

Karolinska Development AB (publ)

Corporate identity number 556707-5048

Year-end report January – December 2011

Karolinska Development publishes today its year-end report for the period 1 January – 31 December 2011 and an interim report for the fourth quarter of 2011.

CEO's comment

In connection with Karolinska Development's successful initial public offering on NASDAQ OMX Stockholm in April we completed a new share issue that significantly strengthened our financial position. As of the year-end the Group had liquid assets of SEK 620m. This will enable Karolinska Development to continue to invest in innovations which we believe can meet future medical needs and generate a good return. We recently invested in two totally new companies. One is GliGene, a research company whose goal is to develop targeted cancer therapies based on a discovery by Professor Rune Toftgård at Karolinska Institutet. The other is Oss-Q, which was founded by researchers at Uppsala University and Karolinska University Hospital and which is developing pioneering implants for bone healing with a focus on skull surgery.

During the year, Axelar concluded a Phase I/II clinical study with the drug candidate AXL1717 where all the primary end points were met. As planned, before the year-end it also recruited the first patient for a Phase II study that will include a total of 140 lung cancer patients. In addition, Dilaforette initiated a Phase I/II study with Sevuparin for treatment of severe malaria. Several important clinical milestones have been reached after the end of the reporting period. Akinion initiated a Phase I/II clinical study with AKN-028 in patients with Acute Myeloid Leukemia, while Pergamum recruited the final patient in a Phase II trial of PXL01 for prevention of post-surgical adhesions and initiated a Phase II study with DPK-060 in outer ear infections.

In order to reach our investment goals, we must evaluate our portfolio continuously and reset priorities. This sometimes means discontinuing investments in projects that do not meet established targets. Accordingly, in 2011 we needed to wind up the three preclinical companies Avaris, IMED and Eribis, and the associated write-downs negatively contributed to the year's result. During the year we have worked intensely with business development in our companies, and our portfolio is much stronger today than it was at the beginning of the year. Our goal is that this work will bear fruit this year.

Torbjörn Bjerke

Chief Executive Officer

Summary of significant events during and since the fourth quarter

- Axelar initiated a Phase II study with AXL1717 for the treatment of non-small cell lung cancer
- Aprea announced the continuation of a clinical Phase I/II study of APR-246 in patients with leukemia
- Pergamum initiated a Phase II study with DPK-060 in outer ear infections
- Akinion Pharmaceuticals initiated a Phase I/II clinical study with AKN-028
- KDev Oncology was formed as a focused oncology group and made its first investment in GliGene
- Karolinska Development made a new investment in Oss-Q, a company developing implants for bone healing

Group

	2011	2010	2011	2010
<i>Amounts in SEKm</i>	<i>Oct-Dec</i>	<i>Oct-Dec</i>	<i>Full-year</i>	<i>Full-year</i>
Revenue	3.4	2.4	10.5	13.9
Profit/loss after tax	-114.4	-219.7	-385.7	-334.6
Earnings per share before and after dilution (SEK)	-2.16	-6.50	-8.07	-9.79
Cash flow			56.0	-286.7
Cash and cash equivalents			163.3	107.3
Short-term investments			457.2	136.6
Net asset value per share (SEK) (Note 8)			44.7	53.51
Share price at closing 30 Dec 2011 (SEK)			24.0	-
Proposed dividend per share (SEK)			0.0	0.0
Portfolio information				
Investments in portfolio companies* (Note 11)	59.7	49.1	297.6	193.1
Of which investments not affecting cash flow (Note 11)	8.4	-	94.9	-
Valuation of total portfolio holdings (Note 2)			1,546.9	1,454.7

* Portfolio companies comprise subsidiaries, joint ventures, associated companies and other long-term securities holdings

Significant events during the fourth quarter

Axelar initiated Phase II study with AXL1717 for treatment of non-small cell lung cancer

Axelar AB announced that the first patient has been dosed in a randomized Phase II study on non-small cell lung cancer (NSCLC) patients of its drug candidate AXL1717. A total of 140 patients with squamous cell carcinoma or adenocarcinoma of the lung will be included in the study, which will investigate the clinical efficacy of continuous dosing of AXL1717. NSCLC is the most common form of lung cancer, with 420,000 new patients diagnosed in the industrial countries every year. Treatment with standard cytotoxic chemotherapy is unsatisfactory and provides only short term control of the disease.

Aprea announced continuation of clinical Phase I/II study of APR-246 in patients with leukemia

Aprea AB announced that the first patient has been dosed in a Phase I/II clinical study of APR-246. The primary aim of the study is to evaluate safety and pharmacokinetics, but also to make an early assessment of efficacy. The study is being carried out at five clinics in Sweden under the supervision of Dr. Sören Lehmann and comprises 10 patients with Acute Myeloid Leukemia (AML) and Chronic Lymphocytic Leukemia (CLL) who are refractory to standard treatment. The study is expected to be complete during the first half of 2012.

Significant events after the end of the reporting period

Pergamum initiated Phase II trial with DPK-060 in outer ear infections

Pergamum announced that the first patient has been dosed in a randomized Phase II study of DPK-060 for the treatment of patients with external otitis (swimmer's ear). Every year more than 10 million people worldwide seek treatment for infections in the outer ear. There is a significant medical need to avoid the rapidly increasing global prevalence of antibiotics resistance, which limits the therapeutic value of conventional products. Pergamum's Phase II study is a double-blind, randomized, placebo-controlled, multi-center trial in patients with acute external otitis. The trial is expected to enroll approximately 70 patients.

Akinion Pharmaceuticals initiated Phase I/II clinical study with AKN-028

Akinion Pharmaceuticals announced that the first patient has been dosed with AKN-028 in a Phase I/II clinical trial in acute myeloid leukemia (AML). The Phase I/II trial with AKN-028 is a two-part international multi-center study. AKN-028 is a targeted oral small molecule FLT3 and cKIT kinase inhibitor with a unique differentiating efficacy against leukemic cells resistant to current therapies.

Pergamum completed patient recruitment to the Phase II clinical trial for prevention of post-surgical adhesions

Pergamum announced that the final patient has been dosed in a randomized Phase II trial of PXL01 for prevention of post-surgical adhesions. In total, 138 patients undergoing hand surgery have been included in Pergamum's placebo controlled, multi-center trial in Sweden, Denmark and Germany. Many patients undergoing hand surgery suffer from debilitating scar formation, which reduces their range of motion and complicates daily activities.

Karolinska Development formed KDev Oncology AB with Akinion Pharmaceuticals AB and GliGene AB

Karolinska Development formed the wholly owned subsidiary KDev Oncology with the aim of improving focus and efficiency in this important therapeutic area. The formation of KDev Oncology enables Karolinska Development and its co-investors to accumulate projects within a specific therapeutic area to obtain synergies and critical mass. The goal of KDev Oncology, which started with Akinion Pharmaceuticals and the new portfolio company GliGene, is to invest in another four to five new oncology companies. GliGene is focused on the discovery of new antagonists to the Hedgehog pathway to develop targeted cancer therapies. The investment in GliGene is divided into two tranches, the first of which was paid during the fourth quarter 2011. The second investment will be made in 2012 if the company reaches established milestones.

