

## Karolinska Development AB (publ)

Corporate identity number 556707-5048

# Interim report January – September 2011

### CEO's comment

The third quarter was distinguished by a continued high level of activity in both business development and our portfolio companies' projects. We were especially pleased by Axelar's completed safety study on AXL1717 during the quarter, where the major objectives were all met. The results show that AXL1717 has the potential to be an important new treatment for non-small cell lung cancer patients. The next step for Axelar is to initiate a randomized Phase II clinical study of non-small cell lung cancer patients. We expect the first patients to enter the study before the end of the year, according to plan. Further, Dilaforette has initiated a Phase I/II study with Sevuparin for the treatment of severe malaria. This is the first time Sevuparin is being tested on malaria patients.

Our efforts to evaluate and prioritize the portfolio are continuing with the goal of redistributing resources to projects that are considered to have the greatest commercial potential. During the quarter, the preclinical company Avaris was fully written down after it did not meet the targets Karolinska Development had set to merit further investments in the company.

The inflow of new innovations is much improved and the strengthening of our management team by adding Michael Sundström is therefore very important. With his vast international experience from academia as well as the pharmaceutical industry, he will play an important role as Vice President Discovery Research with responsibility for new projects and as CEO of our subsidiary Actar. I am looking forward to the quarters ahead, which are likely to be eventful.

*Torbjörn Bjerke*  
Chief Executive Officer

### Significant events during the third quarter

- Axelar AB published promising data for AXL1717 from its completed Phase I/II study in cancer patients.
- Dilaforette AB initiated a Phase I/II study with Sevuparin for the treatment of severe malaria.
- Michael Sundström was appointed Vice President Discovery Research of Karolinska Development and CEO of the subsidiary Actar AB.
- The preclinical portfolio company Avaris AB did not reach the targets that had been set and further investments have been discontinued. The holding has been fully written down, which affects the operating result for the reporting period by SEK -53.7m and the financial net by SEK -4.5m for loan receivables which have been written down.

### Group

<i>Amounts in SEKm</i>	<b>2011</b> <i>Jul-Sep</i>	<b>2010</b> <i>Jul-Sep</i>	<b>2011</b> <i>Jan - Sep</i>	<b>2010</b> <i>Jan - Sep</i>
Revenue	1.9	3.1	7.1	11.5
Profit/loss after tax	-140.5	-15.1	-271.3	-114.7
Earnings per share before and after dilution (SEK)	-2.64	-0.33	-5.88	-3.27
Investments in portfolio companies *	11.6	55.7	237.9	143.6
Of which conversions and transfers not affecting cash flow	2.4	0	108.9	0
Of which investments in subsidiaries	0	13.6	69.0	43.1
Cash flow			58.0	-348.0
Cash, cash equivalents and short-term investments			691.9	331.0
Net asset value per share (SEK)			46.67	58.54
Value of total portfolio			1,563.9	1,556.6

\*Investments in portfolio companies affecting cash flow amounted to SEK 129.0m for the interim period. Of this amount, SEK 69.0m related to investments in subsidiaries, due to which the Group's Investments and transfers affecting cash flow amounted to SEK 60.0m.

## Significant events during the third quarter

### **Axelar completed clinical Phase I/II safety study – reported good safety profile for AXL1717 in cancer patients**

Axelar AB published results from its completed Phase I/II clinical safety study on the drug candidate AXL1717 at the European Multidisciplinary Cancer Congress (ESMO) in Stockholm. All major objectives were met in the clinical study, and signs that suggest clinical benefit were observed in some patients with non-small cell lung cancer.

### **Dilaforette initiated Phase I/II study with Sevuparin for treatment of severe malaria**

Dilaforette AB announced that the first patient has received a dose of Sevuparin in a Phase I/II study. This is the first time Sevuparin is being tested in malaria patients. Primarily a safety study, it is being conducted on uncomplicated falciparum malaria patients before moving on to severe malaria patients in the next step. The study, comprising 98 patients, is being conducted in Thailand together with the Mahidol Oxford Research Unit (MORU) in Bangkok. MORU is a collaboration between Mahidol University and the University of Oxford sponsored by the Wellcome Trust of Great Britain.

### **Michael Sundström appointed Vice President Discovery Research of Karolinska Development and CEO of Actar**

Michael Sundström, PhD, has been appointed Vice President Discovery Research of Karolinska Development as well as CEO of the subsidiary Actar AB. Michael was most recently the Managing Director of the Novo Nordisk Foundation Center for Protein Research, a leading academic center for protein and proteome research. He has nearly 20 years of international experience from leading pharmaceutical and biotechnology organizations, including as Director, Structural Chemistry, and Chairman of the Oncology Research Review Committee at Pharmacia as well as Chief Scientist of the Structural Genomics Consortium at Oxford University.

### **Holding in portfolio company discontinued**

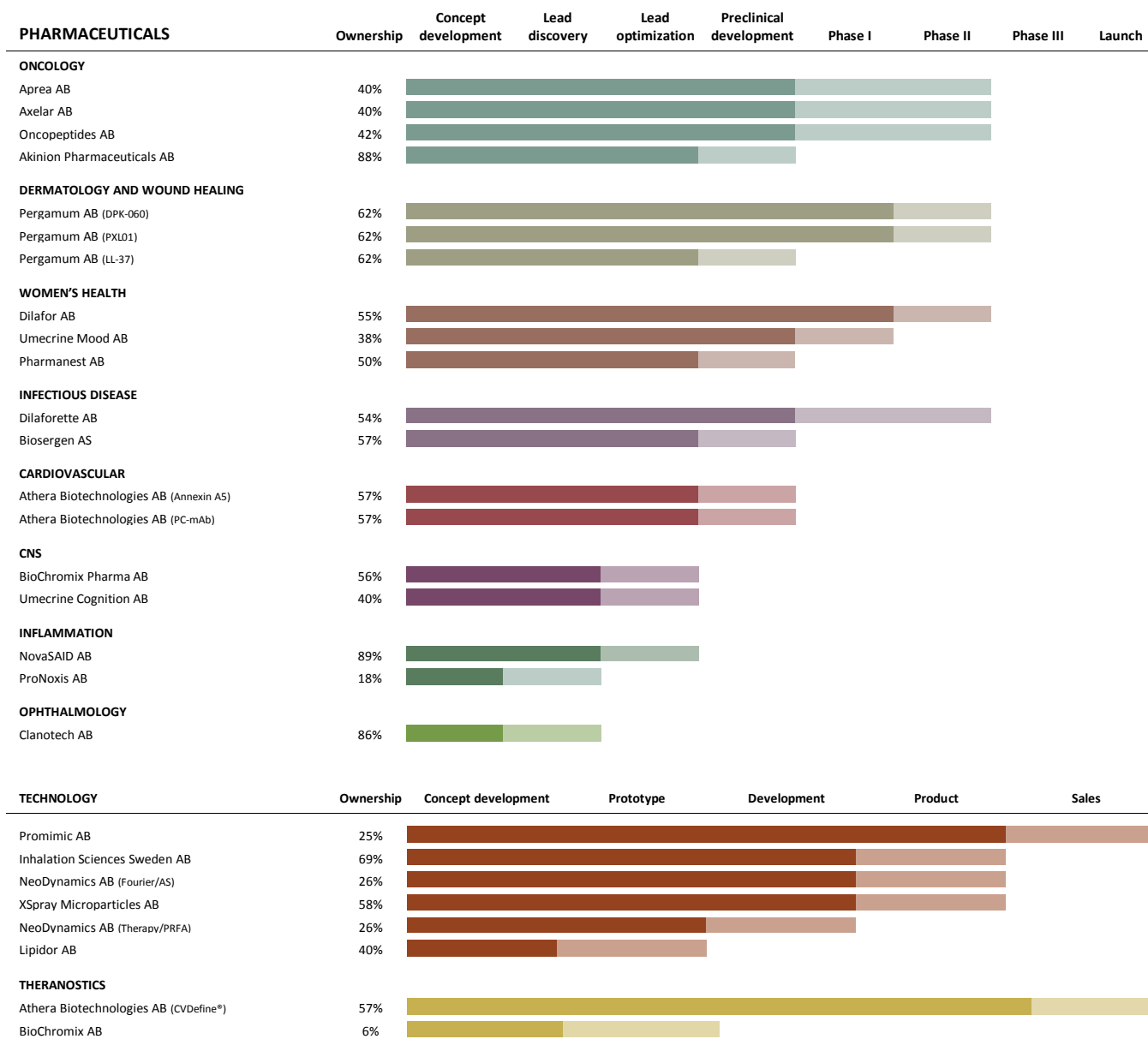
The portfolio company Avaris AB did not reach the targets that Karolinska Development set and further investments have been discontinued. As a result, this holding was fully written down, which affects the operating result for the reporting period by SEK -53.7m and the financial net by SEK -4.5m for loan receivables which have been written down.

