<b>31 Mar 2011</b>	<b>31 Mar 2010</b>	<b>31 Dec 2010</b>
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		92	183	109
Shares in subsidiaries, joint ventures, associates and other financial investments	4	743,870	695,174	731,370
Other financial assets		1,693	0	1,515
<b>Total non-current assets</b>		<b>745,655</b>	<b>695,357</b>	<b>732,994</b>
<b>Current assets</b>				
Trade receivables		456	2,369	129,
Group receivables		69	22,400	2,072
Other receivables	5	88,917	14,171	91,431
Prepaid expenses and accrued income		11,829	2,342	7,617
Short-term investments		78,633	250,908	136,607
Cash and cash equivalents		102,297	162,362	73,208
<b>Total current assets</b>		<b>282,201</b>	<b>454,552</b>	<b>311,064</b>
<b>TOTAL ASSETS</b>		<b>1,027,856</b>	<b>1,149,909</b>	<b>1,044,058</b>

## Statement of financial position for the parent company (cont.)

<i>Amounts in TSEK</i>	<i>Note</i>	<b>31 Mar 2011</b>	<b>31 Mar 2010</b>	<b>31 Dec 2010</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Issued capital	6	16,666	16,576	16,666
Retained earnings		-207,281	-95,932	-95,932
Share premium		1,222,685	1,211,028	1,222,685
Loss for the period		-18,423	-10,236	-111,349
<b>Total equity</b>		<b>1,013,647</b>	<b>1,121,436</b>	<b>1,032,070</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Pension obligations		1,693	0	1,515
<b>Total non-current liabilities</b>		<b>1,693</b>	<b>0</b>	<b>1,515</b>
<b>Current liabilities</b>				
Trade payables		2,417	2,387	991
Group liabilities		665	21,552	660
Other payables		3,336	864	3,535
Accrued expenses and deferred income		6,098	3,670	5,287
<b>Total current liabilities</b>		<b>12,516</b>	<b>28,473</b>	<b>10,473</b>
<b>Total liabilities</b>		<b>14,209</b>	<b>28,473</b>	<b>11,988</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,027,856</b>	<b>1,149,909</b>	<b>1,044,058</b>

## Pledged assets and contingent liabilities

<i>Amounts in TSEK</i>	<i>Note</i>	<b>31 Mar 2011</b>	<b>31 Mar 2010</b>	<b>31 Dec 2010</b>
Pledged assets	8	4,529	None	4,563
Contingent liabilities	8	1,900	600	2,100
		<b>6,429</b>	<b>600</b>	<b>6,663</b>



## Statement of changes in equity for the Parent Company

<i>Amounts in TSEK</i>	<i>Note</i>	<i>Restricted equity</i>		<i>Unrestricted equity</i>		<i>Total equity</i>
		<i>Issued capital</i>	<i>Share premium</i>	<i>Retained earnings</i>	<i>Loss for the period</i>	
<b>Balance at 1 Jan 2011</b>		<b>16,666</b>	<b>1,222,685</b>	<b>-95,932</b>	<b>-111,349</b>	<b>1,032,070</b>
Appropriation of loss				-111,349	111,349	0
Loss for the year					-18,423	-18,423
<b>Total</b>		<b>16,666</b>	<b>1,222,685</b>	<b>-207,281</b>	<b>-18,423</b>	<b>1,013,647</b>
<b>Balance at 31 Mar 2011</b>	<b>6</b>	<b>16,666</b>	<b>1,222,685</b>	<b>-207,281</b>	<b>-18,423</b>	<b>1,013,647</b>
<b>Balance at 1 Jan 2010</b>		<b>16,576</b>	<b>1,211,658</b>	<b>-5,665</b>	<b>-90,267</b>	<b>1,132,302</b>
Appropriation of loss				-90,267	90,267	0
Loss for the year					-10,236	-10,236
<b>Total</b>		<b>16,576</b>	<b>1,211,658</b>	<b>-95,932</b>	<b>-10,236</b>	<b>1,122,066</b>
Share issue costs			-630			-630
<b>Balance at 31 Mar 2010</b>	<b>6</b>	<b>16,576</b>	<b>1,211,028</b>	<b>-95,932</b>	<b>-10,236</b>	<b>1,121,436</b>
<b>Balance at 1 Jan 2010</b>		<b>16,576</b>	<b>1,211,658</b>	<b>-5,665</b>	<b>-90,267</b>	<b>1,132,302</b>
Appropriation of loss				-90,267	90,267	0
Loss for the year					-111,349	-111,349
<b>Total</b>		<b>16,576</b>	<b>1,211,658</b>	<b>-95,932</b>	<b>-111,349</b>	<b>1,020,953</b>
Share issues		90	11,045			11,135
Share issue costs			-631			-631
Options			613			613
<b>Balance at 31 Dec 2010</b>	<b>6</b>	<b>16,666</b>	<b>1,222,685</b>	<b>-95,932</b>	<b>-111,349</b>	<b>1,032,070</b>

