

Karolinska Development AB (publ)

Corporate identity number 556707-5048

Interim report January – March 2012

CEO's comment

During the first quarter, we continued to invest in projects and innovations which we feel have significant medical and commercial potential. Among other things, we have established KDev Oncology, a new, focused oncology group wholly owned by Karolinska Development. We are confident that a collective approach in oncology will help us to recruit top talent, generate new pharmaceutical projects, attract co-investors and simplify negotiations with potential buyers and partners when projects are successful. We intend to apply this model to all new projects where we see opportunities to improve efficiencies.

Since it was established, KDev Oncology, which includes the existing portfolio company Akinion Pharmaceuticals, has also invested in GliGene, a company focused on the Hedgehog signaling pathway, which plays a fundamental role in the control of cell differentiation, growth and proliferation and is reactivated in cancer. The thesis is that this is not needed in normal adult tissue and that inhibition of this pathway could provide a selective way to treat cancer.

In addition, several of our portfolio companies have made clinical progress, including Pergamum and Akinion Pharmaceuticals. Pergamum dosed the last patient in a Phase II trial for prevention of post-surgical adhesions and initiated a Phase II trial with DPK-060 in outer ear infections, while Akinion Pharmaceuticals initiated a clinical Phase I/II trial with AKN-028 for treatment of acute myeloid leukemia (AML). After the reporting period, Pharmanest launched a Phase I trial with SHACT to develop a product for pain relief in connection with intrauterine device (IUD) insertion, an area where women today rarely have effective options despite a clear medical need. Pharmanest's ambition is to develop a method for immediate pain relief without the use of advanced equipment.

Lastly, the continuous evaluation and prioritization of our companies and projects has strengthened the portfolio. Our expectation that intense business development work will bear fruit in 2012 remains unchanged.

Torbjörn Bjerke
Chief Executive Officer

Summary of significant events during and after the first quarter

- Akinion Pharmaceuticals initiated Phase I/II clinical study with AKN-028
- Pergamum initiated Phase II trial with DPK-060 in outer ear infections
- Pergamum completed patient recruitment to Phase II clinical trial for prevention of post-surgical adhesions
- Karolinska Development formed KDev Oncology AB - Carl Harald Janson appointed CEO
- KDev Oncology invested in GliGene AB, a new company in the portfolio
- Karolinska Development invested in Oss-Q AB, a new company in the portfolio
- Pharmanest initiated Phase I trial with SHACT

Group

	2012 Jan-Mar	2011 Jan-Mar	2011 Full year
<i>Amounts in SEKm</i>			
<i>Income statement</i>			
Revenue	2.5	2.9	10.5
Profit/loss after tax	-89.1	-37.5	-385.7
Earnings per share before and after dilution (SEK)	-1.69	-1.04	-8.07
<i>Balance sheet</i>			
Cash and cash equivalents	171.5	141.8	163.3
Short-term investments	362.2	78.6	457.2
<i>Share information</i>			
Net asset value per share (SEK) (Note 5)	44.1	53.0	44.7
Share price, last trading day in the reporting period (SEK)	24.4	-	24.0
<i>Portfolio information</i>			
Investments in portfolio companies* (Note 7)	78.0	35.7	297.6
Of which investments not affecting cash flow (Note 7)	0.0	5.9	94.9
Valuation of total portfolio holdings (Note 2)	1,581.1	1,461.9	1,546.9

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

Significant events during the first quarter

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 two-part international multi-center study in patients with acute myeloid leukemia (AML). The first part is a dose-escalating study where AKN-028 is administered orally twice a day, until the maximum tolerated dose is established. The second part is a proof-of-concept study where approximately 20 patients will be treated. The trial will assess the safety, tolerability, pharmacokinetics and anti-leukemic effect of AKN-028.

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

Pergamum announced that the first patient has been dosed in a double-blind randomized, placebo-controlled, multi-center study of DPK-060 for the treatment of patients with acute external otitis (swimmer's ear). The objectives of the Phase II trial are to assess the efficacy, local tolerability and safety of DPK-060 ear drops. The trial is expected to enroll approximately 70 patients. Karolinska Development is the majority owner of Pergamum.