## Significant events after the end of the reporting period

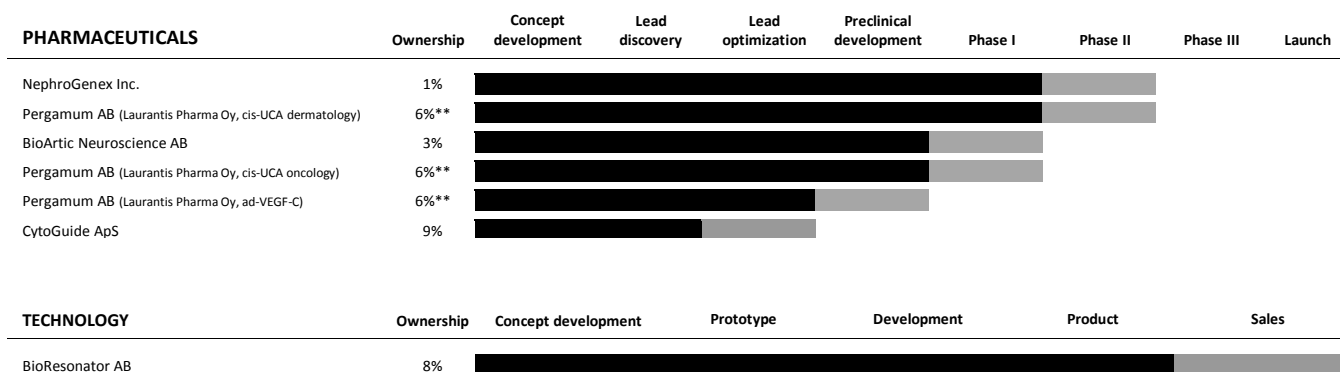
No significant events after the end of the reporting period.

## Portfolio

Karolinska Development's portfolio currently consists of 34 projects at various stages. In total, 12 projects are in clinical trials.



## FINANCIAL/PASSIVE INVESTMENTS



\*Indirect ownership through Dilaforette Holding AB  
\*\* Indirect ownership through Pergamum AB

Solid colored area = completed phase  
Shaded colored area = ongoing phase

## Financial overview – Group

### *Total fair value*

The total value of portfolio holdings calculated in accordance with the International Private Equity and Venture Capital Valuation Guidelines for fair value was SEK 1,563.9m on closing date, compared with SEK 1,454.7m on 31 December 2010.

### *Revenue*

Consolidated revenue for the interim period amounted to SEK 7.1m, compared with SEK 11.5m in the same period in 2010, which was primarily due to a decrease in services sold to portfolio companies.

### *Results*

The Group's operating loss for the interim period 2011 amounted to SEK -277.4m (-123.3), a change of SEK -154.1m compared with the same period in 2010. The loss after tax amounted to SEK -271.3m (-114.7). The increased loss was mainly due to the portion of the change in fair value affecting income, which amounted to SEK -167.8m (-42.4) during the 2011 interim period. This in turn was mainly caused by discontinued projects and holdings in the portfolio companies Avaris AB, IMED AB, Eribis AB, HBV Theranostica AB and Omnio Healer AB, which affected the result by SEK -119.9m. The portion of the change in fair value affecting income during the third quarter was SEK -104.9m, of which SEK -53.7m related to the divestment of the holding in Avaris AB. The result has also been adversely affected by increased operating expenses in subsidiaries, the consolidation of the former associated company Axelar AB as a subsidiary as of the second quarter, and listing costs in the Parent Company.

When Karolinska Development obtains a controlling interest in a portfolio company, it is reclassified as a subsidiary and consolidated. This process includes an acquisition analysis in which assets and liabilities are measured at fair value, where the value of the assets is mainly attributable to development projects in progress. The value of development projects in progress is subject to continuous impairment testing, which means that any negative changes in fair value compared with the date when the company was reclassified as a subsidiary affect the Group's results, while any positive changes do not. Changes in the fair value of portfolio companies classified as joint ventures, associated companies or other long-term securities holdings affect the Group's results both positively and negatively.

### *Financial position\**

The Group's equity to total assets ratio was 93 percent (97) on 30 September 2011 and equity amounted to SEK 2,287.9m (1,717.2). The equity to total assets ratio decreased largely because Axelar AB has been consolidated as a subsidiary and because the Group's intangible assets and deferred tax liabilities have increased as a result.

Cash, cash equivalents and short-term investments amounted to SEK 691.9m on 30 September 2011, an increase of SEK 448.0m since the beginning of the year. The increase was due to the new share issue in April, which provided the Group with proceeds of SEK 563.1m after deducting issue costs.

Total assets amounted to SEK 2,464.5m (1,773.6) on September 30.

### *Investments in portfolio companies*

The Group's investments during the interim period amounted to SEK 237.9m (143.6). Investments in portfolio companies affecting cash flow amounted to SEK 129.0m, of which SEK 69.0m was invested in subsidiaries. Investments not affecting cash flow during the interim period consisted of SEK 86.5m in receivables which have been offset against shares in joint ventures and associated companies and SEK 22.4m in investments transferred to KCIF Co-Investment Fund KB.

For further information, see Note 12.

\*Comparable figures refer to 31 December 2010

## Financial overview– Parent Company

### *Revenue*

Parent Company revenue during the interim period from services rendered to portfolio companies declined to SEK 1.8m (8.2). The decrease occurred primarily because consulting support to KCIF Fund Management AB, which sells services to KCIF Co - Investment Fund KB, has been reduced.

### *Results*

The Parent Company's operating loss during the interim period amounted to SEK -164.0m (-95.3), a change of SEK -68.7m compared with the same period in 2010. The increased loss was mainly due to write-downs of portfolio companies and listing costs.

During the third quarter, the portfolio company Avaris AB was written down by SEK -53.7m.

The loss after taxes for the interim period was SEK -173.7m (-89.3).

### *Investments in portfolio companies*

The Parent Company invested a total of SEK 69.0m (43.1) in subsidiaries during the interim period. The largest investments were in Akinion Pharmaceuticals AB at SEK 30.0m, Axelar AB at SEK 20.0m, and NovaSAID AB at SEK 12.0m.

The Parent Company invested SEK 165.9m (93.8) in associated companies and joint ventures. The largest investments were in Pergamum AB at SEK 95.9, where loans of SEK 77.6m have been converted, Aprea AB at SEK 12.5m, and Dilafor AB at SEK 9.0m.

Investments in co-owned portfolio companies through KCIF Co-Investment Fund KB (KCIF) amounted to SEK 31.0m, of which SEK 22.4m initially invested by Karolinska Development has been transferred at cost to KCIF. These divestments have been made by Karolinska Development, which also subscribed for KCIF's portion of the shares in order to subsequently sell them to KCIF (a procedure regulated by agreements with EIF and KCIF (Note 13).

The Parent Company invested SEK 3.0m (6.7) in other long-term securities holdings (Note 12).

## Information on risks and uncertainties

### *Parent Company and Group*

Risks and uncertainties are primarily associated with investments in portfolio companies and the development of projects in these companies, as well as financial risks.

### *Future financing needs*

Future investments in portfolio companies in many cases will require capital from co-investors. There is no guarantee that such capital can be obtained.

### *Valuation risks*

Companies active in pharmaceutical development and medical technology at an early phase are, by their very nature, difficult to value, as lead times are very long and the development risks are high. Due to the uncertainty in these assessments, the estimated value of the portfolio may deviate substantially from the future generated value.

For a description of other risks and uncertainties, refer to the annual report 2010.

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

Solna, 25 November 2011

Torbjörn Bjerke  
CEO

### Dates for publication of financial information

Year-end report 2011	25 February 2012
Annual report 2011	April 2012
Interim report January - March 2012	15 May 2012
Annual General Meeting	23 May 2012

The reports will be published on Karolinska Development's website, [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

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

## Auditors' review report

To the Board of Directors of Karolinska Development AB (publ)

### *Introduction*

We have reviewed the condensed financial information (interim report) for Karolinska Development AB (publ) as per 30 September 2011 and the nine-month period ended on this date. The Board of Directors and the CEO are responsible for the preparation and presentation of this financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this financial information based on our review.

### *Scope of review*

We conducted our review in accordance with the Swedish Standard on Review Engagements SÖG 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA) and other generally accepted auditing standards. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion based on an audit.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the interim report for the Group is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, and for the Parent Company in accordance with the Swedish Annual Accounts Act.