## Notes to the financial reports

### Note 1 Accounting principles

This condensed consolidated interim financial statement has been prepared in accordance with **International Accounting Standard (“IAS”) 34, Interim Financial Reporting**. The accounting policies applied to the Group and the parent company correspond, unless otherwise stated, to the accounting principles and methods of computation applied in the preparation of the previous annual report.

#### *New and revised accounting principles 2011*

The new or revised IFRS standards and interpretations by IFRS Interpretation Committee Updates have had no impact on the Group or, to the extent that these recommendations shall be applied to legal entities, on income or financial position.

#### *Definition Key ratios*

Net asset value per share: calculated fair value of the total portfolio, liquid assets and financial assets less interest bearing liabilities in relation to the number of shares outstanding.

#### *Other definitions*

First in class: the first approved medicine with a defined mechanism for a specific target or the specific disease.

Portfolio companies: companies owned fully or in part by Karolinska Development AB (subsidiaries, associates and other long-term securities holdings) which operate within pharmaceuticals, medtech, theranostics and formulation technology.

Fair value: The NASDAQ OMX regulations for issuers state that companies listed on a public market which constitute groups shall apply International Financial Reporting Standards, IFRS. These standards are applied only in the consolidated financial statements. The application of these standards allows groups of investment company character to apply so-called fair value in the calculation of assets' value. These calculations are made on the basis of established principles and are not included in the group's opening legal entity's accounting, nor do they affect the cash flows. This is exemplified by the parent company's assets not being taken up at fair value, rather at acquisition value.

Fair value is produced according International Private Equity and Venture Capital Valuation Guidelines. According to these guidelines, fair value can be calculated using different methods, dependent on which method is considered to provide to best estimation of market value for each separate case. For Karolinska Development, this implies that fair value in many of the portfolio companies is produced through the use of a model to calculate the value of discounted and risk-adjusted cash flows. In other cases, Karolinska Development's total investments are used as the best estimation of fair value, and in some other cases, the valuation of the most recent transaction is used.

## Note 2 Operating segments

Karolinska Development considers the Board of Directors to be the highest operational decision-making body in the Group since this is the function determining the allocation of resources to investments in portfolio companies and to the Parent Company. The Board of directors follows each investment at project level, as well as the Parent Company's results and financial position.

Karolinska Development's investments are primarily governed by the companies who are expected to generate the best returns. Regardless of the project's level of maturity, therapeutic area, whether the Company is active within pharmaceuticals or medical technology, the companies' respective projects are evaluated by Karolinska Development in the same manner and, therefore, all portfolio companies have been aggregated into one reportable segment.

Karolinska Development's segment measure of profit is the combined profit/loss from change in Fair value of portfolio companies, including those which are consolidated as subsidiaries. Karolinska Development monitors the investments based on the development of Fair value independently of level of influence over the investments. Therefore, subsidiaries, Joint Ventures, associated companies and other investments are monitored by the Board based on their Fair value, and not at their historical costs as subsidiaries are presented in the consolidated financial statements. All other accounting principles, applied in internal reporting correspond with the accounting principles of the Group, as described in Note 1.