Pergamum completed patient recruitment to 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 the therapeutic peptide PXL01 for prevention of post-surgical adhesions. In total, 138 patients who have undergone hand surgery have been included in this placebo-controlled, multi-center trial, which is evaluating the safety and efficacy of PXL01 to improve mobility and function in the hand after surgery.

Karolinska Development formed KDev Oncology AB – Carl Harald Janson appointed CEO

Karolinska Development announced the formation of KDev Oncology AB, the parent company of a new oncology group wholly owned by Karolinska Development. The ambition is to improve 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. KDev Oncology started with the existing portfolio company Akinion Pharmaceuticals. Carl Harald Janson has been appointed CEO of the company.

KDev Oncology invested in GliGene AB

GliGene AB, a new Swedish drug development company focusing on cancer diseases, received its first financing through a new share issue directed to KDev Oncology AB. The new share issue will enable GliGene to advance the discovery of new antagonists to the Hedgehog pathway. KDev Oncology is planning to invest a total of SEK 6.8m, which will give it an ownership interest in GliGene of 44 percent.

Karolinska Development invested in Oss-Q AB

Karolinska Development invested in Oss-Q AB, a company which is developing a novel implant technology and related bioceramic innovations based on research at Karolinska University Hospital and Uppsala University. Oss-Q's vision is to convert the technology into differentiating products for bone repair and to build a niche company in orthopedics with its own sales, beginning in skull surgery. The market for biomaterial products in orthopedics was worth more than EUR 1.25bn in 2011. After the investment, Karolinska Development owns 15.6 percent of Oss-Q.

Significant events after the end of the reporting period

Pharmanest initiates Phase I trial with SHACT

Pharmanest announced that the first patient has been dosed in an open label pharmacokinetic study with its drug candidate SHACT, a product developed for pain relief in connection with intrauterine device (IUD) insertion. The objective of this open study is to establish the pharmacokinetic properties of SHACT when applied in the cervix and uterus of women receiving an IUD. Secondary objectives are to evaluate safety and tolerability. A randomized, double blind Phase II study with about 200 patients is planned later this year.

The portfolio (as per May 14, 2012)