Stockholm, 25 November 2011

Deloitte AB

Thomas Strömberg

Authorized Public Accountant

## Financial reports

### Condensed consolidated income statement

<i>Amounts in SEK 000</i>	<i>Note</i>	<b>2011</b> <i>Jul-Sep</i>	<b>2010</b> <i>Jul-Sep</i>	<b>2011</b> <i>Jan-Sep</i>	<b>2010</b> <i>Jan-Sep</i>	<b>2010</b> <i>Full year</i>
Revenue		1,936	3,074	7,115	11,543	13,895
Other external expenses		-25,722	-17,351	-70,862	-46,586	-62,559
Personnel costs		-13,499	-8,625	-43,480	-30,132	-43,393
Depreciation, amortization and impairment losses on tangible and intangible non-current assets		-792	-325	-2,391	-15,679	-27,418
Change in fair value of shares in joint ventures and associated companies	2	-98,294	10,741	-164,189	-42,839	-224,104
Change in fair value of other long-term securities holdings	2	-6,608	-3,592	-3,577	399	-1,685
<b>Operating loss</b>		<b>-142,979</b>	<b>-16,078</b>	<b>-277,384</b>	<b>-123,294</b>	<b>-345,264</b>
<b>Financial net</b>	3	<b>-4,317</b>	<b>2,269</b>	<b>-9,134</b>	<b>5,959</b>	<b>5,983</b>
<b>Loss before tax</b>	2	<b>-147,296</b>	<b>-13,809</b>	<b>-286,518</b>	<b>-117,335</b>	<b>-339,281</b>
Deferred taxes		6,773	-1,261	15,229	2,609	4,697
<b>NET LOSS FOR THE YEAR</b>		<b>-140,523</b>	<b>-15,070</b>	<b>-271,289</b>	<b>-114,726</b>	<b>-334,584</b>
<b>Attributable to:</b>						
Parent Company's shareholders		-128,081	-11,020	-249,230	-108,714	-325,615
Non-controlling interests		-12,442	-4,050	-22,059	-6,012	-8,969
<b>TOTAL</b>		<b>-140,523</b>	<b>-15,070</b>	<b>-271,289</b>	<b>-114,726</b>	<b>-334,584</b>

### Consolidated statement of comprehensive income

<i>Amounts in SEK 000</i>	<i>Note</i>	<b>2011</b> <i>Jul-Sep</i>	<b>2010</b> <i>Jul-Sep</i>	<b>2011</b> <i>Jan-Sep</i>	<b>2010</b> <i>Jan-Sep</i>	<b>2010</b> <i>Full year</i>
<b>Net loss for the period</b>		-140,523	-15,070	-271,289	-114,726	-334,584
<b>Total comprehensive income for the period</b>		<b>-140,523</b>	<b>-15,070</b>	<b>-271,289</b>	<b>-114,726</b>	<b>-334,584</b>
<b>Attributable to:</b>						
Parent Company's shareholders		-128,081	-11,020	-249,230	-108,714	-325,615
Non-controlling interests		-12,442	-4,050	-22,059	-6,012	-8,969
<b>TOTAL</b>		<b>-140,523</b>	<b>-15,070</b>	<b>-271,289</b>	<b>-114,726</b>	<b>-334,584</b>

### Earnings per share

<i>Amounts in SEK</i>	<i>Note</i>	<b>2011</b> <i>Jul-Sep</i>	<b>2010</b> <i>Jul-Sep</i>	<b>2011</b> <i>Jan-Sep</i>	<b>2010</b> <i>Jan-Sep</i>	<b>2010</b> <i>Full year</i>
Earnings per share attributable to Parent Company's shareholders, weighted average, before and after dilution		-2.64	-0.33	-5.88	-3.27	-9.79
Number of shares, weighted average	9	48,531,417	33,331,417	42,351,197	33,241,198	33,263,938



## Condensed consolidated statement of financial position

<i>Amounts in SEK 000</i>	<i>Note</i>	<i>30 Sep 2011</i>	<i>30 Sep 2010</i>	<i>31 Dec 2010</i>
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	4	702,672	181,177	179,778
Tangible non-current assets		1,946	2,921	2,493
Shares in joint ventures and associated companies	6,7	1,017,651	1,361,975	1,220,791
Other long-term securities holdings	6,7	27,272	31,844	24,761
Other financial assets		0	6,296	0
<b>Total non-current assets</b>		<b>1,749,541</b>	<b>1,584,213</b>	<b>1,427,823</b>
<b>Current assets</b>				
Accounts receivable		975	343	680
Other short-term receivables	8	18,649	69,084	93,054
Prepaid expenses and accrued income		3,430	6,206	8,138
Current investments		526,534	284,927	136,607
Cash and cash equivalents		165,367	46,079	107,325
<b>Total current assets</b>		<b>714,955</b>	<b>406,639</b>	<b>345,804</b>
<b>TOTAL ASSETS</b>		<b>2,464,496</b>	<b>1,990,852</b>	<b>1,773,627</b>

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

<i>Amounts in SEK 000</i>	<i>Note</i>	<i>30 Sep 2011</i>	<i>30 Sep 2010</i>	<i>31 Dec 2010</i>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	9	24,266	16,666	16,666
Share premium		1,768,179	1,212,611	1,212,611
Retained earnings including current period result		195,187	671,385	454,484
<b>Equity attributable to Parent Company's shareholders</b>		<b>1,987,632</b>	<b>1,900,662</b>	<b>1,683,761</b>
Non-controlling interests		300,288	29,119	33,414
<b>Total equity</b>		<b>2,287,920</b>	<b>1,929,781</b>	<b>1,717,175</b>
<b>Liabilities</b>				
<b>Long-term liabilities</b>				
Deferred taxes	10	148,344	34,479	34,195
Interest-bearing liabilities		2,000	5,016	2,000
<b>Total long-term liabilities</b>		<b>150,344</b>	<b>39,495</b>	<b>36,195</b>
<b>Current liabilities</b>				
Accounts payable		8,096	6,917	3,117
Other short-term liabilities		4,531	4,475	5,044
Accrued expenses and prepaid income		13,605	10,184	12,096
<b>Total short-term liabilities</b>		<b>26,232</b>	<b>21,576</b>	<b>20,257</b>
<b>Total liabilities</b>		<b>176,576</b>	<b>61,071</b>	<b>56,452</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,464,496</b>	<b>1,990,852</b>	<b>1,773,627</b>

## Condensed consolidated statement of changes in equity

Amounts in SEK 000	Note	Equity attributable to Parent Company's shareholders					Non-controlling interests	Total equity
		Share capital	Share premium	Retained earnings incl. current year result	Total			
<b>Opening equity at 1 Jan 2011</b>		<b>16,666</b>	<b>1,212,611</b>	<b>454,484</b>	<b>1,683,761</b>		<b>33,414</b>	<b>1,717,175</b>
<i>Net loss for the period</i>				-249,230	-249,230		-22,059	-271,289
Total comprehensive income for the year		0	0	-249,230	-249,230		-22,059	-271,289
Business combinations					0		222,834	222,834
Change in non-controlling interests				-10,067	-10,067		66,099	56,032
New share issue		7,600	600,400		608,000			608,000
Issue costs			-44,949		-44,949			-44,949
Warrants			117		117			117
<b>Closing equity at 30 Sep 2011</b>	<b>9</b>	<b>24,266</b>	<b>1,768,179</b>	<b>195,187</b>	<b>1,987,632</b>		<b>300,288</b>	<b>2,287,920</b>
<b>Opening equity 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 loss for the period</i>				-108,714	-108,714		-6,012	-114,726
Total comprehensive income for the year		0	0	-108,714	-108,714		-6,012	-114,726
Business combinations					0		35,131	35,131
New share issue		90	10,956		11,046			11,046
Issue costs			-631		-631			-631
Warrants			613		613			613
<b>Closing equity at 30 Sep 2010</b>	<b>9</b>	<b>16,666</b>	<b>1,212,611</b>	<b>671,385</b>	<b>1,900,662</b>		<b>29,119</b>	<b>1,929,781</b>
<b>Opening equity 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 loss for the period</i>				-325,615	-325,615		-8,969	-334,584
Total comprehensive income for the year		0	0	-325,615	-325,615		-8,969	-334,584
Business combinations					0		42,383	42,383
New share issue		90	10,956		11,046			11,046
Issue costs			-631		-631			-631
Warrants			613		613			613
<b>Closing equity at 31 Dec 2010</b>	<b>9</b>	<b>16,666</b>	<b>1,212,611</b>	<b>454,484</b>	<b>1,683,761</b>		<b>33,414</b>	<b>1,717,175</b>

## Consolidated statement of cash flows

<i>Amounts in SEK 000</i>	<i>Note</i>	<b>2011</b> <i>Jan-Sep</i>	<b>2010</b> <i>Jan-Sep</i>
<b>Operating activities</b>			
Operating loss		-277,384	-123,294
Adjustments for depreciation, amortization and impairment losses		2,391	15,679
Adjustments for changes in fair value		167,766	42,440
Interest paid		-25	-18
Interest received		2,650	3,421
<b>Cash flow from operating activities, before changes in working capital</b>		<b>-104,602</b>	<b>-61,772</b>
<b>Cash flow from changes in working capital</b>			
Increase (-)/Decrease (+) in operating receivables		-205	1,654
Increase (+)/Decrease (-) in operating liabilities		3,976	-3,469
<b>Cash flow from operating activities</b>		<b>-100,831</b>	<b>-63,587</b>
<b>Investing activities</b>			
Investments in intangible non-current assets		-1,190	-1,850
Investments in tangible non-current assets		-283	-674
Acquired cash and cash equivalents in subsidiaries	5	12,878	16,821
Investments in shares in joint ventures and associated companies	12	-79,362	-93,815
Investments in other long-term securities	12	-3,002	-6,740
Investments in other financial non-current assets		0	-3,245
Short-term investments		-385,408	-163,535
Sale of shares in joint ventures/associated companies		21,811	20,722
Sale of other long-term securities		540	0
Loans provided to associated companies		-23,400	-45,166
<b>Cash flow from investing activities</b>		<b>-457,416</b>	<b>-277,482</b>
<b>Financing activities</b>			
Non-controlling interests' share of subsidiary issue		53,121	0
New share issue		608,000	19,960
Issue costs		-44,949	-27,496
Warrants		117	613
<b>Cash flow from financing activities</b>		<b>616,289</b>	<b>-6,923</b>
<b>Cash flow for the period</b>		<b>58,042</b>	<b>-347,992</b>
Cash and cash equivalents at beginning of period		107,325	394,071
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD<sup>1</sup></b>		<b>165,367</b>	<b>46,079</b>