### Results per segment

<i>Amounts in TSEK</i>	Results from fair value changes in portfolio companies		
	2011 Jan-Mar	2010 Jan-Mar	2011 Full year
Combined earnings from fair value changes in portfolio companies	-8,085	5,508	-232,787
Group adjustments and eliminations	-4,241	13,222	6,998
<b>Reported profit/loss from fair value changes</b>	<b>-12,326</b>	<b>18,730</b>	<b>-225,789</b>

### Reconciliation of combined earnings from fair value changes in portfolio companies for segment and consolidated income before tax

<i>Amounts in TSEK</i>	2011 Jan-Mar	2010 Jan-Mar	2011 Full year
Reported earnings from fair value changes	-12,326	18,730	-225,789
Consolidated profit before tax, excluding fair value changes from associated companies, Joint Ventures and other financial investments	-28,753	-18,622	-113,492
<b>Consolidated profit/loss before tax</b>	<b>-41,079</b>	<b>108</b>	<b>-339,281</b>

### Assets per segment

<i>Amounts in TSEK</i>	Fair value portfolio companies		
	31 Mar 2011	31 Mar 2010	31 Dec 2010
Combined fair value of participations in portfolio companies	1,461,871	1,564,038	1,454,660
Group adjustments and eliminations	-231,349	-139,385	-209,108
<b>The Group</b>	<b>1,230,522</b>	<b>1,424,653</b>	<b>1,245,552</b>

*Reconciliation between combined fair value in portfolio companies for segments and the Group's total assets*

Amounts in TSEK	31 Mar 2011	31 Mar 2010	31 Dec 2010
Combined fair value in portfolio company's reportable segments	1,461,871	1,564,038	1,454,660
Less fair value of consolidated subsidiaries	-231,349	-139,385	-209,108
The Group's other assets, excluding participations in associated companies, Joint Ventures and other financial investments	506,757	642,656	528,075
<b>Total Group assets</b>	<b>1,737,279</b>	<b>2,067,309</b>	<b>1,773,627</b>

The Group's revenue is mainly comprised of invoiced services provided to the portfolio companies in Sweden. These services consist of management, communication, finance and administration, also including legal and analytical operations. Operations are conducted in, and the Group's assets are, in all material respects, located in, Sweden.

**Note 3**      **Intangible assets**

*Development projects in progress*

Amounts in TSEK	Group		
	31 Mar 2011	31 Mar 2010	31 Dec 2010
<b>Accumulated acquisition value</b>			
At beginning of the year	196,688	0	0
Acquisition of new subsidiaries	0	150,412	196,688
<b>Closing balance</b>	<b>196,688</b>	<b>150,412</b>	<b>196,688</b>
<b>Accumulated depreciation, amortization and impairment</b>			
At beginning of the year	-22,656	0	0
Impairment for the year	0	0	-22,656
<b>Closing balance</b>	<b>-22,656</b>	<b>0</b>	<b>-22,656</b>
<b>Carrying value</b>	<b>174,032</b>	<b>150,412</b>	<b>174,032</b>

*Patents, licenses and similar rights*

Amounts in TSEK	Group		
	31 Mar 2011	31 Mar 2010	31 Dec 2010
<b>Accumulated acquisition value</b>			
At beginning of the year	8,141	28	28
Acquisition of new subsidiaries	0	2,650	5,416
Acquisitions during the year	216	34	2,697
<b>Closing balance</b>	<b>8,357</b>	<b>2,712</b>	<b>8,141</b>
<b>Accumulated depreciation, amortization and impairment</b>			
At beginning of the year	-2,395	0	0
Depreciation and amortization for the year	-138	0	-2,395
<b>Closing balance</b>	<b>-2,533</b>	<b>0</b>	<b>-2,395</b>
<b>Carrying value</b>	<b>5,824</b>	<b>2,712</b>	<b>5,746</b>

## Goodwill

### *Impairment tests for the recoverable amount of goodwill*

Assets with an indefinite useful life are not depreciated but are tested annually for any possible write-down requirement. Assets which are depreciated are assessed with reference to the decrease in value whenever events or changes to conditions indicate that the carrying value may not be recoverable. As a result of the valuations regularly carried out, write-down of goodwill has been made during 2010 and 2009, which refers primarily to the subsidiary Actar AB.