Karolinska Development invested in Oss-Q

Oss-Q is developing a novel implant technology and related bioceramic innovations, based on research at Karolinska University Hospital and Uppsala University. The vision of Oss-Q is to convert the technology into differentiating products for bone repair and to build a niche company in orthopedics, with its own sales starting with skull surgery. The market for biomaterials products in orthopedics was worth more than EUR 1.25b in 2011. The SEK 9m share issue was finalized in February 2012, Karolinska Development's investment was made during the fourth quarter 2011. Aside from Karolinska Development, Almi Invest and Uppsala Universitets Utveckling AB also participated.

Management changes

Gunnar Casserstedt, 62, has announced that he will step down from operational duties in 2012. Robin Wright, who has been leading the business development activity for several months as a consultant, will take over as Chief Financial Officer in connection with the company's Annual General Meeting, and will have responsibility for both the finance department and business development.

The year in brief

Research progress

Axelar initiates a Phase II study with AXL1717 for treatment of non-small cell lung cancer
Aprea announces continuation of clinical Phase I/II study of APR-246 in patients with leukemia
Axelar reports good safety profile of AXL1717 in Phase I/II clinical study in cancer patients
Dilaforette initiates Phase I/II study with Sevuparin for treatment of severe malaria
Axelar reports completion of Phase I/II safety study with AXL1717 in cancer patients
Axelar reports positive interim results in Phase I/II study
Aprea reports completion of Phase I/II clinical safety trial with APR-246 in cancer patients
Pergamum extends Phase II study for prevention of post-surgical adhesions
Two innovations in Karolinska Development's portfolio selected in an international innovation initiative

Stronger management team

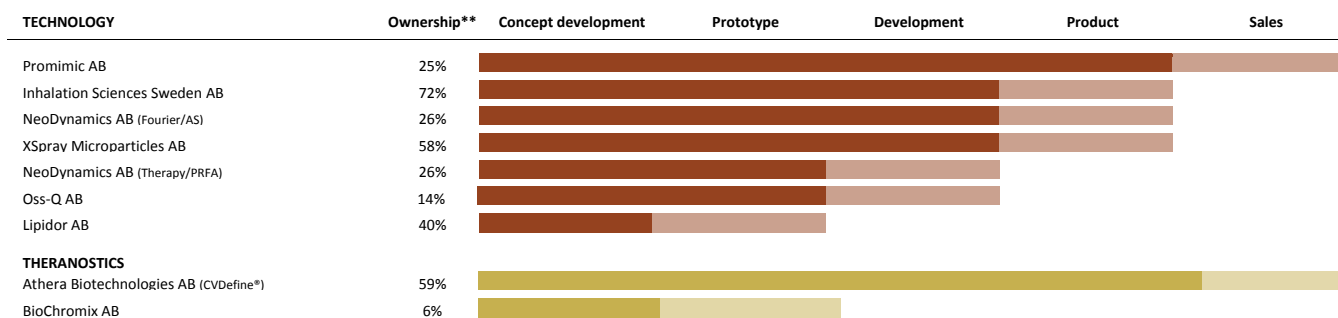
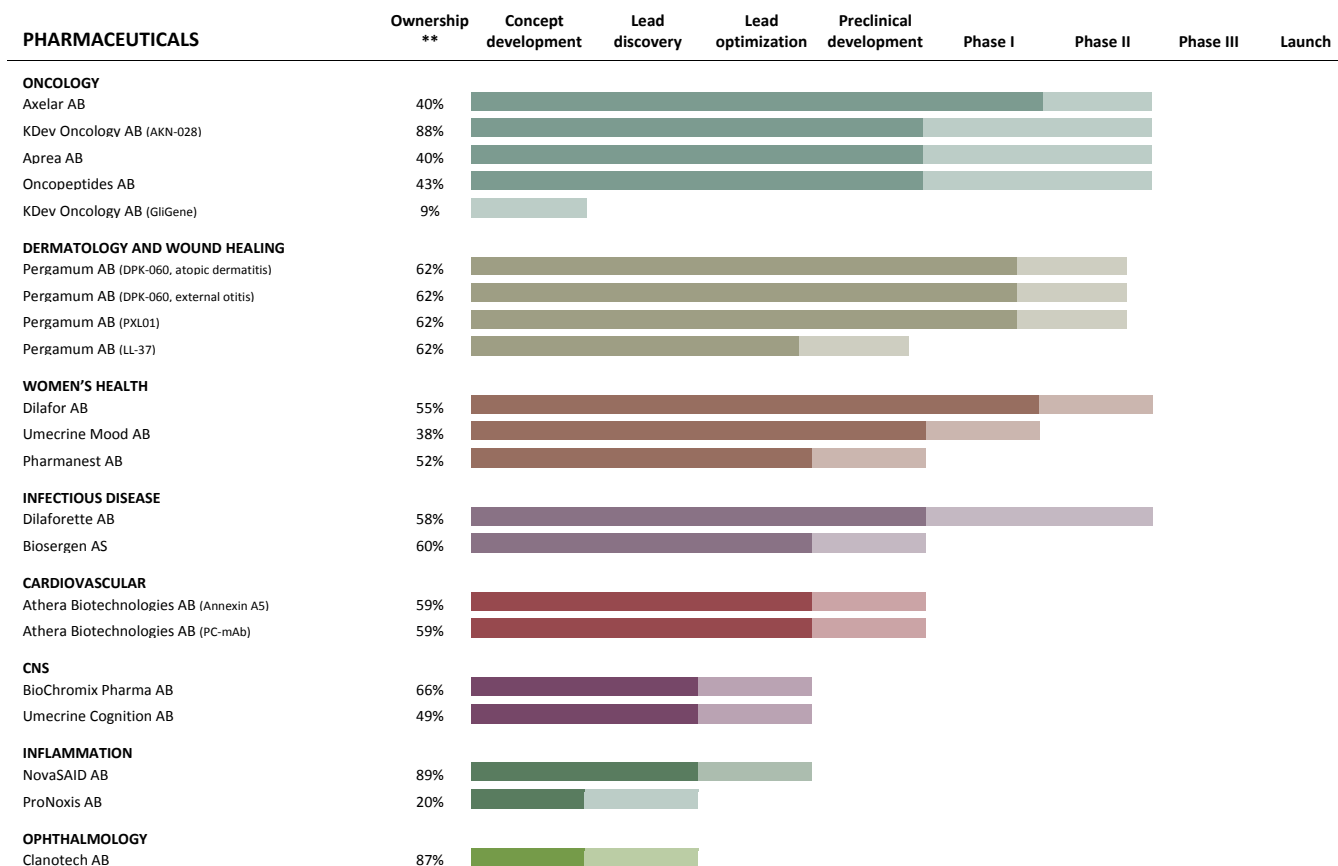
Torbjörn Bjerke assumed the position as CEO of Karolinska Development
Terje Kalland was appointed as CSO of Karolinska Development
Benjamin Nordin was appointed as IRO of Karolinska Development
Michael Sundström was named Vice President Discovery Research for Karolinska Development and CEO of Actar