<sup>1</sup> In addition to cash and cash equivalents, the Group has at its disposal short-term investments amounting to 526,534 (284,927)

## Condensed income statement for the Parent Company

		<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
<i>Amounts in SEK 000</i>	<i>Note</i>	<i>Jul-Sep</i>	<i>Jul-Sep</i>	<i>Jan-Sep</i>	<i>Jan-Sep</i>	<i>Full year</i>
Net sales		411	1,986	1,807	8,244	11,007
<b>Revenue</b>		<b>411</b>	<b>1,986</b>	<b>1,807</b>	<b>8,244</b>	<b>11,007</b>
Other external expenses		-4,407	-7,263	-24,758	-23,792	-31,048
Personnel costs		-6,512	-4,823	-23,095	-17,157	-25,685
Depreciation and amortization of tangible and intangible assets		-17	-21	-50	-66	-88
Impairment losses on shares in subsidiaries, joint ventures, associated companies and other long-term securities holdings		-53,984	-4,051	-117,938	-54,430	-63,680
Result from sale of shares		0	0	0	-29,673	-29,439
Dividends from subsidiaries		0	0	0	21,552	21,552
<b>Operating loss</b>		<b>-64,509</b>	<b>-14,172</b>	<b>-164,034</b>	<b>-95,322</b>	<b>-117,381</b>
Financial net	3	-4,525	2,243	-9,684	5,976	6,032
<b>NET LOSS FOR THE PERIOD</b>		<b>-69,034</b>	<b>-11,929</b>	<b>-173,718</b>	<b>-89,346</b>	<b>-111,349</b>

## Statement of comprehensive income for the Parent Company

		<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
<i>Amounts in SEK 000</i>	<i>Note</i>	<i>Jul-Sep</i>	<i>Jul-Sep</i>	<i>Jan-Sep</i>	<i>Jan-Sep</i>	<i>Full year</i>
<b>Net loss for the period</b>		<b>-69,034</b>	<b>-11,929</b>	<b>-173,718</b>	<b>-89,346</b>	<b>-111,349</b>
<b>Total comprehensive income for the period</b>		<b>-69,034</b>	<b>-11,929</b>	<b>-173,718</b>	<b>-89,346</b>	<b>-111,349</b>
<b>Attributable to:</b>						
Parent Company's shareholders		-69,034	-11,929	-173,718	-89,346	-111,349
<b>TOTAL</b>		<b>-69,034</b>	<b>-11,929</b>	<b>-173,718</b>	<b>-89,346</b>	<b>-111,349</b>

## Condensed statement of financial position for the Parent Company

<i>Amounts in SEK 000</i>	<i>Note</i>	<b>30 Sep 2011</b>	<b>30 Sep 2010</b>	<b>31 Dec 2010</b>
<b>Assets</b>				
<b>Non-current assets</b>				
Tangible non-current assets		59	131	109
Shares in subsidiaries, joint ventures, associated companies and other long-term securities holdings	5,6,7	828,128	691,169	731,370
Other financial assets		1,959	7,606	1,515
<b>Total non-current assets</b>		<b>830,146</b>	<b>698,906</b>	<b>732,994</b>
<b>Current assets</b>				
Accounts receivable		228	86	129
Group receivables		1,523	2,158	2,072
Other receivables	8	16,471	67,214	91,431
Prepaid expenses and accrued income		2,138	5,359	7,617
Short-term investments		526,532	284,927	136,607
Cash and cash equivalents		57,235	9,939	73,208
<b>Total current assets</b>		<b>604,127</b>	<b>369,683</b>	<b>311,064</b>
<b>TOTAL ASSETS</b>		<b>1,434,273</b>	<b>1,068,589</b>	<b>1,044,058</b>

## Condensed statement of financial position for the Parent Company (cont.)

<i>Amounts in SEK 000</i>	<i>Note</i>	<i>30 Sep 2011</i>	<i>30 Sep 2010</i>	<i>31 Dec 2010</i>
<b>Equity and liabilities</b>				
<b>Equity</b>				
<b>Restricted equity</b>				
Share capital	9	24,266	16,666	16,666
<b>Unrestricted equity</b>				
Share premium reserve		1,778,253	1,222,685	1,222,685
Retained earnings		-207,281	-95,932	-95,932
Net loss for the period		-173,718	-89,346	-111,349
<b>Total equity</b>		<b>1,421,520</b>	<b>1,054,073</b>	<b>1,032,070</b>
<b>Liabilities</b>				
<b>Long-term liabilities</b>				
Pension obligations		1,959	1,310	1,515
<b>Total long-term liabilities</b>		<b>1,959</b>	<b>1,310</b>	<b>1,515</b>
<b>Current liabilities</b>				
Accounts payable		2,252	2,326	991
Group liabilities		0	676	660
Other current liabilities		3,593	5,688	3,535
Accrued expenses and deferred income		4,949	4,516	5,287
<b>Total current liabilities</b>		<b>10,794</b>	<b>13,206</b>	<b>10,473</b>
<b>Total liabilities</b>		<b>12,753</b>	<b>14,516</b>	<b>11,988</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,434,273</b>	<b>1,068,589</b>	<b>1,044,058</b>

## Pledged assets and contingent liabilities

<i>Amounts in SEK 000</i>	<i>Note</i>	<i>30 Sep 2011</i>	<i>30 Sep 2010</i>	<i>31 Dec 2010</i>
Pledged assets		4,984	6,535	4,563
Contingent liabilities	11	900	2,100	2,100
		<b>5,884</b>	<b>8,635</b>	<b>6,663</b>

## Condensed statement of changes in equity for the Parent Company

<i>Amounts in SEK 000</i>	<i>Note</i>	<u>Restricted equity</u>	<u>Unrestricted equity</u>			
		<i>Share capital</i>	<i>Share premium reserve</i>	<i>Retained earnings</i>	<i>Net profit/loss for the period</i>	<i>Total equity</i>
<b>Opening equity 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
Net loss for the period					-173,718	-173,718
<b>Total</b>		<b>16,666</b>	<b>1,222,685</b>	<b>-207,281</b>	<b>-173,718</b>	<b>858,352</b>
New share issue		7,600	600,400			608,000
Issue costs			-44,949			-44,949
Warrants			117			117
<b>Closing equity at 30 Sep 2011</b>	<b>9</b>	<b>24,266</b>	<b>1,778,253</b>	<b>-207,281</b>	<b>-173,718</b>	<b>1,421,520</b>
<b>Opening equity 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
Net loss for the year					-89,346	-89,346
<b>Total</b>		<b>16,576</b>	<b>1,211,658</b>	<b>-95,932</b>	<b>-89,346</b>	<b>1,042,956</b>
New share issue		90	11,045			11,135
Issue costs			-631			-631
Warrants			613			613
<b>Closing equity at 30 Sep 2010</b>	<b>9</b>	<b>16,666</b>	<b>1,222,685</b>	<b>-95,932</b>	<b>-89,346</b>	<b>1,054,073</b>
<b>Opening equity 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
Net 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>
New share issue		90	11,045			11,135
Issue costs			-631			-631
Warrants			613			613
<b>Closing equity at 31 Dec 2010</b>	<b>9</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 report has been prepared in accordance with the **International Accounting Standard (IAS) 34 Interim Financial Reporting**. The accounting principles applied to the Group and the Parent Company correspond, unless otherwise stated below, to the accounting principles and valuation methods applied in the preparation of the previous annual report.

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

The new or revised IFRS standards and interpretations by IFRIC have had no impact on the Group or, to the extent that these recommendations are applied to legal entities, on the Parent Company's income or financial position.

#### *Definition of key ratios*

Net asset value per share: Estimated fair value of the total portfolio, cash and cash equivalents, and financial assets less interest-bearing liabilities in relation to the number of shares outstanding on the closing date.

#### *Other definitions*

First In Class: The first approved medicine with a defined mechanism for a specific target or a specific disease.

Portfolio companies: Companies owned fully or in part by Karolinska Development (subsidiaries, joint ventures, associated companies and other long-term securities holdings) which are active in 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 the International Financial Reporting Standards, IFRS. The standards are applied only in the consolidated financial statements. The application of the standards allows groups of an investment company nature to apply so-called fair value in the calculation of asset values. These calculations are made on the basis of established principles and are not included in the opening accounts of the Group's legal entity, nor do they affect cash flows. This is exemplified by the fact that the Parent Company's assets are recognized at acquisition cost rather than fair value.

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

Interim period: The entire financial year through the closing date.

Reporting period: Current quarter.

## Note 2 Operating segments

Karolinska Development considers the Board of Directors to be the Group's chief operating decision maker, since this function determines the allocation of resources to investments in portfolio companies and to the Parent Company. The Board of Directors monitors each investment at the project level as well as the Parent Company's results and financial position.