PHARMACEUTICALS	Ownership*	Concept development	Lead discovery	Lead optimization	Preclinical development	Phase I	Phase II	Phase III	Launch
ONCOLOGY									
Axelar AB	45%	<div><div></div></div>							
Apra AB	41%	<div><div></div></div>							
Oncopeptides AB	43%	<div><div></div></div>							
KDev Oncology AB (AKN-028)	90%	<div><div></div></div>							
KDev Oncology AB (GliGene)	10%	<div><div></div></div>							
DERMATOLOGY AND WOUND HEALING									
Pergamum AB (DPK-060, atopic dermatitis)	62%	<div><div></div></div>							
Pergamum AB (DPK-060, external otitis)	62%	<div><div></div></div>							
Pergamum AB (PXL01)	62%	<div><div></div></div>							
Pergamum AB (LL-37)	62%	<div><div></div></div>							
WOMEN'S HEALTH									
Dilafor AB	55%	<div><div></div></div>							
Umecrine Mood AB	43%	<div><div></div></div>							
Pharmanest AB	59%	<div><div></div></div>							
INFECTIOUS DISEASE									
Dilaforette AB	62%	<div><div></div></div>							
Biosergen AS	60%	<div><div></div></div>							
CARDIOVASCULAR									
Athera Biotechnologies AB (Annexin A5)	65%	<div><div></div></div>							
Athera Biotechnologies AB (PC-mAb)	65%	<div><div></div></div>							
CNS									
BioChromix Pharma AB	69%	<div><div></div></div>							
Umecrine Cognition AB	54%	<div><div></div></div>							
INFLAMMATION									
NovaSAID AB	89%	<div><div></div></div>							
ProNoxis AB	22%	<div><div></div></div>							
OPHTHALMOLOGY									
Clanotech AB	87%	<div><div></div></div>							
TECHNOLOGY	Ownership*	Concept development		Prototype	Development		Product		Sales
IMPLANT									
Promimic AB	29%	<div><div></div></div>							
Oss-Q AB	16%	<div><div></div></div>							
DIAGNOSTIKS									
Athera Biotechnologies AB (CVDefine®)	65%	<div><div></div></div>							
BioChromix AB	9%	<div><div></div></div>							
PHARMACEUTICAL FORMULATION									
Inhalation Sciences Sweden AB	72%	<div><div></div></div>							
XSpray Microparticles AB	61%	<div><div></div></div>							
Lipidor AB	40%	<div><div></div></div>							
MEDICAL EQUIPMENT									
NeoDynamics AB (Fourier/AS)	21%	<div><div></div></div>							
NeoDynamics AB (Terapi/PRFA)	21%	<div><div></div></div>							
FINANCIAL/PASSIVE INVESTMENTS	Ownership*	Concept development	Lead discovery	Lead optimization	Preclinical development	Phase I	Phase II	Phase III	Launch
NephroGenex Inc.	1%	<div><div></div></div>							
Pergamum AB (Laurantis Pharma Oy, cis-UCA dermatologi)	6%	<div><div></div></div>							
BioArtic Neuroscience AB	3%	<div><div></div></div>							
Pergamum AB (Laurantis Pharma Oy, cis-UCA onkologi)	6%	<div><div></div></div>							
Pergamum AB (Laurantis Pharma Oy, ad-VEGF-C)	6%	<div><div></div></div>							
CytoGuide ApS	9%	<div><div></div></div>							

*Includes indirect ownership

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

Financial overview – Group

Revenue

Consolidated revenue during the first quarter 2012 amounted to SEK 2.5m, compared with SEK 2.9m in the same period in 2011. The change was primarily due to a decrease in services sold to portfolio companies.

Results

The Group's operating loss for the first quarter amounted to SEK -95.2m (-41.6), a change of SEK -53.6m year-on-year. The increased loss was mainly due to the portion of the change in fair value affecting income, which amounted to SEK -62.6m (-12.3) during the first quarter. As indicated in Note 2, the value of companies reported as subsidiaries appreciated by SEK 18.9m (4.2) during the first quarter. Changes in the fair value of subsidiaries are not recognized in the consolidated income statement and balance sheet, since the subsidiaries are consolidated and therefore are not measured at fair value.

The Group's loss before tax amounted to SEK -91.8m (-41.1).

Investments in portfolio companies

The Group's investments for the first quarter 2012 amounted to SEK 78.0m (35.7); see Note 7.

During the first quarter, SEK25.0m was invested in Axelar AB and SEK 19.0m in Athera Biotechnologies AB.

*Financial position**

The Group's equity to total assets ratio was 93 (93) percent on 31 March 2012 and equity amounted to SEK 2,086.4m (2,173.9).

Cash, cash equivalents and short-term investments amounted to SEK 533.7m (620.6) on 31 March 2012.

Total assets amounted to SEK 2,252.3m (2,345.9) on 31 March 2012.

* Comparable figures refer to 31 December 2011

Financial overview– Parent Company

Revenue

The Parent Company's revenue during the first quarter amounted to SEK 0.8m (0.9).

Results

The Parent Company's operating loss for the first quarter amounted to SEK -15.3m (-19.0), an improvement of SEK 3.7m year-on-year. The improvement is mainly the result of lower external expenses and personnel expenses.

During the first quarter, the portfolio companies Actar AB and Limone AB were written down by SEK 1.5m and SEK 0.4m, respectively.

The net loss amounted to SEK -11.5m (-18.4).

Investments in portfolio companies (Note 7)

The Parent Company invested a total of SEK 42.7m (18.0) in subsidiaries during the first quarter. The largest investments (SEKm) were in Axelar AB at SEK 25.0m and Actar AB at SEK 10.0m.