Investments and financing

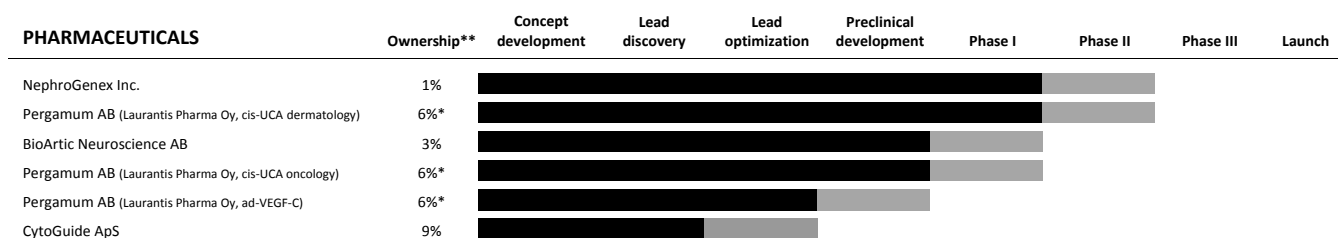
Karolinska Development receives SEK 608m through new share issue and is listed on NASDAQ OMX Stockholm
Pergamum implements offset issue worth SEK 120m
Axelar secures financing for upcoming Phase II program in lung cancer
Karolinska Development invests in BioChromix
Umecline Mood receives financing for continued clinical development and strengthens its board

Portfolio

At the publishing of this report, Karolinska Development's portfolio consisted of 36 projects at various stages. Of the pharmaceutical projects, 14 were in clinical trials.



FINANCIAL/PASSIVE INVESTMENTS



*Indirect ownership through Pergamum AB

**Ownership as per December 31, 2011, indirect ownership through KCIF Co-Investment Fund is not included

Solid colored area = completed phase

Shaded colored area = ongoing phase

Financial overview – Group

Revenue

Consolidated revenue for the full-year 2011 amounted to SEK 10.5m, compared with SEK 13.9m 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 full-year amounted to SEK -400.7m (-345.3), a change of SEK -55.4m compared with the previous year. The increased loss was mainly due to the portion of the change in fair value affecting income, which amounted to SEK -243.8m (-225.8) in 2011. As indicated in Note 2, the value of companies reported as subsidiaries appreciated with SEK 67.8m (-7.0) during the year. The change in fair value of subsidiaries is not recognized in the consolidated income statement and balance sheet, since the subsidiaries are consolidated and therefore are not measured at fair value. The recognized change in fair value due to discontinued projects in the portfolio companies Avaris AB, IMED AB, Eribis AB, HBV Theranostica AB, Omnio Healer AB and BioResonator affected the result by SEK -120.3m (-37.1). Other changes in fair value in portfolio companies which are not subsidiaries amounted to SEK -123.5m (-188.7). The Group's income and other costs amounted to SEK -161.9m (-113.5). The result was 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.

The Group's result before taxes amounted to SEK -405.7m (-339.3).

Result for the fourth quarter

The Group's operating loss for the fourth quarter amounted to SEK -123.3m (-221.8). During the fourth quarter BioResonator AB was written down by SEK 2.5m. Moreover, a distribution of SEK 3.0m was received in connection with the liquidation of the companies OncoReg AB and Independent Pharmaceutica AB and SEK 3.2m was received from the sale of IMED AB.

Investments in portfolio companies

The Group's investments for the full-year 2011 amounted to SEK 213.9m (144.6), of which investments in portfolio companies affecting cash flow amounted to SEK 119.0m (Note 11).

During the fourth quarter, the largest investment SEK 12.2m was made in Pergamum AB.

*Financial position**

The Group's equity to total assets ratio was 93 percent (97) on 31 December 2011 and equity amounted to SEK 2,173.9m (1,717.2). The decrease in the equity to total assets ratio was largely due to the increase in total assets.

Cash, cash equivalents and short-term investments amounted to SEK 620.5m on 31 December 2011, an increase of SEK 376.7m 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 2,345.9m (1,773.6) on 31 December 2011.

*Comparable figures refer to 31 December 2010

Financial overview– Parent Company

Revenue

Parent Company revenue decreased for the full-year to SEK 2.5m (11.0). The decrease was primarily due to lower sales of services to KCIF Fund Management AB, which in turn sells services to KCIF Co-Investment Fund KB.

Results

The Parent Company's operating loss for the full-year amounted to SEK -181.6m (-117.4), a change of SEK -64.2m compared with 2010. The increased loss was mainly due to write-downs of portfolio companies, listing costs and increased personnel costs. During the year the following portfolio companies were written down: Avaris AB by SEK -53.7m, IMED AB by SEK -45.3m, Eribis by SEK -13.5m, Actar AB by SEK -3.2m, Limone AB by SEK -2.7m, BioResonator by SEK -2.5m and HBV Theranostica AB by SEK -2.4m. The share of the loss reported by KCIF Co-Investment Fund KB resulted in a charge of SEK 2.7m during the period. Total impairment losses and shares of profits and losses amounted to SEK -126.0m during the year.

The loss after taxes for the year was SEK -187.7m (-111.3).

Result for the fourth quarter

During the fourth quarter Actar AB, Limone AB and BioResonator were written down by a total of SEK -8.0m. A distribution of SEK 3.0m was received in connection with the liquidation of the companies OncoReg AB and Independent Pharmaceutica AB and SEK 3.2m was received from the sale of IMED AB. The operating loss for the fourth quarter amounted to SEK -17.5m (-22.1).

Investments in portfolio companies

The Parent Company invested a total of SEK 83.7m (48.4) in subsidiaries for the full-year. The largest investments (SEKm) 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 210.0m (135.3) in associated companies and joint ventures. The largest investments (SEKm) were in Pergamum AB at SEK 108.1 (where loans of SEK 77.6m have been converted), Aprea AB at SEK 12.5m, BioChromix Pharma AB at SEK 10.0 and Dilafor AB at SEK 9.0m.

The Parent Company invested SEK 3.9m (9.3) in other long-term securities holdings (Note 11).

Dividend

The Board of Directors propose that no dividend be paid to the shareholders for the financial year 2011.

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 new and current portfolio companies in many cases will require capital. There is no guarantee that such capital can be obtained on favorable terms or that such capital can be obtained at all.