Karolinska Development's investments are primarily focused on companies that yield the best returns. Regardless of a project's maturity, therapeutic area and whether the company is active within pharmaceuticals or medical technology, each company's projects are evaluated by Karolinska Development in the same manner, due to which Karolinska Development has aggregated all the portfolio companies into a single reportable segment.

Karolinska Development's measure of profit is the aggregate change in the fair value of its shares in the portfolio companies, including those that are consolidated as subsidiaries. The Board of Directors and management monitor the investments based on changes in their fair value independently of the company's level of influence. Consequently, the Board of Directors and management monitor subsidiaries, associated companies, joint ventures and other holdings based on changes in their fair value and not based on their historical acquisition costs as subsidiaries recognized in the consolidated financial statements. The accounting principles applied in the internal reporting otherwise correspond to the Group's accounting principles as described in Note 1.

### Profit/loss per segment

	Profit/loss from change in fair value of portfolio companies				
	2011 Jul-Sep	2010 Jul-Sep	2011 Jan-Sep	2010 Jan-Sep	2010 Full year
<i>Amounts in SEK 000</i>					
Aggregate profit/loss from change in fair value of portfolio companies	-102,643	-7,165	-106,200	-82,498	-232,787
Consolidated adjustments and eliminations	-2,259	14,314	-61,566	40,058	6,998
<b>Recognized loss from change in fair value</b>	<b>-104,902</b>	<b>7,149</b>	<b>-167,766</b>	<b>-42,440</b>	<b>-225,789</b>

### Reconciliation between aggregate profit/loss from change in fair value of portfolio companies for segments and consolidated loss before tax

	2011 Jul-Sep	2010 Jul-Sep	2011 Jan-Sep	2010 Jan-Sep	2010 Full year
<i>Amounts in SEK 000</i>					
Recognized result from change in fair value	-104,902	7,149	-167,766	-42,440	-225,789
Consolidated loss before tax excluding change in fair value of associated companies, joint ventures and other long-term securities holdings	-42,394	-20,958	-118,752	-74,895	-113,492
<b>Consolidated loss before tax</b>	<b>-147,296</b>	<b>-13,809</b>	<b>-286,518</b>	<b>-117,335</b>	<b>-339,281</b>

### Assets per segment

	Fair value of portfolio companies		
	30 Sep 2011	30 Sep 2010	31 Dec 2010
<i>Amounts in SEK 000</i>			
Aggregate fair value of shares in portfolio companies	1,563,866	1,556,600	1,454,660
Group adjustments and eliminations	-518,943	-162,781	-209,108
<b>Group</b>	<b>1,044,923</b>	<b>1,393,819</b>	<b>1,245,552</b>

*Reconciliation between the aggregate fair value of portfolio companies for segments and consolidated total assets*

<i>Amounts in SEK 000</i>	<b>30 Sep 2011</b>	<b>30 Sep 2010</b>	<b>31 Dec 2010</b>
Aggregate fair value of portfolio companies' reportable segments	1,563,866	1,556,600	1,454,660
Less fair value of consolidated subsidiaries	-518,943	-162,781	-209,108
The Group's other assets, excluding shares in associated companies, joint ventures and other long-term securities holdings	1,419,573	597,033	528,075
<b>Consolidated total assets</b>	<b>2,464,496</b>	<b>1,990,852</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, administration, legal services and analytical operations. Operations are conducted in Sweden, where the Group's assets, in all material respects, are located.

**Note 3** Financial net

<i>Amounts in SEK 000</i>	<b>Group</b>				
	<b>2011</b> Jul-Sep	<b>2010</b> Jul-Sep	<b>2011</b> Jan-Sep	<b>2010</b> Jan-Sep	<b>2010</b> Full year
Interest income	4,096	810	4,972	2,338	3,966
Interest expenses	-16	-20	-24	-20	-22
Change in value of short-term investments	-2,100	1,479	4,519	3,641	3,904
Exchange rate gains and losses	203	0	-101	0	-870
Impairment of receivables from associated companies	-6,500	0	-18,500	0	0
Impairment of convertible debentures	0	0	0	0	-995
<b>Financial net</b>	<b>-4,317</b>	<b>2,269</b>	<b>-9,134</b>	<b>5,959</b>	<b>5,983</b>

<i>Amounts in SEK 000</i>	<b>Parent Company</b>				
	<b>2011</b> Jul-Sep	<b>2010</b> Jul-Sep	<b>2011</b> Jan-Sep	<b>2010</b> Jan-Sep	<b>2010</b> Full year
Interest income	3,893	766	4,331	2,338	3,917
Interest expenses	-3	-2	-4	-3	-8
Change in value of short-term investments	-2,100	1,479	4,519	3,641	3,904
Exchange rate gains and losses	185	0	-30	0	-786
Impairment of receivables from associated companies	-6,500	0	-18,500	0	0
Impairment of convertible debentures	0	0	0	0	-995
<b>Financial net</b>	<b>-4,525</b>	<b>2,243</b>	<b>-9,684</b>	<b>5,976</b>	<b>6,032</b>

## Note 4 Intangible assets

### *Carrying amount, intangible assets*

<i>Amounts in SEK 000</i>	Group		
	30 Sep 2011	30 Sep 2010	31 Dec 2010
<b>Carrying amount</b>			
Goodwill	0	1,186	0
Patents, licenses and similar rights	9,351	3,054	5,746
Development projects in progress <sup>1</sup>	693,321	176,937	174,032
<b>Total carrying amount, intangible assets</b>	<b>702,672</b>	<b>181,177</b>	<b>179,778</b>

<sup>1</sup> The carrying amount of development projects in progress consists of the acquisition costs of subsidiaries.

### *Development projects in progress*

<i>Amounts in SEK 000</i>	Group		
	30 Sep 2011	30 Sep 2010	31 Dec 2010
<b>Accumulated acquisition cost</b>			
At beginning of the year	196,688	0	0
New business combinations (Note 5)	519,289	191,650	196,688
<b>Closing balance</b>	<b>715,977</b>	<b>191,650</b>	<b>196,688</b>
<b>Accumulated amortization and impairment losses</b>			
At beginning of the year	-22,656	0	0
Impairment for the year	0	-14,713	-22,656
<b>Closing balance</b>	<b>-22,656</b>	<b>-14,713</b>	<b>-22,656</b>
<b>Carrying amount</b>	<b>693,321</b>	<b>176,937</b>	<b>174,032</b>

### *Impairment tests for the recoverable amount of development projects in progress*

Assets with an indefinite useful life are not depreciated, but are subject to an impairment test on a quarterly basis.

## Note 5 Business combinations

Axelar AB was previously reported as an associated company and measured at fair value with changes in fair value recognized through profit or loss. As a result of an amended shareholder agreement, Karolinska Development has controlling interest in the company as of the second quarter 2011, due to which it is classified as a subsidiary and consolidated in the Group. This means that the full income statement, statement of financial position and cash flows for this company are now consolidated and that the holding is no longer recognized at fair value. The net assets are recognized in consolidated financial statements, including non-controlling interests. Recognition of the acquisition price does not imply that any cash consideration has been paid.

### Business combinations

Subsidiaries	Operations	Acquisition date	Share of acquired equity that carries voting rights, %	Acquisition cost
Axelar AB	Biotechnological research and development	2011-04-01	44.98%	182,173
<b>Total acquisition cost</b>				<b>182,173</b>

### Acquisition cost

Amounts in SEK 000	Invested amount	Change in fair value	Total
Axelar AB	28,342	153,831	182,173
<b>Total acquisition cost</b>			<b>182,173</b>

The change in fair value was previously recognized through profit or loss, as all associated companies are valued at fair value.

### Acquired assets and assumed liabilities on the acquisition date

Amounts in SEK 000	Axelar AB	
	Fair value	Carrying amount
Patents, licenses and similar rights	3,657	3,657
Development projects in progress	519,289	0
Deferred tax assets from fiscal deficit	7,196	0
Other current receivables	465	465
Prepaid expenses and accrued income	95	95
Cash and cash equivalents	12,878	12,878
Deferred tax liabilities on development projects in progress	-136,573	0
Accounts payable	-746	-746
Other current liabilities	-80	-80
Accrued expenses and deferred income	-1,174	-1,174
<b>Net identifiable assets and liabilities</b>	<b>405,007</b>	<b>15,095</b>
Less non-controlling interests	-222,834	
<b>Acquisition cost</b>	<b>182,173</b>	

*Revenue and loss before tax since the acquisition date included in the consolidated statement of comprehensive income*

<i>Amounts in SEK 000</i>	<b>Revenue</b>	<b>Loss before tax</b>
Axelar AB	0	-23,722
	<b>0</b>	<b>-23,722</b>

*Revenue and loss before tax if the acquisition date had been at the beginning of the financial year*

<i>Amounts in SEK 000</i>	<b>Revenue</b>	<b>Loss before tax</b>
Axelar AB	0	-30,058
	<b>0</b>	<b>-30,058</b>

**Note 6** The Group's shares in joint ventures, associated companies and other long-term securities holdings

*Shares in joint ventures and associated companies*

<i>Amounts in SEK 000</i>	<b>Group</b>		
	<b>30 Sep 2011</b>	<b>30 Sep 2010</b>	<b>31 Dec 2010</b>
<b>Accumulated fair value</b>			
At beginning of the year	1,220,791	1,450,427	1,450,427
Acquisitions during the year	165,862	93,816	135,327
Reclassified as subsidiary	-182,173	-131,456	-139,264
Reclassified from other long-term securities holdings	3,000	8,734	0
Sale of associated companies	-21,811	-16,707	-17,881
Reclassified as other long-term securities holdings	-6,626	0	16,286
Reversal of profit share in KCIF Co-Investment Fund KB (Note 13)	2,797	0	0
Change in fair value through net profit/loss for the year	-164,189	-42,839	-224,104
<b>Total fair value</b>	<b>1,017,651</b>	<b>1,361,975</b>	<b>1,220,791</b>

<sup>1</sup>Refers to the reversal of the profit share in KCIF Co-Investment Fund KB recognized in the Parent Company. In the Group the holding is recognized at fair value.