Amounts in TSEK	Group		
	31 Mar 2011	31 Mar 2010	31 Dec 2010
<b>Accumulated acquisition value</b>			
At beginning of the year	1,711	1,711	1,711
<b>Closing balance</b>	<b>1,711</b>	<b>1,711</b>	<b>1,711</b>
<b>Accumulated write-downs</b>			
At beginning of the year	-1,711	-525	-525
Depreciation, amortization and write-downs for the year	0	0	-1,186
<b>Impairments for the year</b>	<b>-1,711</b>	<b>-525</b>	<b>-1,711</b>
<b>Carrying value</b>	<b>0</b>	<b>1,186</b>	<b>0</b>
<b>Total carrying value of intangible assets</b>	<b>179,856</b>	<b>154,310</b>	<b>179,778</b>

#### Note 4 Shares in subsidiaries, joint ventures, associates and other financial investments

##### *The parent company's direct and indirect holdings of shares in subsidiaries as of date*

Amounts in TSEK	Corporate identity number	Registered office	Activity	Ownership interest	Ownership votes
Actar AB	556593-9856	Solna	Biotechnological research and development	99.96%	99.96%
Akinion Pharmaceuticals AB	556777-0978	Solna	Biotechnological research and development	83.39%	83.39%
ClanoTech AB	556706-6658	Solna	Biotechnological research and development	86.32%	86.32%
Inhalation Sciences Sweden AB	556665-6038	Solna	Biotechnological research and development	68.75%	68.75%
KCIF Fund Management AB	556777-9219	Solna	Management responsibility for KCIF Co-Investment Fund, KB	37.50%	37.50%
KD Incentive AB	556745-7675	Solna	Management of incentive program	100.00%	100.00%
Limone AB	556759-9211	Stockholm	Biotechnological research and development	100.00%	100.00%
NovaSAID AB	556669-2181	Solna	Biotechnological research and development	88.15%	88.15%
Pharmanest AB	556785-1158	Solna	Biotechnological research and development	51.91%	51.91%
SoftCure Pharmaceuticals AB	556683-9345	Solna	Biotechnological research and development	100.00%	100.00%

##### *The Parent Company's direct holding in shares in subsidiaries as of date*

Name	Parent company ownership interest			Carrying value in the parent company		
	31 Mar 2011	31 Mar 2010	31 Dec 2010	31 Mar 2011	31 Mar 2010	31 Dec 2010
Amounts in TSEK						
Actar AB	99.96%	99.96%	99.96%	6,844	28,396	6,844
Akinion Pharmaceuticals AB	83.39%	70.10%	78.64%	28,070	8,070	18,070
ClanoTech AB	86.32%	81.44%	86.32%	34,695	21,696	34,695
Inhalation Sciences Sweden AB	68.75%	-	66.62%	19,738	-	17,238
KCIF Fund Management AB	37.50%	-	37.50%	43	-	43
KD Incentive AB	100.00%	100.00%	100.00%	100	100	100
Limone AB	100.00%	85.29%	100.00%	1,500	3,575	0
NovaSAID AB	88.15%	85.83%	87.73%	66,407	54,907	62,407
Pharmanest AB (previously known as Dilanest AB)	48.56%	-	48.56%	7,776	-	7,776
SoftCure Pharmaceuticals AB	100.00%	87.23%	100.00%	0	9,570	0
<b>Total book value</b>				<b>165,173</b>	<b>126,314</b>	<b>147,173</b>
<b>Total fair value</b>	<b>231,349</b>	<b>139,385</b>	<b>209,108</b>			

*Interests in Joint Ventures and associates*

Amounts in TSEK	Group		
	31 Mar 2011	31 Mar 2010	31 Dec 2010
<b>Accumulated fair value</b>			
At beginning of the year	1,220,791	1,450,427	1,450,427
Acquisitions during the year	14,688	34,770	135,327
Changes leading to reclassification as subsidiary	0	-112,713	-139,264
Sales associated companies	-20,394	0	-17,881
Changes leading to reclassification to other financial investments	-6,626	0	16,286
Change of fair value in net profit/loss for the year	-8,535	19,996	-224,104
<b>Closing balance</b>	<b>1,199,924</b>	<b>1,392,480</b>	<b>1,220,791</b>