The Parent Company invested SEK 35.3m (14.7) in associated companies and joint ventures. The largest investments (SEKm) were in Athera Biotechnologies AB at SEK 19.0m and Dilaforette Holding AB at SEK 10.0m.

The Parent Company invested SEK 0m (3.0) in other long-term securities holdings.

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 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 2011.

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, 15 May 2012

Torbjörn Bjerke
CEO

Dates for publication of financial information

Interim report January – June 2012	23 August 2012
Interim report January – September 2012	22 November 2012
Year-end report January – December 2012	February 2013
Annual report 2012	April 2013

Karolinska Development is required to make public the information in this interim report in accordance with the Securities Market Act. The information was released for publication on 15 May 2012.

This interim report, together with additional information, is available on Karolinska Development's website, www.karolinskadevelopment.com

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This interim 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

		2012	2011	2011
<i>Amounts in SEK 000</i>	<i>Note</i>	<i>Jan-Mar</i>	<i>Jan-Mar</i>	<i>Full-year</i>
Revenue		2,475	2,901	10,479
Other external expenses		-20,004	-18,158	-104,056
Personnel costs		-14,076	-13,631	-59,871
Depreciation and amortization of tangible and intangible non-current assets		-991	-406	-3,431
Change in fair value of shares in joint ventures and associated companies	2	-62 383	-8,535	-236,621
Change in fair value of other long-term securities holdings	2	-199	-3,791	-7,175
Operating loss		-95,178	-41,620	-400,675
Financial net	3	3,398	541	-4,985
Loss before tax	2	-91,780	-41,079	-405,660
Deferred taxes		2,661	3,535	19,987
Current taxes		0	0	0
NET LOSS FOR THE PERIOD		-89,119	-37,544	-385,673
Attributable to:				
Parent Company's shareholders		-81,901	-34,537	-354,147
Non-controlling interests		-7,218	-3,007	-31,526
TOTAL		-89,119	-37,544	-385,673

Earnings per share

		2012	2011	2011
<i>Amounts in SEK 000</i>	<i>Note</i>	<i>Jan-Mar</i>	<i>Jan-Mar</i>	<i>Full-year</i>
Earnings per share attributable to Parent Company's shareholders, weighted average, before and after dilution		-1.69	-1.04	-8.07
Number of shares, weighted average	5	48,531,417	33,331,417	43,908,951

Consolidated statement of comprehensive income

		2012	2011	2011
<i>Amounts in SEK 000</i>	<i>Note</i>	<i>Jan-Mar</i>	<i>Jan-Mar</i>	<i>Full-year</i>
Net loss for the period		-89,119	-37,544	-385,673
Total comprehensive income for the period		-89,119	-37,544	-385,673
Attributable to:				
Parent Company's shareholders		-81,901	-34,537	-354,147
Non-controlling interests		-7,218	-3,007	-31,526
TOTAL		-89,119	-37,544	-385,673