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, 22 February 2012

Torbjörn Bjerke
CEO

Dates for publication of financial information

Annual report 2011	The week beginning on April 16 2012
Interim report January - March 2012	15 May 2012
Annual General Meeting	23 May 2012
Interim report January – June 2012	23 August 2012
Interim report January – September 2012	22 November 2012

The reports will be published on Karolinska Development's website, www.karolinskadevelopment.com

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This year-end report has not been reviewed by the company's auditors.

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

Financial reports

Condensed consolidated income statement

<i>Amounts in SEK 000</i>	<i>Note</i>	2011 <i>Oct-Dec</i>	2010 <i>Oct-Dec</i>	2011 <i>Full-year</i>	2010 <i>Full-year</i>
Revenue		3,364	2,352	10,479	13,895
Other external expenses		-33,194	-15,832	-104,056	-62,559
Personnel costs		-16,391	-13,261	-59,871	-43,393
Depreciation, amortization and impairment losses on tangible and intangible non-current assets		-1,040	-11,739	-3,431	-27,418
Change in fair value of shares in joint ventures and associated companies	2	-72,432	-181,265	-236,621	-224,104
Change in fair value of other long-term securities holdings	2	-3,598	-2,084	-7,175	-1,685
Operating loss		-123,291	-221,829	-400,675	-345,264
Financial net	3	4,149	24	-4,985	5,983
Loss before tax	2	-119,142	-221,805	-405,660	-339,281
Deferred taxes		4,758	2,088	19,987	4,697
NET LOSS FOR THE YEAR		-114,384	-219,717	-385,673	-334,584
Attributable to:					
Parent Company's shareholders		-104,917	-216,760	-354,147	-325,615
Non-controlling interests		-9,467	-2,957	-31,526	-8,969
TOTAL		-114,384	-219,717	-385,673	-334,584

Earnings per share

<i>Amounts in SEK 000</i>	<i>Note</i>	2011 <i>Oct-Dec</i>	2010 <i>Oct-Dec</i>	2011 <i>Full-year</i>	2010 <i>Full-year</i>
Earnings per share attributable to Parent Company's shareholders, weighted average, before and after dilution		-2.16	-6.50	-8.07	-9.79
Number of shares, weighted average	8	48,531,417	33,331,417	43,908,951	33,263,938

Consolidated statement of comprehensive income

<i>Amounts in SEK 000</i>	<i>Note</i>	2011 <i>Oct-Dec</i>	2010 <i>Oct-Dec</i>	2011 <i>Full-year</i>	2010 <i>Full-year</i>
Net loss for the period		-114,384	-219,717	-385,673	-334,584
Total comprehensive income for the period		-114,384	-219,717	-385,673	-334,584
Attributable to:					
Parent Company's shareholders		-104,917	-216,760	-354,147	-325,615
Non-controlling interests		-9,467	-2,957	-31,526	-8,969
TOTAL		-114,384	-219,717	-385,673	-334,584

Condensed consolidated statement of financial position

<i>Amounts in SEK 000</i>	<i>Note</i>	31 Dec 2011	31 Dec 2010
Assets			
Non-current assets			
Intangible assets	4	702,957	179,778
Tangible non-current assets		1,663	2,493
Shares in joint ventures and associated companies	2,6	980,276	1,220,791
Other long-term securities holdings	2,6	24,587	24,761
Total non-current assets		1,709,483	1,427,823
Current assets			
Accounts receivable		1,462	680
Other short-term receivables	7	12,432	93,054
Prepaid expenses and accrued income		1,886	8,138
Short-term investments		457,249	136,607
Cash and cash equivalents		163,347	107,325
Total current assets		636,376	345,804
TOTAL ASSETS		2,345,859	1,773,627

Condensed consolidated statement of financial position (cont.)

<i>Amounts in SEK 000</i>	<i>Note</i>	31 Dec 2011	31 Dec 2010
Equity and liabilities			
Equity			
Share capital	8	24,266	16,666
Share premium		1,768,179	1,212,611
Retained earnings including current period result		86,442	454,484
Equity attributable to Parent Company's shareholders		1,878,887	1,683,761
Non-controlling interests		295,041	33,414
Total equity		2,173,928	1,717,175
Liabilities			
Long-term liabilities			
Deferred taxes	9	143,586	34,195
Interest-bearing liabilities		2,000	2,000
Total long-term liabilities		145,586	36,195
Current liabilities			
Accounts payable		9,563	3,117
Other short-term liabilities		2,796	5,044
Accrued expenses and prepaid income		13,986	12,096
Total short-term liabilities		26,345	20,257
Total liabilities		171,931	56,452
TOTAL EQUITY AND LIABILITIES		2,345,859	1,773,627

Condensed consolidated statement of changes in equity

Equity attributable to Parent Company's shareholders							
<i>Amounts in SEK 000</i>	Note	Share capital	Share premium	Retained earnings incl. current year result	Total	Non-controlling interests	Total equity
Opening equity at 1 Jan 2011		16,666	1,212,611	454,484	1,683,761	33,414	1,717,175
<i>Net loss for the year</i>				-354,147	-354,147	-31,526	-385,673
Total comprehensive income for the year		0	0	-354,147	-354,147	-31,526	-385,673
Business combinations					0	222,834	222,834
Change in non-controlling interests				-13,895	-13,895	70,319	56,424
New share issue		7,600	600,400		608,000		608,000
Issue costs			-44,949		-44,949		-44,949
Warrants			117		117		117
Closing equity at 31 Dec 2011	8	24,266	1,768,179	86,442	1,878,887	295,041	2,173,928
Opening equity at 1 Jan 2010		16,576	1,201,673	780,099	1,998,348	0	1,998,348
<i>Net loss for the year</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
Closing equity at 31 Dec 2010	8	16,666	1,212,611	454,484	1,683,761	33,414	1,717,175

Consolidated statement of cash flows

		2011	2010
<i>Amounts in SEK 000</i>	<i>Note</i>	<i>Full-year</i>	<i>Full-year</i>
Operating activities			
Operating loss		-400,675	-345,264
Adjustments for depreciation, amortization and impairment losses		3,431	27,418
Adjustments for changes in fair value	2	243,796	225,789
Change in value of short-term investments		6,435	0
Interest paid		-36	-22
Interest received		3,302	29
Cash flow from operating activities, before changes in working capital		-143,747	-92,050
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in operating receivables		6,223	1,745
Increase (+)/Decrease (-) in operating liabilities		4,087	-7,632
Cash flow from operating activities		-133,437	-97,937
Investing activities			
Investments in intangible non-current assets		-2,546	-2,697
Investments in tangible non-current assets		-288	-497
Acquired cash and cash equivalents in subsidiaries	5	12,878	25,213
Investments in shares in joint ventures and associated companies	11	-115 077	-135,327
Investments in other long-term securities	11	-3,915	-9,293
Short-term investments		-317 040	-11,296
Sale of shares in joint ventures/associated companies	2	24 833	17,881
Sale of other long-term securities	2	540	0
Loans provided to joint ventures/associated companies		-29,805	-65,870
Cash flow from investing activities		-430,420	-181,886
Financing activities			
Non-controlling interests' share of subsidiary issue		56 711	0
New share issue		608,000	19,960
Issue costs		-44,949	-27,496
Warrants		117	613
Cash flow from financing activities		619,879	-6,923
Cash flow for the period		56,022	-286,746
Cash and cash equivalents at beginning of period		107,325	394,071
CASH AND CASH EQUIVALENTS AT END OF PERIOD¹		163,347	107,325