*Interests in Joint Ventures*

Amounts in TSEK	Group ownership interest <sup>1</sup>			Carrying value in the Group		
	31 Mar 2011	31 Mar 2010	31 Dec 2010	31 Mar 2011	31 Mar 2010	31 Dec 2010
Apra AB	42.08%	43.18%	43.18%	39,629	36,485	36,485
Athera Biotechnologies AB	62.04%	61.20%	69.07%	66,037	43,038	78,097
Avaris AB	68.40%	64.27%	67.75%	53,650	43,851	51,850
BioChromix Pharma AB	50.34%	42.77%	50.34%	9,350	6,350	9,350
Bioneris AB	26.31%	26.84%	26.31%	0	5,983	0
Biosergen AS	50.97%	48.21%	50.97%	15,114	13,588	15,114
Calabar International AB	63.17%	63.17%	63.17%	0	19,731	0
Cogmed Systems AB**	-	51.83%	-	-	46,920	-
Dilafor AB	54.02%	52.38%	53.60%	83,830	67,928	79,830
Eribis Pharmaceuticals AB	39.02%	33.77%	39.02%	10,970	8,240	10,970
HBV Theranostica AB	70.73%	66.36%	70.73%	2,190	1,790	2,190
IMED AB	57.38%	48.91%	57.38%	45,307	30,807	45,307
Inhalation Sciences Sweden AB***	-	59.97%	-	-	11,180	-
KCIF Fund Management AB***	-	37.50%	-	-	43	-
Lipidor AB	30.01%	20.00%	30.01%	4,003	1,200	4,003
NeoDynamics AB*	22.58%	-	22.58%	7,551	-	7,551
NT-NeuroTherapeutics AB (in liquidation)	51.85%	51.85%	51.85%	0	0	0
Oncopeptides AB	42.32%	42.32%	42.32%	18,536	18,536	18,536
OncoReg AB	88.91%	88.91%	88.91%	0	0	0
Pergamum AB	59.81%	63.53%	59.75%	103,014	102,786	102,786
Pharmanest AB, previously known as Dilanest AB	-	37.83%	-	-	3,031	-
Promimic AB	24.50%	24.69%	24.50%	8,101	5,500	8,101
Pronoxis AB*	14.16%	-	14.16%	3,000	-	3,000
Umecrine Cognition AB	40.00%	40.00%	40.00%	7,000	7,000	7,000
Umercine Mood AB	41.88%	43.00%	43.00%	21,253	22,530	22,530
Xspray Microparticles AB	59.81%	59.20%	64.85%	27,872	21,246	32,172

*Interests in Joint Ventures, cont.*

Amounts in TSEK	Group ownership interest <sup>1</sup>			Carrying value in the Group		
	31 Mar 2011	31 Mar 2010	31 Dec 2010	31 Mar 2011	31 Mar 2010	31 Dec 2010
<i>Holdings in Pergamum AB</i>						
Laurantis Pharma OY	9.80%	22.66%	9.80%	-	-	-
DermaGen AB	100.00%	51.28%	100.00%	-	-	-
Lipopeptide AB	100.00%	57.79%	100.00%	-	-	-
OmnioHealer AB	53.82%	34.13%	53.82%	-	-	-
PharmaSurgics in Sweden AB	100.00%	49.01%	100.00%	-	-	-
<b>Total book value</b>				<b>526,407</b>	<b>517,763</b>	<b>534,872</b>
<b>Total fair value</b>	<b>1,007,066</b>	<b>1,251,869</b>	<b>1,034,086</b>			

1) Ownership interest corresponds to ownership votes

\* The above company has been reclassified from financial investments

\*\* Have been divested during the year 2010

\*\*\* The above company has, during the year, been reclassified to a subsidiary as of 1 January 2010, as a result of Karolinska Development changing its influence over this company

*Interests in associated companies*

Name	Group ownership interest <sup>1</sup>			Carrying value in the Group		
	31 Mar 2011	31 Mar 2010	31 Dec 2010	31 Mar 2011	31 Mar 2010	31 Dec 2010
Amounts in TSEK						
Axelar AB	44.98%	44.98%	44.98%	28,342	28,342	28,342
Cytoguide	-	-	11.00%	-	-	3,300
KCIF Fund KB	26.00%	26.00%	26.00%	7,439	2,555	7,476
<b>Total book value</b>				<b>35,781</b>	<b>30,897</b>	<b>39,118</b>
<b>Total fair value</b>	<b>192,858</b>	<b>140,611</b>	<b>186,705</b>			
1) Ownership interest corresponds to ownership votes						
<b>Total fair value of Joint Ventures and associated companies</b>	<b>1,199,924</b>	<b>1,392,480</b>	<b>1,220,791</b>			