Condensed consolidated statement of financial position

<i>Amounts in SEK 000</i>	<i>Note</i>	<i>31 Mar 2012</i>	<i>31 Mar 2011</i>	<i>31 Dec 2011</i>
Assets				
Non-current assets				
Intangible non-current assets		702,749	179,856	702,957
Tangible non-current assets		1,611	2,368	1,663
Shares in joint ventures and associated companies	2,4	953,164	1,199,924	980,276
Other long-term securities holdings	2,4	24,388	30,598	24,587
Loans receivable joint ventures and associated companies		26 715	83,525	3,675
Total non-current assets		1,708,627	1,496,271	1,713,158
Current assets				
Accounts receivable		430	467	1,462
Other short-term receivables		5,264	7,065	8,757
Prepaid expenses and accrued income		4,246	13,002	1,886
Short-term investments		362,204	78,633	457,249
Cash and cash equivalents		171,513	141,841	163,347
Total current assets		543,657	241,008	632,701
TOTAL ASSETS		2,252,284	1,737,279	2,345,859
Equity and liabilities				
Equity				
Share capital	5	24,266	16,666	24,266
Share premium		1,768,179	1,212,611	1,768,179
Retained earnings including current period result		13,692	419,868	86,442
Equity attributable to Parent Company's shareholders		1,806,137	1,649,145	1,878,887
Non-controlling interests		280,290	30,486	295,041
Total equity		2,086,427	1,679,631	2,173,928
Long-term liabilities				
Deferred taxes		140,925	30,660	143,586
Interest-bearing liabilities		2,000	2,000	2,000
Total long-term liabilities		142,925	32,660	145,586
Current liabilities				
Accounts payable		8,015	7,224	9,563
Other short-term liabilities		2,616	4,838	2,796
Accrued expenses and prepaid income		12,301	12,926	13,986
Total current liabilities		22,932	24,988	26,345
Total liabilities		165,857	57,648	171,931
TOTAL EQUITY AND LIABILITIES		2,252,284	1,737,279	2,345,859

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 2012		24,266	1,768,179	86,442	1,878,887	295,041	2,173,928
<i>Net loss for the year</i>				-81,901	-81,901	-7,218	-89,119
Total comprehensive income for the period		0	0	-81,901	-81,901	-7,218	-89,119
Change in non-controlling interests				9,151	9,151	-7,533	1,618
Closing equity at 31 March 2012	5	24,266	1,768,179	13,692	1,806,137	280,290	2,086,427
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 period</i>				-34,537	-34,537	-3,007	-37,544
Total comprehensive income for the period		0	0	-34,537	-34,537	-3,007	-37,544
Change in non-controlling interests				-79	-79	79	0
Closing equity at 31 March 2011	5	16,666	1,212,611	419,868	1,649,145	30,486	1,679,631
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	5	24,266	1,768,179	86,442	1,878,887	295,041	2,173,928

Consolidated statement of cash flows

		2012	2011
<i>Amounts in SEK 000</i>	<i>Note</i>	<i>Jan-Mar</i>	<i>Jan-Mar</i>
Operating activities			
Operating loss		-95,178	-41,620
Adjustments for depreciation, amortization and impairment losses		991	406
Adjustments for changes in fair value	2	62,582	12,326
Realized change in value of short-term investments		3 350	0
Interest paid		-12	-22
Interest received		481	383
Cash flow from operating activities before changes in working capital		-27,786	-28,527
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in operating receivables		-468	1,102
Increase (+)/Decrease (-) in operating liabilities		-3,413	4,731
Cash flow from operating activities		-31,667	-22,694
Investing activities			
Investments in intangible non-current assets		-463	-216
Investments in tangible non-current assets		-207	-143
Investments in shares in joint ventures and associated companies	7	-35 271	-8,788
Investments in other long-term securities		0	-3,002
Divestment of short-term investments		93 979	58,365
Sale of shares in joint ventures and associated companies		3 217	20,394
Loans provided to associated companies		-23,040	-9,400
Cash flow from investing activities		38,215	57,210
Financing activities			
Non-controlling interests' share of subsidiary issue			0
Cash flow from financing activities		1,618	0
Cash flow for the period		8,166	34,516
Cash and cash equivalents at beginning of period		163,347	107,325
CASH AND CASH EQUIVALENTS AT END OF PERIOD¹		171,513	141,841

¹ In addition to cash and cash equivalents, the Group has at its disposal short-term investments amounting to SEK 362,204 thousand (78,633)

Condensed income statement for the Parent Company

		2012	2011	2011
<i>Amounts in SEK 000</i>	<i>Note</i>	<i>Jan-Mar</i>	<i>Jan-Mar</i>	<i>Full-year</i>
Net sales		834	852	2,467
Revenue		834	852	2,467
Other external expenses		-7,899	-9,408	-32,174
Personnel costs		-6,306	-7,589	-32,066
Depreciation and amortization of tangible and intangible assets		-1	-17	-67
Impairment losses on shares in subsidiaries, joint ventures, associated companies and other long-term securities holdings		-1 937	-2,797	-125,961
Result from sale of shares		0	0	6,239
Operating loss		-15,309	-18,959	-181,562
Financial net	3	3,853	536	-6,183
NET LOSS FOR THE PERIOD		-11,456	-18,423	-187,745