¹ In addition to cash and cash equivalents, the Group has at its disposal short-term investments amounting to SEK 457,249 thousand (136,607)

Condensed income statement for the Parent Company

		2011	2010	2011	2010
<i>Amounts in SEK 000</i>	<i>Note</i>	<i>Oct-Dec</i>	<i>Oct-Dec</i>	<i>Full-year</i>	<i>Full-year</i>
Net sales		660	2,763	2,467	11,007
Revenue		660	2,763	2,467	11,007
Other external expenses		-7,416	-8,142	-32,174	-31,048
Personnel costs		-8,971	-8,029	-32,066	-25,685
Depreciation and amortization of tangible and intangible assets		-17	-22	-67	-88
Impairment losses on shares in subsidiaries, joint ventures, associated companies and other long-term securities holdings		-8,023	-8,861	-125,961	-63,680
Result from sale of shares		6,239	234	6,239	-29,439
Dividends from subsidiaries		0	0	0	21,552
Operating loss		-17,528	-22,057	-181,562	-117,381
Financial net	3	3,501	55	-6,183	6,032
NET LOSS FOR THE PERIOD		-14,027	-22,002	-187,745	-111,349

Statement of comprehensive income for the Parent Company

		2011	2010	2011	2010
<i>Amounts in SEK 000</i>	<i>Note</i>	<i>Oct-Dec</i>	<i>Oct-Dec</i>	<i>Full-year</i>	<i>Full-year</i>
Net loss for the period		-14,027	-22,002	-187,745	-111,349
Total comprehensive income for the period		-14,027	-22,002	-187,745	-111,349
Attributable to:					
Parent Company's shareholders		-14,027	-22,002	-187,745	-111,349
TOTAL		-14,027	-22,002	-187,745	-111,349

Condensed statement of financial position for the Parent Company

<i>Amounts in SEK 000</i>	<i>Note</i>	31 Dec 2011	31 Dec 2010
Assets			
Non-current assets			
Tangible non-current assets		42	109
Shares in subsidiaries, joint ventures, associated companies and other long-term securities holdings	5,6	879,819	731,370
Other financial assets		2,080	1,515
Total non-current assets		881,941	732,994
Current assets			
Accounts receivable		49	129
Group receivables		74	2,072
Other receivables	7	9,441	91,431
Prepaid expenses and accrued income		881	7,617
Short-term investments		457,249	136,607
Cash and cash equivalents		68,319	73,208
Total current assets		536,013	311,064
TOTAL ASSETS		1,417,954	1,044,058

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

<i>Amounts in SEK 000</i>	<i>Note</i>	31 Dec 2011	31 Dec 2010
Equity and liabilities			
Equity			
<i>Restricted equity</i>			
Share capital	8	24,266	16,666
<i>Unrestricted equity</i>			
Share premium reserve		1,778,253	1,222,685
Retained earnings		-207,281	-95,932
Net loss for the period		-187,745	-111,349
Total equity		1,407,493	1,032,070
Liabilities			
Long-term liabilities			
Pension obligations		2,080	1,515
Total long-term liabilities		2,080	1,515
Current liabilities			
Accounts payable		807	991
Group liabilities		0	660
Other current liabilities		1,530	3,535
Accrued expenses and deferred income		6,044	5,287
Total current liabilities		8,381	10,473
Total liabilities		10,461	11,988
TOTAL EQUITY AND LIABILITIES		1,417,954	1,044,058

Pledged assets and contingent liabilities

<i>Amounts in SEK 000</i>	<i>Note</i>	31 Dec 2011	31 Dec 2010
Pledged assets	10	2,080	4,563
Contingent liabilities	10	26,900	2,100
Total		28,980	6,663

Condensed statement of changes in equity for the Parent Company

<i>Amounts in SEK 000</i>	Restricted equity		Unrestricted equity			<i>Total equity</i>
	<i>Note</i>	<i>Share capital</i>	<i>Share premium reserve</i>	<i>Retained earnings</i>	<i>Net profit/loss for the period</i>	
Opening equity at 1 Jan 2011		16,666	1,222,685	-95,932	-111,349	1,032,070
Appropriation of loss				-111,349	111,349	0
Net loss for the period					-187,745	-187,745
Total		16,666	1,222,685	-207,281	-187,745	844,325
New share issue		7,600	600,400			608,000
Issue costs			-44,949			-44,949
Warrants			117			117
Closing equity at 31 Dec 2011	8	24,266	1,778,253	-207,281	-187,745	1,407,493
Opening equity at 1 Jan 2010		16,576	1,211,658	-5,665	-90,267	1,132,302
Appropriation of loss				-90,267	90,267	0
Net loss for the year					-111,349	-111,349
Total		16,576	1,211,658	-95,932	-111,349	1,020,953
New share issue		90	11,045			11,135
Issue costs			-631			-631
Warrants			613			613
Closing equity at 31 Dec 2010	8	16,666	1,222,685	-95,932	-111,349	1,032,070

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 require companies listed on NASDAQ OMX to apply the International Financial Reporting Standards, IFRS, in their 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.

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 to best estimation of market value in each separate case. For Karolinska Development, this implies that the fair value of many portfolio companies is determined 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

The Board of Directors is the function that 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 steered to 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, because of 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 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 and reconciliation between aggregate profit/loss from change in fair value of portfolio companies and consolidated loss before tax

	Profit/loss from change in fair value of portfolio companies			
	2011 Oct-Dec	2010 Oct-Dec	2011 Full-year	2010 Full-year
<i>Amounts in SEK 000</i>				
<i>Subsidiaries</i>				
Change in fair value	6,253	-33,060	67,819	-6,998
<i>Joint ventures and associated companies</i>				
Change in fair value	-72,432	-163,862	-118,789	-187,001
Impairment losses	0	-17,403	-117,832	-37,103
<i>Other long-term securities holdings</i>				
Change in fair value	-1,098	-2,084	-4,675	-1,685
Impairment losses	-2,500	0	-2,500	0
Change in fair value of total portfolio holdings	-69,777	-216,409	-175,977	-232,787
<i>Group eliminations</i>				
Less fair value subsidiaries	-6,253	33,060	-67,819	6,998
Net loss from changes in fair value	-76,030	-183,349	-243,796	-225,789
Consolidated revenue and other expenses	-43,112	-38,456	-161,864	-113,492
Consolidated loss before tax	-119,142	-221,805	-405,660	-339,281

The aggregate loss from changes in the fair value of the portfolio companies amounted to SEK -176.0m (-232.8) for the full-year after accounting for a positive change in the fair value of subsidiaries of SEK 67.8m (-7.0). The change in the fair value of subsidiaries is not recognized in the consolidated income statement or balance sheet, since the subsidiaries are consolidated and therefore are not measured at fair value. The Group's net loss from changes in the fair value of joint ventures, associated companies and other long-term securities holdings amounted to SEK -243.8m (-225.8).