*Other financial investments*

Amounts in TSEK	Group		
	31 Mar 2011	31 Mar 2010	31 Dec 2010
<b>Accumulated fair value</b>			
At beginning of the year	24,761	33,439	33,439
Additions	3,002	2,555	9,293
Reclassifications to associates	0	-2,555	-16,286
Reclassifications from associates	6,626	0	0
Changes in fair value through profit or loss	-3,791	-1,266	-1,685
<b>Total fair value</b>	<b>30,598</b>	<b>32,173</b>	<b>24,761</b>

Name	Group ownership interest			Carrying value in the Group		
	31 Mar 2011	31 Mar 2010	31 Dec 2010	31 Mar 2011	31 Mar 2010	31 Dec 2010
<i>Amounts in TSEK</i>						
BioArctic NeuroScience AB	3.17%	3.17%	3.17%	600	600	600
BioChromix AB	8.00%	-	-	2,002	-	-
Bioresonator AB	7.62%	5.35%	7.62%	2,500	1,500	2,500
Cytoguide	9.06%	-	-	3,300	-	-
Independent Pharmaceutica AB	5.98%	5.98%	5.98%	0	0	0
InDex Pharmaceuticals AB	0.003%	0.003%	0.003%	0	0	0
NephroGenex Inc.	0.58%	0.58%	0.58%	709	709	709
NeoDynamics AB	-	18.51%	-	-	4,998	-
Pronoxis AB	-	9.68%	-	-	1,500	-
Umecrine AB	10.41%	10.01%	10.01%	7,398	6,398	6,398
<b>Total book value</b>				<b>16,509</b>	<b>20,201</b>	<b>10,207</b>
<b>Total fair value</b>	<b>30,598</b>	<b>32,173</b>	<b>24,761</b>			
<b>Total book value in subsidiaries, Joint Ventures, associated companies and other financial investments</b>				<b>743,870</b>	<b>695,174</b>	<b>731,370</b>
<b>Total fair value in subsidiaries, Joint Ventures, associated companies and other financial investments</b>	<b>1,461,871</b>	<b>1,564,038</b>	<b>1,454,660</b>			

<sup>1</sup> The fair values of the subsidiaries are not disclosed in the balance sheet. The subsidiaries are consolidated and therefore acquired assets and liabilities are disclosed, of which the majority are comprised of intangible assets.

## Note 5 Other current receivables

Amounts in TSEK	Group			Parent Company		
	31 Mar 2011	31 Mar 2010	31 Dec 2010	31 Mar 2011	31 Mar 2010	31 Dec 2010
Receivable from affiliates	83,325	34,422	83,870	83,325	9,425	83,870
Tax receivable	726	150	276	646	150	145
VAT receivable	3,523	2,230	2,850	2,050	1,004	1,369
Current portion of restricted cash funds	2,837	0	5,879	2,837	0	5,879
Other	179	8,505	179	59	3,592	168
<b>Total</b>	<b>90,590</b>	<b>45,307</b>	<b>93,054</b>	<b>88,917</b>	<b>14,171</b>	<b>91,431</b>