Statement of comprehensive income for the Parent Company

		2012	2011	2011
<i>Amounts in SEK 000</i>	<i>Note</i>	<i>Jan-Mar</i>	<i>Jan-Mar</i>	<i>Full-year</i>
Net loss for the period		-11,456	-18,423	-187,745
Total comprehensive income for the period		-11,456	-18,423	-187,745
Attributable to:				
Parent Company's shareholders		-11,456	-18,423	-187,745
TOTAL		-11,456	-18,423	-187,745

Condensed statement of financial position for the Parent Company

<i>Amounts in SEK 000</i>	<i>Note</i>	31 Mar 2012	31 Mar 2011	31 Dec 2011
Assets				
Non-current assets				
Tangible non-current assets		14	92	42
Shares in subsidiaries, joint ventures, associated companies and other long-term securities holdings		955,853	743,870	879,819
Loans receivable joint ventures and associated companies		26,715	83,525	3,675
Other financial assets		2,178	1,693	2,080
Total non-current assets		984,760	829,180	885,616
Current assets				
Accounts receivable		184	456	49
Group receivables		296	69	74
Other receivables		2,763	5,392	5,766
Prepaid expenses and accrued income		2,846	11,829	881
Short-term investments		339,992	78,633	457,249
Cash and cash equivalents		76,701	102,297	68,319
Total current assets		422,782	198,676	532,338
TOTAL ASSETS		1,407,542	1,027,856	1,417,954
Equity and liabilities				
Equity				
Restricted equity				
Share capital	5	24,266	16,666	24,266
Unrestricted equity				
Share premium reserve		1,778,253	1,222,685	1,778,253
Retained earnings		-395,026	-207,281	-207,281
Net loss for the period		-11,456	-18,423	-187,745
Total equity		1,396,037	1,013,647	1,407,493
Long-term liabilities				
Pension obligations		2,178	1,693	2,080
Total long-term liabilities		2,178	1,693	2,080
Current liabilities				
Accounts payable		2,486	2,417	807
Group liabilities		0	665	0
Other current liabilities		961	3,336	1,530
Accrued expenses and deferred income		5,880	6,098	6,044
Total current liabilities		9,327	12,516	8,381
Total liabilities		11,505	14,209	10,461
TOTAL EQUITY AND LIABILITIES		1,407,542	1,027,856	1,417,954

Pledged assets and contingent liabilities

<i>Amounts in SEK 000</i>	<i>Note</i>	31 Mar 2012	31 Mar 2011	31 Dec 2011
Pledged assets	6	2,178	4,529	2,080
Contingent liabilities	6	26,200	1,900	26,900
Total		28,378	6,429	28,980

Condensed statement of changes in equity for the Parent Company

<i>Amounts in SEK 000</i>	Restricted equity		Unrestricted equity			
	Note	Share capital	Share premium reserve	Note	Share capital	Share premium reserve
Opening equity at 1 Jan 2012		24,266	1,778,253	-207,281	-187,745	1,407,493
Appropriation of loss				-187,745	187,745	0
Net loss for the period					-11,456	-11,456
Closing equity at 31 Mar 2012	5	24,266	1,778,253	-395,026	-11,456	1,396,037
Opening equity at 1 Jan 2011		16,666	1,222,685	-95,932	-111,349	1,132,302
Appropriation of loss				-111,349	111,349	0
Net loss for the period					-18,423	-18,423
Closing equity at 31 Mar 2011	5	16,666	1,222,685	-207,281	-18,423	1,013,647
Opening equity at 1 Jan 2011		16,666	1,222,685	-95,932	-111,349	1,132,302
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	5	24,266	1,778,253	-207,281	-187,745	1,407,493

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 and the Annual Accounts Act. 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 2012

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 the carrying amount of certain assets. 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 is considered to provide the best estimate of market value in each case. For Karolinska Development, this means 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 one other case, the valuation at the time of the last capital contribution is used.