*Other long-term securities holdings*

<i>Amounts in SEK 000</i>	<b>Group</b>		
	<b>30 Sep 2011</b>	<b>30 Sep 2010</b>	<b>31 Dec 2010</b>
<b>Accumulated fair value</b>			
At beginning of the year	24,761	33,439	33,439
Acquisitions during the year	3,002	6,740	9,293
Sale of other long-term securities holdings	-540	0	0
Reclassified as associated companies	-3,000	-8,734	-16,286
Reclassified from associated companies	6,626	0	0
Change in fair value through net profit/loss for the year	-3,577	399	-1,685
<b>Total fair value</b>	<b>27,272</b>	<b>31,844</b>	<b>24,761</b>

## Note 7 Shares in joint ventures, associated companies and other long-term securities holdings

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

Name	Parent Company ownership interest			Book value in Parent Company		
	30 Sep 2011	30 Sep 2010	31 Dec 2010	30 Sep 2011	30 Sep 2010	31 Dec 2010
<i>Amounts in SEK 000</i>						
Actar AB	99.96%	99.96%	99.96%	6,511	6,844	6,844
Akinion Pharmaceuticals AB	88.09%	78.64%	78.64%	48,070	18,070	18,070
Axelar AB <sup>1</sup>	40.03%	-	-	48,343	-	-
ClanoTech AB	86.32%	84.90%	86.32%	34,695	29,696	34,695
Inhalation Sciences Sweden AB	68.75%	66.62%	66.62%	19,738	17,238	17,238
KCIF Fund Management AB	37.50%	37.50%	37.50%	43	43	43
KD Incentive AB	100.00%	100.00%	100.00%	100	100	100
Limone AB	100.00%	100.00%	100.00%	1,500	0	0
NovaSAID AB	88.91%	87.73%	87.73%	74,407	62,407	62,407
Pharmanest AB <sup>2</sup>	49.96%	-	48.56%	9,966	-	7,776
SoftCure Pharmaceuticals AB	100.00%	100.00%	100.00%	0	0	0
<b>Total book value</b>				<b>243,373</b>	<b>134,398</b>	<b>147,173</b>

<sup>1</sup>Axelar AB has been reclassified from an associated company to a subsidiary as of 1 April 2011 as a result of a new shareholder agreement which gives Karolinska Development controlling influence in the company (see also Note 5).

The new share issue during the second quarter 2011 caused a dilution. A decision has been made on an additional share issue, after which Karolinska Development will hold approximately 49.8 percent of the total number of shares outstanding.

<sup>2</sup>The above company has been reclassified from joint ventures.

*Shares in joint ventures*

<i>Amounts in SEK 000</i>	Share of equity and voting rights			Book value in Parent Company		
	30 Sep 2011	30 Sep 2010	31 Dec 2010	30 Sep 2011	30 Sep 2010	31 Dec 2010
Aprea AB	40.19%	43.18%	43.18%	46,199	36,485	36,485
Athera Biotechnologies AB	57.43%	62.68%	69.07%	74,797	56,055	78,097
Avaris AB	68.40%	67.75%	67.75%	0	51,850	51,850
BioChromix Pharma AB	56.15%	42.77%	50.34%	12,350	6,350	9,350
Bioneris AB (in liquidation)	26.31%	26.84%	26.31%	0	5,983	0
Biosergen AS	56.79%	50.97%	50.97%	19,013	15,114	15,114
Calabar International AB (divested) <sup>5</sup>	63.17%	63.17%	63.17%	0	0	0
Dilafor AB	54.76%	53.24%	53.60%	88,831	74,831	79,830
Dilaforette Holding AB	54.02%	-	-	188	-	-
Eribis Pharmaceuticals AB (divested)	-	37.72%	39.02%	-	10,250	10,970
HBV Theranostica AB	72.52%	69.23%	70.73%	0	2,040	2,190
IMED AB	57.38%	52.12%	57.38%	0	37,307	45,307
Lipidor AB	39.98%	30.01%	30.01%	9,000	4,003	4,003
NeoDynamics AB <sup>1</sup>	25.74%	-	22.58%	11,097	-	7,551
NT-NeuroTherapeutics AB (liquidated)	-	51.85%	51.85%	-	0	0
Oncopeptides AB	42.32%	42.32%	42.32%	18,536	18,536	18,536
OncoReg AB (in liquidation) <sup>4</sup>	88.91%	88.91%	88.91%	0	0	0
Pergamum AB	61.75%	63.53%	59.75%	198,643	102,786	102,786
Pharmanest AB <sup>2</sup>	-	48.56%	-	-	7,776	-
Promimic AB <sup>3</sup>	-	24.69%	24.50%	-	5,500	8,101
ProNoxis AB <sup>1</sup>	17.60%	-	14.16%	4,500	-	3,000
Umecrine Cognition AB	40.00%	40.00%	40.00%	8,200	7,000	7,000
Umecrine Mood AB	37.63%	43.00%	43.00%	25,112	22,530	22,530
XSpray Microparticles AB	58.49%	64.85%	64.85%	33,708	32,172	32,172

<sup>1</sup> The above company has been reclassified from other long-term securities holdings.

<sup>2</sup> The above company has been reclassified as a subsidiary as of 1 October 2010 because Karolinska Development changed its influence over the company.

<sup>3</sup> The above company has been reclassified as an associated company.

<sup>4</sup> The company was dissolved on 18 October 2011.

<sup>5</sup> The company was divested on 15 October 2011.

*Shares in joint ventures, cont.*

<b>Pergamum AB</b> <i>Amounts in SEK 000</i>	Ownership interest in Pergamum group <sup>1</sup>			Book value in Parent Company		
	30 Sep 2011	30 Sep 2010	31 Dec 2010	30 Sep 2011	30 Sep 2010	31 Dec 2010
<i>Karolinska Development's indirect ownership interest amounts to 61.75%</i>						
Laurantis Pharma OY	9.80%	9.80%	9.80%	-	-	-
DermaGen AB	100.00%	80.72%	100.00%	-	-	-
Lipo peptide AB	100.00%	90.97%	100.00%	-	-	-
PharmaSurgics in Sweden AB	100.00%	77.15%	100.00%	-	-	-
<b>Total book value</b>				<b>550,174</b>	<b>496,568</b>	<b>534,872</b>
<b>Total fair value</b>	<b>972,175</b>	<b>1,197,565</b>	<b>1,034,086</b>			

<sup>1</sup> Ownership interest corresponds to share of votes.



### Shares in associated companies

Name <i>Amounts in SEK 000</i>	Share of equity and voting rights			Book value in Parent Company		
	30 Sep 2011	30 Sep 2010	31 Dec 2010	30 Sep 2011	30 Sep 2010	31 Dec 2010
Axelar AB <sup>1</sup>	-	44.98%	44.98%	-	28,342	28,342
Cytoguide ApS <sup>2</sup>	-	22.01%	11.00%	-	6,180	3,300
KCIF Co-Investment Fund KB (not 13)	26.00%	26.00%	26.00%	10,513	7,476	7,476
Promimic AB <sup>3</sup>	24.50%	-	-	8,100	-	-
<b>Total book value</b>				<b>18,613</b>	<b>41,998</b>	<b>39,118</b>
<b>Total fair value</b>	<b>45,476</b>	<b>164,410</b>	<b>186,705</b>			

<sup>1</sup> The above company has been reclassified as a subsidiary as of 1 April 2011 after Karolinska Development changed its influence over the company.

<sup>2</sup> The above company has been reclassified as other long-term securities holdings.

<sup>3</sup> The above company has been reclassified from joint ventures.