Assets per segment

Amounts in SEK 000	Fair value of portfolio companies	
	31 Dec 2011	31 Dec 2010
Fair value of total portfolio holdings		
Subsidiaries	542,001	209,108
Joint ventures and associated companies	980,276	1,220,791
Other long-term securities holdings	24,587	24,761
Fair value of total portfolio holdings	1,546,864	1,454,660
Less fair value subsidiaries	-542,001	-209,108
Group	1,004,863	1,245,552

Shares in portfolio companies at fair value

Amounts in SEK 000	Subsidiaries	Joint ventures/ Associated companies	Other long- term securities	Total portfolio holdings
Accumulated fair value				
Opening balance at 1 Jan 2010	28,396	1,450,427	33,439	1,512,262
Acquisitions during the year (Note 11)	48,446	135,327	9,293	193,066
Reclassifications	139,264	-122,978	-16,286	0
Sale of shares	-	-17,881	-	-17,881
Change in fair value	-6,998	-224,104	-1,685	-232,787
Closing balance at 31 Dec 2010	209,108	1,220,791	24,761	1,454,660
Accumulated fair value				
Opening balance at 1 Jan 2011	209,108	1,220,791	24,761	1,454,660
Acquisitions during the year (Note 11)	83,711	209,955	3,915	297,581
Reclassifications	182,173 ¹	-185,799	3,626	0
Sale of shares	-810 ²	-28,050 ³	-540 ⁴	-29,400
Change in fair value	67,819	-236,621	-7,175	-175,977
Closing balance at 31 Dec 2011	542,001	980,276	24,587	1,546,864

¹Refers to the reclassification of Axelar AB from an associated company to a subsidiary (Note 5).

²Refers to the sale of shares in Pharmanest AB to KCIF Co-Investment Fund KB.

³Of which sales proceeds of SEK 3,217 thousand (IMED) have been received after the closing date, because of which the amount affecting cash flow is SEK 24,833 thousand, which consists of sales to KCIF Co-Investment Fund KB of SEK 21,811 thousand as well as distribution proceeds of SEK 3,022 thousand.

⁴Refers to the sale of shares to KCIF Co-Investment Fund KB.

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

Amounts in SEK 000	31 Dec 2011	31 Dec 2010
Aggregate fair value of total portfolio holding	1,546,864	1,454,660
Less fair value of consolidated subsidiaries	-542,001	-209,108
Other consolidated assets	1,340,996	528,075
Consolidated total assets	2,345,859	1,773,627

Note 3 Financial net

	Group			
	2011	2010	2011	2010
<i>Amounts in SEK 000</i>	<i>Oct-Dec</i>	<i>Oct-Dec</i>	<i>Full-year</i>	<i>Full-year</i>
Interest income	1,275	1,628	6,247	3,966
Interest expenses	-12	-2	-36	-22
Change in value of short-term investments	5,517	263	10,036	3,904
Exchange rate gains and losses	99	-870	-2	-870
Impairment of receivables from joint ventures and associated companies	-2,730	0	-21,230	0
Impairment of convertible debentures	0	-995	0	-995
Financial net	4,149	24	-4,985	5,983

	Parent Company			
	2011	2010	2011	2010
<i>Amounts in SEK 000</i>	<i>Oct-Dec</i>	<i>Oct-Dec</i>	<i>Full-year</i>	<i>Full-year</i>
Interest income	686	1,593	5,017	3,917
Interest expenses	-2	-5	-6	-8
Change in value of short-term investments	5,517	264	10,036	3,904
Exchange rate gains and losses	30	-802	0	-786
Impairment of receivables from joint ventures and associated companies	-2,730	0	-21,230	0
Impairment of convertible debentures	0	-995	0	-995
Financial net	3,501	55	-6,183	6,032

Note 4 Intangible assets

Carrying amount, intangible assets

<i>Amounts in SEK 000</i>	Group	
	31 Dec 2011	31 Dec 2010
Carrying amount		
Patents, licenses and similar rights	9,636	5,746
Development projects in progress ¹	693,321	174,032
Total carrying amount, intangible assets	702,957	179,778

¹ The carrying amount of development projects in progress consists of acquisition costs at time of acquisition of subsidiaries.

Development projects in progress

Amounts in SEK 000	Group	
	31 Dec 2011	31 Dec 2010
Accumulated acquisition cost		
At beginning of the year	196,688	0
New business combinations (Note 5)	519,289	196,688
Closing balance	715,977	196,688
Accumulated amortization and impairment losses		
At beginning of the year	-22,656	0
Impairment for the year	0	-22,656
Closing balance	-22,656	-22,656
Carrying amount	693,321	174,032

Impairment tests for the recoverable amount of development projects in progress

Development projects in progress 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 a controlling interest in the company as of the second quarter 2011, as a result of 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 using the fair value method. 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	1 April 2011	44.98%	182,173
Total acquisition cost				182,173

Acquisition cost

Amounts in SEK 000	Invested amount	Change in fair value	Total
Axelar AB	28,342	153,831 ¹	182,173
Total acquisition cost			182,173

¹ The change in fair value was previously recognized in the income statement.

Acquired assets and assumed liabilities on the acquisition date

<i>Amounts in SEK 000</i>	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
Net identifiable assets and liabilities	405,007	15,095
Less non-controlling interests	-222,834	
Acquisition cost	182,173	

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

<i>Amounts in SEK 000</i>	Revenue	Loss before tax
Axelar AB	0	-35,371

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

<i>Amounts in SEK 000</i>	Revenue	Loss before tax
Axelar AB	0	-41,707

Note 6 Shares in subsidiaries, joint ventures, associated companies and other long-term securities holdings

Parent Company's shareholdings in subsidiaries as of date

Name	Parent Company ownership interest		Book value in Parent Company	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
<i>Amounts in SEK 000</i>				
Actar AB	100.00%	99.96%	3,679	6,844
Akinion Pharmaceuticals AB	88.09%	78.64%	48,070	18,070
Axelar AB ¹	40.03%	-	48,343	-
ClanoTech AB	86.94%	86.32%	37,194	34,695
Inhalation Sciences Sweden AB	72.11%	66.62%	24,238	17,238
KCIF Fund Management AB	37.50%	37.50%	43	43
KD Incentive AB	100.00%	100.00%	200	100
Limone AB	100.00%	100.00%	296	0
NovaSAID AB	88.91%	87.73%	74,407	62,407
Pharmanest AB ^{2*}	52.47%	48.56%	15,075	7,776
KDev Oncology AB, formerly SoftCure Pharmaceuticals AB	100.00%	100.00%	1,000	0
Total book value			252,545	147,173

¹Axelar 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.