Interim period: The period from the beginning of the 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 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 result from change in fair value of portfolio companies and consolidated loss before tax

	Profit/loss from change in fair value of portfolio companies		
	2012 Jan-Mar	2011 Jan-Mar	2011 Full-year
<i>Amounts in SEK 000</i>			
<i>Subsidiaries</i>			
Change in fair value	18,891	4,241	67,819
<i>Joint ventures and associated companies</i>			
Change in fair value	-62,383	-8,535	-118,789
Impairment losses	0	0	-117,832
<i>Other long-term securities holdings</i>			
Change in fair value	-199	-3,791	-4,675
Impairment losses	0	0	-2,500
Change in fair value of total portfolio holdings	-43 691	-8 085	-175,977
<i>Group eliminations</i>			
Less change in fair value of subsidiaries	-18 891	-4 241	-67,819
Net loss from changes in fair value	-62,582	-12,326	-243,796
Consolidated revenue and other expenses (including financial net)	-29,198	-28,753	-161,864
Consolidated loss before tax	-91,780	-41,079	-405,660

The aggregate loss from changes in the fair value of the portfolio companies amounted to SEK -43.7m (-8.1) during the first quarter after accounting for a positive change in the fair value of subsidiaries of SEK 18.9m (-4.2). 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 -62.6m (-12.3).

Assets per segment

Amounts in SEK 000	Fair value of portfolio companies		
	31 Mar 2012	31 Mar 2011	31 Dec 2011
Fair value of total portfolio holdings			
Subsidiaries	603,592	231,349	542,001
Joint ventures and associated companies	953,164	1,199,924	980,276
Other long-term securities holdings	24,388	30,598	24,587
Fair value of total portfolio holdings	1,581,144	1,461,871	1,546,864
Less fair value in subsidiaries	-603,592	-231,349	-542,001
Group	977,552	1,230,522	1,004,863

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 2011	209,108	1,220,791	24,761	1,454,660
Acquisitions during the year	18,000	14,688	3,002	35,690
Reclassifications	0	-6,626	6,626	0
Sale of shares	0	-20,394	0	-20,394
Changes in fair value and impairment losses	4,241	-8,535	-3,791	-8,085
Closing balance at 31 March 2011	231,349	1,199,924	30,598	1,461,871
Opening balance at 1 Jan 2011	209,108	1,220,791	24,761	1,454,660
Acquisitions during the year	83,711	209,955	3,915	297,581
Reclassifications	182,173	-185,799	3,626	0
Sale of shares	-810	-28,050	-540	-29,400
Changes in fair value and impairment losses	67,819	-236,621	-7,175	-175,977
Closing balance at 31 Dec 2011	542,001	980,276	24,587	1,546,864
Opening balance at 1 Jan 2012	542,001	980,276	24,587	1,546,864
Acquisitions during the year (Note 7)	42,700	35,271	0	77,971
Changes in fair value	18,891	-62,383	-199	-43,691
Closing balance at 31 March 2012	603,592	953,164	24,388	1,581,144

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

<i>Amounts in SEK 000</i>	31 Mar 2012	31 Mar 2011	31 Dec 2011
Aggregate fair value of total portfolio holding	1,581,144	1,461,871	1,546,864
Less fair value of consolidated subsidiaries	-603,592	-231,349	-542,001
Other consolidated assets	1,274,732	506,757	1,340,996
Consolidated total assets	2,252,284	1,737,279	2,345,859

Note 3 Financial net

<i>Amounts in SEK 000</i>	Group		
	2012	2011	2011
	Jan-Mar	Jan-Mar	Full-year
Interest income	874	387	6,247
Interest expenses	-12	-22	-36
Change in value of short-term investments	3,271	391	10,036
Exchange rate gains and losses	-735	-215	-2
Impairment of receivables from joint ventures and associated companies	0	0	-21,230
Financial net	3,398	541	-4,985