<b>Total fair value of joint ventures and associated companies</b>	<b>1,017,651</b>	<b>1,361,975</b>	<b>1,220,791</b>
--	------------------	------------------	------------------

### Shares in other long-term securities holdings

Name <i>Amounts in SEK 000</i>	Share of equity and voting rights			Book value in Parent Company		
	30 Sep 2011	30 Sep 2010	31 Dec 2010	30 Sep 2011	30 Sep 2010	31 Dec 2010
BioArctic Neuroscience AB	3.17%	3.17%	3.17%	600	600	600
BioChromix AB	5.84%	-	-	1,461	-	-
Bioresonator AB	7.62%	7.62%	7.62%	2,500	2,500	2,500
Cytoguide <sup>1</sup>	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
NeoDynamics AB <sup>2</sup>	-	18.51%	-	-	4,998	-
NephroGenex Inc.	0.58%	0.58%	0.58%	709	709	709
ProNoxis AB <sup>2</sup>	-	14.16%	-	-	3,000	-
Umecrine AB	10.41%	10.01%	10.01%	7,398	6,398	6,398
<b>Total book value</b>				<b>15,968</b>	<b>18,205</b>	<b>10,207</b>
<b>Total fair value</b>	<b>27,272</b>	<b>31,844</b>	<b>24,761</b>			

<sup>1</sup> The above company has been reclassified from associated companies.

<sup>2</sup> The above companies have been reclassified as joint ventures.

<b>Total book value in subsidiaries, joint ventures, associated companies and other long-term securities holdings</b>	<b>828,128</b>	<b>691,169</b>	<b>731,370</b>
---	----------------	----------------	----------------

## Note 8 Other current receivables

Amounts in SEK 000	Group			Parent Company		
	30 Sep 2011	30 Sep 2010	31 Dec 2010	30 Sep 2011	30 Sep 2010	31 Dec 2010
<i>Financial receivables</i>						
Receivables from associated companies	8,400	59,266	83,870	8,400	59,266	83,870
Current portion of restricted bank accounts	5,835	5,765	5,879	5,835	5,765	5,879
<b>Total financial receivables</b>	<b>14,235</b>	<b>65,031</b>	<b>89,749</b>	<b>14,235</b>	<b>65,031</b>	<b>89,749</b>
<i>Other current receivables</i>						
Tax receivables	1,146	980	276	918	878	145
VAT receivables	2,601	2,796	2,850	654	1,031	1,369
Other	667	277	179	664	274	168
<b>Total other current receivables</b>	<b>4,414</b>	<b>4,053</b>	<b>3,305</b>	<b>2,236</b>	<b>2,183</b>	<b>1,682</b>
<b>Total current receivables</b>	<b>18,649</b>	<b>69,084</b>	<b>93,054</b>	<b>16,471</b>	<b>67,214</b>	<b>91,431</b>

## Note 9 Changes in share capital

*The number of shares has changed as follows*

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
<b>Total as of 1 Jan 2010</b>		<b>32,609,993</b>			<b>1,503,098</b>	<b>31,106,895</b>		<b>0.5</b>
January 2010	New share issue	541,824	270,912	16,575,909	0	541,824	62	0.5
April 2010	New share issue	179,600	89,800	16,665,709	0	179,600	62	0.5
<b>Total as of 31 Dec 2010</b>		<b>33,331,417</b>			<b>1,503,098</b>	<b>31,828,319</b>		<b>0.5</b>
April 2011	New share issue	15,200,000	7,600,000	24,265,709	0	15,200,000	40	0.5
<b>Total as of 30 Sep 2011</b>		<b>48,531,417</b>			<b>1,503,098</b>	<b>47,028,319</b>		<b>0.5</b>

## Calculation of net asset value

Amounts in SEK 000	Group		
	30 Sep 2011	30 Sep 2010	31 Dec 2010
<i>Net assets</i>			
Cash and cash equivalents	165,367	46,079	107,325
Short-term investments	526,534	284,927	136,607
Other financial non-current assets	0	6,296	0
Financial receivables	14,235	65,031	89,749
Financial liabilities	-2,000	-5,016	-2,000
Other owners' share of restricted accounts	-2,810	-2,776	-2,831
<b>Total net assets</b>	<b>701,326</b>	<b>394,541</b>	<b>328,850</b>
Estimated fair value of portfolio companies including subsidiaries	1,563,866	1,556,600	1,454,660
<b>Total net asset value</b>	<b>2,265,192</b>	<b>1,951,141</b>	<b>1,783,510</b>
<b>Number of shares</b>	<b>48,531,417</b>	<b>33,331,417</b>	<b>33,331,417</b>
<b>Net asset value per share*</b>	<b>46.67</b>	<b>58.54</b>	<b>53.51</b>

\*Definition: Estimated fair value of the total portfolio holding, cash and cash equivalents, short-term investments and financial assets less interest-bearing liabilities in relation to the number of shares outstanding on the closing date.

### Warrant programs

Karolinska Development has, through its subsidiary KD Incentive AB, issued warrants in three separate programs. The warrants have been sold to participating employees in the program at market value, calculated according to Black & Scholes, and are not associated with any vesting conditions.

Warrant program	Number of warrants	Allocation date <sup>2</sup>	Redemption period	Subscription price for warrant	Redemption price for share
Warrant program 2008	121,750	2008	2012-10-01 – 2012-12-31	7.40	91.1
Supplemental warrant I 2008 <sup>1</sup>	13,246	2009	2012-10-01 – 2012-12-31	3.24	120.0
Supplemental warrant II 2008 <sup>1</sup>	28,149	2010	2012-10-01 – 2012-12-31	4.63	93.0
Supplemental warrant III 2008 <sup>1</sup>	55,653	2011	2012-10-01 – 2012-12-31	0.87	47.0
Warrant program 2009	72,075	2009	2013-10-01 – 2013-12-31	4.93	120.0
Supplemental warrant I 2009 <sup>1</sup>	11,625	2010	2013-10-01 – 2013-12-31	7.02	93.0
Supplemental warrant II 2009 <sup>1</sup>	29,551	2011	2013-10-01 – 2013-12-31	1.06	56.0
Warrant program 2010	78,888	2010	2014-10-01 – 2014-12-31	5.07	124.0
Supplemental warrant I 2010 <sup>1</sup>	31,853	2011	2014-10-01 – 2014-12-31	1.17	66.0
<b>Total</b>	<b>442,790</b>				

<sup>1</sup> As a result of an increase in the number of shares in Karolinska Development, participants in the program have been invited to subscribe for "supplemental warrants" as compensation for dilution. These supplemental warrants carry similar terms to the other warrants in issue.

<sup>2</sup> The warrants have been allocated at the Annual General Meeting in each year.

	2011		2010	
	No. of warrants	Weighted redemption price	No. of warrants	Weighted redemption price
<i>Amounts in SEK 000</i>				
At beginning of year	325,733	106.86	207,071	103.01
Allocation during the year	117,057	54.44	118,662	113.61
<b>At year-end</b>	<b>442,790</b>	<b>93.01</b>	<b>325,733</b>	<b>106.86</b>

The company is obligated to offer warrant holders the opportunity to subscribe for supplemental warrants in connection with the issuance of new shares as protection against dilution. The maximum number of shares that can be issued as part of these programs corresponds to 1% of the total number of shares in issue.

### Note 10 Deferred tax liabilities

<i>Amounts in SEK 000</i>	Group		
	30 Sep 2011	30 Sep 2010	31 Dec 2010
Intangible non-current assets <sup>1</sup>	182,344	47,314	45,770
Tax loss carry forwards <sup>2</sup>	-34,000	-12,835	-11,575
<b>Total</b>	<b>148,344</b>	<b>34,479</b>	<b>-34,195</b>

<sup>1</sup> Refers to deferred tax liability related to adjustment in the fair value of development projects in progress in connection with the acquisition of subsidiaries.

<sup>2</sup> Deferred tax assets from fiscal deficits are recognized to the extent they can be deducted from future taxable revenue in acquired subsidiaries or offset against surplus values in the Group.

### Note 11 Pledged assets and contingent liabilities

During the interim period, Karolinska Development entered into an investment commitment related to Axelar AB in the amount of SEK 50.0m. Commitments related to further financing in portfolio companies apply only to Axelar AB as indicated above.

<i>Amounts in SEK 000</i>	30 Sep 2011	30 Sep 2010	31 Dec 2010
Pledged assets	4,984	6,535	4,563
Contingent liabilities	900	2,100	2,100
	<b>5,884</b>	<b>8,635</b>	<b>6,663</b>