²The above company has been reclassified from joint ventures.

* The Karolinska Development group also has an indirect ownership via KCIF Co-Investment Fund KB, see table below "Associated companies' shareholdings".

Subsidiaries' shareholdings

KDev Oncology AB	Ownership interest in KDev Oncology group ¹		Indirect ownership by Karolinska Development AB	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
<i>Amounts in SEK 000</i>				
<i>Karolinska Development's indirect ownership interest amounts to 100%</i>				
GliGene AB*	9.20%	-	9.20%	-

¹ Ownership interest corresponds to share of votes.

* The Karolinska Development group also has an indirect ownership via KCIF Co-Investment Fund KB, see table below "Associated companies' shareholdings".

Shares in joint ventures

Name	Share of equity and voting rights		Book value in Parent Company	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
<i>Amounts in SEK 000</i>				
Apra AB*	40.19%	43.18%	46,199	36,485
Athera Biotechnologies AB*	59.39%	69.07%	74,797	78,097
Avaris AB	68.40%	67.75%	0	51,850
BioChromix Pharma AB	65.55%	50.34%	19,350	9,350
Bioneris AB (in liquidation)	26.31%	26.31%	0	0
Biosergen AS	60.26%	50.97%	21,370	15,114
Calabar International AB (divested)	-	63.17%	-	0
Dilafor AB	54.76%	53.60%	88,831	79,830
Dilaforette Holding AB	57.96%	-	7,188	-
Eribis Pharmaceuticals AB (divested)	-	39.02%	-	10,970
HBV Theranostica AB (dormant)	72.52%	70.73%	0	2,190
IMED AB (divested)	-	57.38%	-	45,307
Lipidor AB	39.98%	30.01%	9,000	4,003
NeoDynamics AB	25.74%	22.58%	11,097	7,551
NT-NeuroTherapeutics AB (liquidated)	-	51.85%	-	0
Oncopeptides AB	43.36%	42.32%	22,914	18,536
OncoReg AB (liquidated)	-	88.91%	-	0
Pergamum AB	61.93%	59.75%	210,850	102,786
Promimic AB ¹	-	24.50%	-	8,101
ProNoxis AB	19.83%	14.16%	5,500	3,000
Umecrine Cognition AB	48.94%	40.00%	14,700	7,000
Umecrine Mood AB*	37.63%	43.00%	25,112	22,530
XSpray Microparticles AB*	58.49%	64.85%	33,708	32,172
Total book value			590,616	534,872
Total fair value			931,448	1,034,086

¹ The above company has been reclassified as an associated company.

* The Karolinska Development group also has an indirect ownership via KCIF Co-Investment Fund KB, see table below "Associated companies' shareholdings".

Joint ventures' shareholdings

Pergamum AB	Ownership interest in Pergamum group ¹		Indirect ownership by Karolinska Development AB	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
<i>Amounts in SEK 000</i>				
<i>Karolinska Development's indirect ownership interest amounts to 61.93%</i>				
Laurantis Pharma OY	9.80%	9.80%	6.07%	5.86%
DermaGen AB	100.00%	100.00%	61.93%	59.75%
Lipopeptide AB	100.00%	100.00%	61.93%	59.75%
PharmaSurgics in Sweden AB	100.00%	100.00%	61.93%	59.75%

¹ Ownership interest corresponds to share of votes.

Joint ventures' shareholdings, cont.

Dilaforette Holding AB	Ownership interest in Dilaforette Holding group ¹		Indirect ownership by Karolinska Development AB	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
<i>Amounts in SEK 000</i>				
<i>Karolinska Development's indirect ownership amounts to 57.96%</i>				
Dilaforette AB	100.00%	-	57.96%	-

¹ Ownership interest corresponds to share of votes.

Shares in associated companies

Name	Share of equity and voting rights		Book value in Parent Company	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
<i>Amounts in SEK 000</i>				
Axelar AB ¹	-	44.98%	-	28,342
CytoGuide Aps ²	-	11.00%	-	3,300
KCIF Co-Investment Fund KB	26.00%	26.00%	10,527	7,476
Oss-Q AB*	14.31%	-	3,650	-
Promimic AB ³	24.50%	-	8,100	-
Total book value			22,277	39,118
Total fair value			48,828	186,705

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

² The above company has been reclassified as other long-term securities holdings.

³ The above company has been reclassified from joint ventures.

* The Karolinska Development group also has an indirect ownership via KCIF Co-Investment Fund KB, see table below "Associated companies' shareholdings".

Associated companies' shareholdings

KCIF Co-Investment Fund KB	Ownership interest in KCIF Co-Investment Fund KB ¹		Indirect ownership by Karolinska Development AB	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
<i>Amounts in SEK 000</i>				
<i>Karolinska Development's indirect ownership amounts to 26%</i>				
Pharmanest AB	15.62%	12.88%	4.06%	3.35%
Aprea AB	3.58%	-	0.93%	-
Athera Biotechnologies AB	10.76%	-	2.80%	-
BioChromix AB	3.15%	-	0.82%	-
GliGene AB	3.58%	-	0.93%	-
Oss-Q AB	5.29%	-	1.38%	-
Umecrine Mood AB	2.62%	-	0.68%	-
XSpray Microparticles AB	8.89%	-	2.31%	-

¹ Ownership interest corresponds to share of votes

Total fair value of joint ventures and associated companies			980,276	1,220,791
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Shares in other long-term securities holdings

Name	Share of equity and voting rights		Book value in Parent Company	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
<i>Amounts in SEK 000</i>				
BioArctic NeuroScience AB	3.17%	3.17%	600	600
BioChromix AB*	8.52%	-	2,374	-
BioResonator AB (in liquidation)	7.62%	7.62%	0	2,500
CytoGuide Aps ¹	9.06%	-	3,300	-
Independent Pharmaceutica AB (liquidated)	-	5.98%	-	0
InDex Pharmaceuticals AB (divested)	-	0.003%	-	0
NephroGenex Inc.	0.58%	0.58%	709	709
Umecrine AB	10.41%	10.01%	7,398	6,398
Total book value			14,381	10,207
Total fair value			24,587	24,761

¹ The above company has been reclassified from associated companies.

* The Karolinska Development group also has an indirect ownership via KCIF Co-Investment Fund KB, see table above "Associated companies' shareholdings".

Total book value in subsidiaries, joint ventures, associated companies and other long-term securities holdings	879,819	731,370
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Note 7 **Other current receivables**

	Group		Parent Company	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
<i>Amounts in SEK 000</i>				
<i>Financial receivables</i>				
Receivables from joint ventures and associated companies	3,675	83,870 ¹	3,675	83,870
Current portion of restricted bank accounts	0	5,879	0	5,879
Total financial receivables	3,675	89,749	3,675	89,749
<i>Other current receivables</i>				
Tax receivables	1,371	276	1,058	145
VAT receivables	2,874	2,850	802	1,369
Other	4,512	179	3,906	168
Total other current receivables	8,757	3,305	5,766	1,682
Total current receivables	12,432	93,054	9,441	91,431

¹Of which receivables on Avaris amounting 3 500 has been written down and the remaining amount has been converted to shares.