## Note 6 Share capital

### Development of shares:

Year	Transaction	Increase in number of shares	Increase in share capital	Share capital	Number of A shares	Number of B shares	Subscription price	Par value
March 2006	Founding of the company	100,000	100,000	100,000	100,000		1	1
June 2007	Bonus issue	400,000	400,000	500,000	500,000			1
October 2007	Split	500,000	0	500,000	1,000,000			0.5
<b>Total per 31 December 2007</b>		<b>1,000,000</b>			<b>1,000,000</b>	<b>0</b>		<b>0.5</b>
January 2008	Non-cash issue	23,350,205	11,675,102	12,175,102	1,366,453	22,983,752	60	0.5
May 2008	New issue	55,000	27,500	12,202,602	1,366,453	23,038,752	60	0.5
August 2008	New issue	139,783	69,892	12,272,494	1,366,453	23,178,535	60	0.5
December 2008	New issue	1,637,828	818,914	13,091,408	1,503,098	24,679,718	60	0.5
<b>Total per 31 December 2008</b>		<b>26,182,816</b>			<b>1,503,098</b>	<b>24,679,718</b>		<b>0.5</b>
January 2009	New issue	816,670	408,335	13,499,743	1,503,098	25,496,388	60	0.5
December 2009	New issue	5,610,507	2,805,254	16,304,997	1,503,098	31,106,895	62,	0.5
<b>Total per 31 December 2009</b>		<b>32,609,993</b>			<b>1,503,098</b>	<b>31,106,895</b>		<b>0.5</b>
January 2010	New issue	541,824	270,912	16,575,909	1,503,098	31,648,719	62,	0.5
April 2010	New issue	179,600	89,800	16,665,709	1,503,098	31,828,319	62,	0.5
<b>Total per 31 December 2010</b>		<b>33,331,417</b>		<b>16,665,709</b>	<b>1,503,098</b>	<b>31,828,319</b>		<b>0.5</b>
<b>Total per 31 March 2011</b>		<b>33,331,417</b>		<b>16,665,709</b>	<b>1,503,098</b>	<b>31,828,319</b>		<b>0.5</b>

Karolinska Development has issued share options through its subsidiary KD Incentive AB under three separate sequential programs and three supplemental programs, granting the entitlement to subscription to a maximum of 121,750 shares at a strike price of SEK 91.1 per share (option program 2008), to a maximum of 13,246 shares at a strike price of SEK 120 per share (supplemental options no. 1 regarding option program 2008), to a maximum of 28,149 shares at a strike price of SEK 93 (supplemental options no. 2 regarding option program 2008), to a maximum of 72,075 shares at a strike price of SEK 120 per share (option program 2009), to a maximum of 11,625 shares at a strike price of SEK 93 (supplemental options regarding option program 2009) and to a maximum of 78,888 shares at a strike price of SEK 124 regarding the option program 2010.

As of 30 June 2010, subscriptions have been made, in the above mentioned order, of 163,145 options, 83,700 options and 78,888 options regarding the three separate sequential programs. This will dilute existing shareholders to the extent that the market price of the shares exceeds the strike price for the shares associated with the options. Subscription of the shares may be exercised during the period 1 October 2012 to 31 December 2012 regarding option program 2008 and supplemental options, 1 October 2013 to 31 December 2013 regarding option program 2009 and supplemental options, and 1 October 2014 to 31 December 2014 regarding

option program 2010. The number of shares which may be subscribed under these programs are limited to a maximum of 1 % of the total shares outstanding.

The company has a commitment to offer the owners of the share options the right to subscribe for supplemental options at future share issues, as a protection against dilution. Therefore, the subscription right holders will, within the framework of the three various sub-programmes, be offered to subscribe for supplementary options as a result of the new issue carried out during April 2011.

## Note 7      Deferred taxes

<i>Amounts in TSEK</i>	Group		
	31 Mar 2011	31 Mar 2010	31 Dec 2010
Intangible assets <sup>1</sup>	-45,770	-39,558	-45,770
Tax loss carry forwards <sup>2</sup>	15,110	9,543	11,575
<b>Deferred tax receivables / liabilities, net</b>	<b>-30,660</b>	<b>-30,015</b>	<b>-34,195</b>

<sup>1</sup>Represents deferred tax liability related to fair value adjustment of ongoing project development in acquisitions of subsidiaries

<sup>2</sup> Deferred tax assets on fiscal deficits are recognized to the extent that they can be deducted from future taxable income in acquired subsidiaries or, alternatively, be set off against surplus value in the Group

## Note 8 Contingent liabilities and pledged assets

Amounts in TSEK	Group			Parent Company		
	31 Mar 2011	31 Mar 2010	31 Dec 2010	31 Mar 2011	31 Mar 2010	31 Dec 2010
Collaterals and contingent liabilities						
Escrow account Cogmed	2,837	0	3,048	2,837	0	3,048
Capital insurance	1,692	0	1,515	1,692	0	1,515
	4,529	0	4,563	4,529	0	4,563
Investment commitments						
Uminova	400	600	600	400	600	600
Biocellex	1,500	0	1,500	1,500	0	1,500
	1,900	600	2,100	1,900	600	2,100
<b>TOTAL</b>	<b>6,429</b>	<b>600</b>	<b>6,663</b>	<b>6,429</b>	<b>600</b>	<b>6,663</b>

### Capital insurance

Certain individual pension commitments have been guaranteed by company owned so called capital insurance policies. The company has no further commitment to cover any decrease in value in the capital insurance policy or to make any payments in addition to the policy premiums paid. Consequently, the company has deemed these pension plans as fixed amount pension plans. As such the payments of policy premiums are equivalent to the total commitment to the employee. In accordance with IAS 19 and the rules regarding fixed amount pension plans, the company therefore does not record any asset or liability, with the exception of the special salary tax, related to these insurance policies.