## Note 12 Investments in portfolio companies

	2011 Jul-Sep	2011 Jan-Sep	2010 Jan-Sep	2010 Full year
<i>Amounts in SEK 000</i>				
<b><i>Investments in subsidiaries</i></b>				
Akinion Pharmaceuticals AB	0	30,000	10,000	10,000
Axelar AB*	0	20,000	0	0
ClanoTech AB	0	0	11,001	16,000
Inhalation Sciences Sweden AB	0	2,500	6,058	6,058
Limone AB	0	1,500	0	0
NovaSAID AB	0	12,000	15,000	15,000
Pharmanest AB**	0	3,000	0	388
SoftCure Pharmaceuticals AB	0	0	1,000	1,000
<b><i>Total investments in subsidiaries</i></b>	<b>0</b>	<b>69,000</b>	<b>43,059</b>	<b>48,446</b>
<b><i>Investments in joint ventures/associated companies</i></b>				
Aprea AB**	0	12,470 <sup>1</sup>	0	0
Athera Biotechnologies AB**	0	8,760	22,625	44,667
Avaris AB	0	1,800	10,000	10,000
Axelar AB*	0	0	7,876	7,876
BioChromix Pharma AB	0	3,000	0	3,000
Biosergen AS	3,899 <sup>4</sup>	3,899	1,526	1,526
Dilafor AB	0	9,000	11,903	16,903
Dilaforette Holding AB	0	188	0	0
Eribis Pharmaceuticals AB	0	2,490	2,010	2,730 <sup>5</sup>
HBV Theranostica AB	0	200	250	400
IMED AB	0	0	6,500	14,500
KCIF Co-Investment Fund KB***	1,888	5,834	4,921	4,921
Lipidor AB	0	4,997	2,803	2,803
NeoDynamics AB	0	3,546 <sup>3</sup>	0	0
Pergamum AB	0	95,857 <sup>2</sup>	0	0
Pharmanest AB*	0	0	7,745	7,745
Promimic AB	0	0	0	2,600 <sup>1</sup>
ProNoxis AB	0	1,500	0	0
Umecrine Cognition AB	0	1,200	0	0
Umecrine Mood AB**	0	5,286	4,730	4,730
XSpray Microparticles AB**	5,835	5,835	10,926	10,926
<b><i>Total investments in joint ventures and associated companies</i></b>	<b>11,622</b>	<b>165,862</b>	<b>93,815</b>	<b>135,327</b>
<b><i>Investments in other long-term securities holdings</i></b>				
BioCromix AB**	0	2,002	0	0
Bioresonator AB	0	0	1,000	1,000
CytoGuide ApS	0	0	1,685	1,685
KCIF Co-Investment Fund KB***	0	0	2,555	2,555
NeoDynamics AB	0	0	0	2,553
ProNoxis AB	0	0	1,500	1,500
Umecrine AB	0	1,000	0	0
<b><i>Total investments in other long-term securities holdings</i></b>	<b>0</b>	<b>3,002</b>	<b>6,740</b>	<b>9,293</b>
<b>Total investments</b>	<b>11,622</b>	<b>237,864</b>	<b>143,615</b>	<b>193,066</b>

<sup>1</sup>Of which 5,900 relates to the conversion of previously issued loans.

<sup>2</sup>Of which 77,629 relates to the conversion of previously issued loans.

<sup>3</sup>Of which 546 relates to the conversion of previously issued loans.

<sup>4</sup>Of which 2,425 relates to the conversion of previously issued loans.

<sup>5</sup>Of which 720 relates to the conversion of previously issued loans.

\* The company was reclassified as a subsidiary in 2010.

\*\* Co-owned with KCIF Co-Investment Fund KB (Note 13).

\*\*\*The company was reclassified as an associated company in 2010.

## Note 13 Related parties

The Parent Company has a related party relationship with its subsidiaries, joint ventures, associated companies and the companies included in the Karolinska Institutet Holding AB Group.

### Summary of transactions with related parties in the statement of financial position

Amounts in SEK 000	Group					
	30 Sep 2011		30 Sep 2010		31 Dec 2010	
	Liabilities to related party	Receivables from related party	Liabilities to related party	Receivables from related party	Liabilities to related party	Receivables from related party
<b>Relationship with related party</b>						
Owner: Karolinska Institutet Holding Group	1,418	1,131	1,442	96	119	2
Joint ventures/associated companies	0	8,728	0	61,055	0	83,881
<b>Total</b>	<b>1,418</b>	<b>9,859</b>	<b>1,442</b>	<b>61,151</b>	<b>119</b>	<b>83,883</b>

Amounts in SEK 000	Parent Company					
	30 Sep 2011		30 Sep 2010		31 Dec 2010	
	Liabilities to related party	Receivables from related party	Liabilities to related party	Receivables from related party	Liabilities to related party	Receivables from related party
<b>Relationship with related party</b>						
Owner: Karolinska Institutet Holding Group	1,418	1,131	1,442	96	119	2
Subsidiaries	0	1,523	676	2,158	660	2,072
Joint ventures/associated companies	0	8,728	0	61,055	0	83,881
<b>Total</b>	<b>1,418</b>	<b>11,382</b>	<b>2,118</b>	<b>63,309</b>	<b>779</b>	<b>85,955</b>

*Summary of transactions with related parties in the income statement*

Amounts in SEK 000	Group									
	2011 Jul-Sep		2010 Jul-Sep		2011 Jan-Sep		2010 Jan-Sep		2010 Full year	
	Sale of services	Purchase of services	Sale of services	Purchase of services	Sale of services	Purchase of services	Sale of services	Purchase of services	Sale of services	Purchase of services
<b>Relationship with related party</b>										
Owner: Karolinska Institutet Holding Group (Of which rental costs)	26	1,255 (360)	4	1,152 (291)	86	3,385 (797)	71	2,405 (602)	146	5,246 (1,176)
KCIF KB	0	0	1,720	0	0	0	5,300	0	7,038	0
Joint ventures and associated companies	177	0	208	0	1,102	0	2,364	0	3,072	15
<b>Total</b>	<b>203</b>	<b>1,255</b>	<b>1,932</b>	<b>1,152</b>	<b>1,188</b>	<b>3,385</b>	<b>7,735</b>	<b>2,405</b>	<b>10,256</b>	<b>5,261</b>

Amounts in SEK 000	Parent Company									
	2011 Jul-Sep		2010 Jul-Sep		2011 Jan-Sep		2010 Jan-Sep		2010 Full year	
	Sale of services	Purchase of services	Sale of services	Purchase of services	Sale of services	Purchase of services	Sale of services	Purchase of services	Sale of services	Purchase of services
<b>Relationship with related party</b>										
Owner: Karolinska Institutet Holding Group (Of which rental costs)	26	1,255 (360)	4	1,152 (291)	86	3,385 (797)	71	2,405 (602)	146	5,246 (1,176)
Subsidiaries	340	306	1,799	1,288	619	3,155	5,953	3,721	7,590	5,178
Joint ventures and associated companies	177	0	208	0	1,102	0	2,364	0	3,072	15
<b>Total</b>	<b>543</b>	<b>1,561</b>	<b>2,011</b>	<b>2,440</b>	<b>1,807</b>	<b>6,540</b>	<b>8,388</b>	<b>6,126</b>	<b>10,808</b>	<b>10,439</b>

### Co-investments with the associated company KCIF Co-Investment Fund KB

Karolinska Development co-invests in portfolio companies through its associated company KCIF Co-Investment Fund KB ("KCIF"), which is 74% owned by the European Investment Fund (EIF) and 26% by Karolinska Development AB. (A detailed description can be found in the annual report for 2010.)

In November 2009, KCIF signed a co-investment agreement with Karolinska Development, whereby KCIF will invest in parallel with Karolinska Development at a ratio of 27 to 73, provided that certain investment criteria are met. This ratio, and co-ownership in KCIF according to the above, means that Karolinska Development, through co-investments directly and indirectly via KCIF, acquires 80% and that EIF acquires 20% via KCIF (see *Principle for investments* below).

#### Principle for investments that KD makes together with KCIF, example:

Distribution of direct investments,%	Amount	KCIF's share, 27%	KD's share, 73%
Amount (example)	100	27	73

#### Karolinska Development's share of co-investments with KCIF:

A co-investment amounting to 100 in a company means that KD invests 80:	KD's share of KCIF's investment 26%	KD's direct investment	KD's direct and indirect investment
Calculation of KD's share of KCIF's investment: $27 \times 26\% = 7$	7	73	80

#### Capital investment in KCIF Co-Investment Fund KB

Period	Capital investment in KCIF Co-Investment Fund KB		
	Karolinska Development AB 26%	European Investment Fund (EIF) 74%	Total 100%
Amounts in SEK 000			
Cumulative value	Note		
Opening balance 1 Jan 2011	12	21,278	28,754
During the interim period	12	16,590	22,424
Less profit share	6	-7,961	-10,758
Book value in Parent Company 30 Sep 2011	7	29,907	40,420

The Fund's investments entail indirect ownership by Karolinska Development. The Fund's investments and Karolinska Development's direct and indirect ownership interests in the companies it has co-invested in are indicated in the following table.

#### Investments by KCIF Co-Investment Fund KB and Karolinska Development's ownership interests in portfolio companies

	KCIF Co-Investment Fund KB				Karolinska Development AB		
	Opening balance 1 Jan 2011	Investments during the interim period	Book value 30 Sep 2011	Ownership interest	Indirect ownership 26%	Direct ownership	Direct and indirect ownership interest
Amounts in SEK 000							
Cumulative value							
Pharmanest AB	2,864	810	3,674	13.87%	3.61%	49.96%	53.57%
Apra AB	-	5,186	5,186	3.58%	0.93%	40.19%	41.12%
Athera Biotechnologies AB	-	15,300	15,300	10.41%	2.71%	57.43%	60.14%
BioChromix AB	-	541	541	2.16%	0.56%	5.84%	6.40%
Umecrine Mood AB	-	2,704	2,704	2.62%	0.68%	37.63%	38.31%
XSpray Microparticles AB	-	6,459	6,459	8.89%	2.31%	58.49%	60.80%
<b>Total invested by KCIF Co-Investment Fund KB</b>	<b>2,864</b>	<b>31,000</b>	<b>33,864</b>				