Note 8 Changes in share capital

The number of shares has changed as follows:

Year	Transaction	Number of shares	Increase in share capital	Share capital	Number of A shares	Number of B shares	Subscription price	Par value
Total as of 1 Jan 2010		32,609,993		16,304,997	1,503,098	31,106,895		0.5
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
Total as of 31 Dec 2010		33,331,417		16,665,709	1,503,098	31,828,319		0.5
April 2011	New share issue	15,200,000	7,600,000	24,265,709		15,200,000	40	0.5
Total as of 31 Dec 2011		48,531,417		24,265,709	1,503,098	47,028,319		0.5

Calculation of net asset value

	Group	
	31 Dec 2011	31 Dec 2010
<i>Amounts in SEK 000</i>		
<i>Net assets</i>		
Cash and cash equivalents	163,347	107,325
Short-term investments	457,249	136,607
Financial receivables	3,675	89,749
Financial liabilities	-2,000	-4,831
Total net assets	622,271	328,850
Estimated fair value of portfolio companies including subsidiaries	1 546 864	1 454 660
Total net asset value	2,169,135	1,783,510
Number of shares	48,531,417	33,331,417
Net asset value per share*	44.70	53.51

*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.

<i>Warrant program</i>	Number of warrants	Allocation date²	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 ¹	13,246	2009	2012-10-01 – 2012-12-31	3.24	120.0
Supplemental warrant II 2008 ¹	28,149	2010	2012-10-01 – 2012-12-31	4.63	93.0
Supplemental warrant III 2008 ¹	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 ¹	11,625	2010	2013-10-01 – 2013-12-31	7.02	93.0
Supplemental warrant II 2009 ¹	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 ¹	31,853	2011	2014-10-01 – 2014-12-31	1.17	66.0
Total	442,790				

¹ 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.

² The warrants have been allocated at the Annual General Meeting in each year.

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

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 9 Deferred tax liabilities

<i>Amounts in SEK 000</i>	Group	
	31 Dec 2011	31 Dec 2010
Intangible non-current assets ¹	-182,344	-45,770
Tax loss carry forwards ²	38,758	11,575
Deferred tax assets/tax liabilities, net	-143,586	-34,195

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

² Deferred tax assets from fiscal deficits are recognized to the extent they can be offset against deferred tax liabilities related to surplus values in the Group.

Note 10 Pledged assets and contingent liabilities

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

<i>Amounts in SEK 000</i>	Group	
	31 Dec 2011	31 Dec 2010
Pledged assets	2,080	4,563
<i>Contingent liabilities</i>		
Axelar	26,000	-
Uminova	400	600
Biocellex	500	1 500
Total	28,980	6,663

Note 11 Investments in portfolio companies

	2011	2011	2010	2010
<i>Amounts in SEK 000</i>	<i>Oct-Dec</i>	<i>Full-year</i>	<i>Oct-Dec</i>	<i>Full-year</i>
Investments in subsidiaries				
Actar AB	2	2	0	0
Akinion Pharmaceuticals AB	0	30,000	0	10,000
Axelar AB*	0	20,000	0	0
ClanoTech AB	2,499	2,499	4,999	16,000
Inhalation Sciences Sweden AB	4,500	7,000	0	6,058
KD Incentive AB	100	100	0	0
Limone AB	1,500	3,000	0	0
NovaSAID AB	0	12,000	0	15,000
Pharmanest AB**	5,110	8,110	30	388
KDev Oncology AB (formerly SoftCure Pharmaceuticals AB)	1,000	1,000	0	1,000
Total investments in subsidiaries	14,711	83,711	5,029	48,446
Investments in joint ventures and associated companies				
Aprea AB**	0	12,470	0	0
Athera Biotechnologies AB**	0	8,760	22,042	44,667
Avaris AB	0	1,800	0	10,000
Axelar AB*	0	0	0	7,876
BioChromix Pharma AB	7,000	10,000	3,000	3,000
Biosergen AS	2,357	6,256	0	1,526
Dilafor AB	0	9,000	5,000	16,903
Dilaforette Holding AB	7,000	7,188	0	0
Eribis Pharmaceuticals AB	0	2,490	720	2,730
HBV Theranostica AB	0	200	150	400
IMED AB	0	0	8,000	14,500
KCIF Co-Investment Fund KB***	0	5,834	0	4,921
Lipidor AB	0	4,997	0	2,803
NeoDynamics AB	0	3,546	0	0
Oncopeptides AB	4,378	4,378	0	0
Oss-Q AB**	3,650	3,650	0	0
Pergamum AB	12,208	108,065	0	0
Pharmanest AB**	0	0	0	7,745
Promimic AB	0	0	2,600	2,600
ProNoxis AB	1,000	2,500	0	0
Umecrine Cognition AB	6,500	7,700	0	0
Umecrine Mood AB**	0	5,286	0	4,730
XSpray Microparticles AB**	0	5,835	0	10,927
Total investments in joint ventures and associated companies	44,093	209,955	41,512	135,327
Investments in other long-term securities holdings				
BioChromix AB**	913	2,915	0	0
BioResonator AB	0	0	0	1,000
CytoGuide ApS	0	0	0	1,685
KCIF Co-Investment Fund KB***	0	0	0	2,555
NeoDynamics AB	0	0	2,553	2,553
ProNoxis AB	0	0	0	1,500
Umecrine AB	0	1,000	0	0
Total investments in other long-term securities holdings	913	3,915	2,553	9,293
Total investments	59,717	297,581	49,094	193,066

* The company was reclassified as a subsidiary in 2010.

** The Karolinska Development group also has an indirect ownership via KCIF Co-Investment Fund KB, see table in Note 6 "Associated companies' shareholdings".

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

Investments not affecting cash flow during the period

	2011	2011	2010	2010
<i>Amounts in SEK 000</i>	<i>Oct-Dec</i>	<i>Full-year</i>	<i>Oct-Dec</i>	<i>Full-year</i>
Conversions of previously issued loans				
Aprea AB	0	5,900	0	0
Biosergen AS	0	2,425	0	0
Dilaforette Holding AB	4,000	4,000	0	0
NeoDynamics AB	0	546	0	0
Oncopeptides AB	4,378	4,378	0	0
Pergamum AB	0	77,629	0	0
Total investments not affecting cash flow during the period	8,378	94,878	0	0

Note 12 Related parties

During the reporting period the Group did not have any material transactions with or commitments to related parties beyond the normal business transactions described in the annual report for 2010 and as indicated in Note 10.