### Other contingent liabilities

In January 2008, Karolinska Development and Karolinska Institutet Innovations AB (KIAB) entered a deal flow agreement aimed towards ensuring Karolinska Development's access to research projects via KIAB's flow of innovations from researchers at Karolinska Institutet and other research institutions in the Nordic region. Through the agreement, the Company has the right of first refusal to all projects evaluated by KIAB. The agreement is valid up to and including January 2017 and is, thereafter, if not terminated at the latest three years prior to this, extended indefinitely with a period of notice of three years. For each research project Karolinska Development becomes involved in, KIAB has the right to remuneration amounting to KIAB's internal costs regarding said project increased by 100 percent, plus external costs increased by 10 percent. In addition to this, KIAB is entitled to a so-called success fee equivalent to 6 percent of Karolinska Development's accumulated net profit before financial items and tax as of 1 January 2008. No success fee is payable until before accumulated net profit amounts to a minimum of SEK 652m, after which only excess amounts will provide the basis for the calculation. A condition of the base for the calculation is that accumulated net profit shall be cash flow positive.

### Investment commitments

Commitments existing at the end of the respective period regarding compensation for creating additional investment opportunities, in accordance with contractual engagements. No commitments relating to further funding in portfolio companies are in place.

## Note 9 Investments in portfolio companies

	Parent Company		
	2011 Jan–Mar	2010 Jan–Mar	2010 Full year
<i>Amounts in TSEK</i>			
<b><i>Investments in subsidiaries</i></b>			
Akinion Pharmaceuticals AB	10,000	0	10,000
ClanoTech AB	0	3,000	16,000
Inhalation Sciences Sweden AB	2,500	0	6,058
Limone AB	1,500	0	0
NovaSAID AB	4,000	7,500	15,000
Pharmanest AB, fd Dilanest AB	0	0	388
SoftCure Pharmaceuticals AB	0	1,000	1,000
<b><i>Total investments in subsidiaries</i></b>	<b>18,000</b>	<b>11,500</b>	<b>48,446</b>
<b><i>Investments in Joint Ventures and associated companies</i></b>			
Aprea AB	5,900 <sup>1</sup>	0	0
Athera Biotechnologies AB	0	9,609	44,668
Avaris AB	1,800	2,000	10,000
Axelar AB	0	7,876	7,875
BioChromix Pharma AB	0	0	3,000
Biosergen AS	0	0	1,526
Dilafor AB	4,000	5,000	16,903
Eribis Pharmaceuticals AB	0	0	2,730
HBV Theranostica AB	0	0	400
IMED AB	0	0	14,500
KCIF Fund KB	2,760	0	4,921
Lipidor AB	0	0	2,803
Pergamum	228	0	0
Pharmanest AB, fd Dilanest AB	0	3,000	7,745
Promimic AB	0	0	2,600
Umecrine Mood AB	0	4,730	4,730
Xspray Microparticles AB	0	0	10,927
<b><i>Total investments in Joint Ventures and associated companies</i></b>	<b>14,688</b>	<b>32,215</b>	<b>135,327</b>
<b><i>Investments in other financial assets</i></b>			
BioCromix AB	2,002	0	0
Bioresonator AB	0	0	1,000
CytoGuide ApS	0	0	1,685
KCIF Fund KB	0	2,555	2,555
NeoDynamics AB	0	0	2,553
ProNoxis AB	0	0	1,500
Umecrine AB	1,000	0	0
<b><i>Total investments in other financial assets</i></b>	<b>3,002</b>	<b>2,555</b>	<b>9,293</b>
<b>Total investments</b>	<b>35,690</b>	<b>46,270</b>	<b>193,066</b>

<sup>1</sup> Refers to the conversion of previous lending