<i>Amounts in SEK 000</i>	Parent Company		
	2012	2011	2011
	Jan-Mar	Jan-Mar	Full-year
Interest income	582	360	5,017
Interest expenses	0	0	-6
Change in value of short-term investments	3,271	391	10,036
Exchange rate gains and losses	0	-215	0
Impairment of receivables from joint ventures and associated companies	0	0	-21,230
Financial net	3,853	536	-6,183

Note 4 Shares in subsidiaries, joint ventures, associated companies and other long-term securities holdings

The Group's holdings of shares in portfolio companies

	Total ownership interest, % ¹		
	31 Mar 2012	31 Mar 2011	31 Dec 2011
Subsidiaries			
Actar AB	100.00	99.96	100.00
Axelar AB	45.29	-	40.03
ClanoTech AB	87.39	86.32	86.94
Daffodil AB (dormant)	100.00	-	-
HBV Theranostica AB (dormant)	100.00	-	-
Inhalation Sciences Sweden AB	72.11	68.75	72.11
KCIF Fund Management AB	37.50	37.50	37.50
KD Incentive AB	100.00	100.00	100.00
KDev Oncology AB	100.00	100.00	100.00
Akinion Pharmaceuticals AB	88.09	83.39	88,09
GliGene AB	10.04	-	10,04
Limone AB	100.00	100.00	100.00
NovaSAID AB	88.91	88.15	88.91
Pharmanest AB	58.89	51.91	56.53
Joint ventures			
Apra AB	41.12	42.08	41.12
Athera Biotechnologies AB	64.57	62.04	62.19
Avaris AB	85.03	68.40	68.40
BioChromix Pharma AB	68.77	54.31	68.49
Bioneris AB (in liquidation)	26.31	26.31	26.31
Biosergen AS	60.26	50.97	60.26
Dilafor AB	54.76	54.02	54.76
Dilaforette Holding AB	62.12	-	57.96
Dilaforette AB	62.12	-	57.96
HBV Theranostica AB (dormant)	-	70.73	72.52
IMED AB (divested)	-	57.38	-
Lipidor AB	39.98	30.01	39.98
NeoDynamics AB	21.45	22.58	25.74
Oncopeptides AB	43.36	42.32	43.36
OncoReg AB (liquidated)	-	88.91	-
Pergamum AB	61.93	59.81	61.93
Laurantis Pharma OY	6.07	5.86	6,07
DermaGen AB	61.93	59.81	61,93
Lipo peptide AB	61.93	59.81	61,93
PharmaSurgics in Sweden AB	61.93	59.81	61,93
ProNoxis AB	21.76	14.16	19.83
Umecrine Cognition AB	54.17	46.25	54.17
Umecrine Mood AB	42.87	47.46	42.87
XSpray Microparticles AB	60.80	59.81	60.80
Associated companies			
Axelar AB	-	44.98	-
KCIF Co-Investment Fund KB	26.00	26.00	26.00
Oss-Q AB	15.63	-	15.69
Promimic AB	29.01	24.50	24.50
Other long-term securities holdings			
BioArctic NeuroScience AB	3.17	3.17	3.17
BioChromix AB	9.34	8.00	9.34
BioResonator AB (in liquidation)	7.62	7.62	7.62
CytoGuide ApS	9.06	9.06	9.06
Independent Pharmaceutica AB (liquidated)	-	5.98	-
NephroGenex Inc.	0.58	0.58	0.58
Umecrine AB	10.41	10.41	10.41

¹ Including indirect ownership through KDev Oncology AB, Dilaforette Holding AB, Pergamum AB, KCIF Co-Investment Fund KB, BioChromix AB and Umecrine AB

Book value in Parent Company

<i>Amounts in SEK 000</i>	Book value in Parent Company		
	31 Mar 2012	31 Mar 2011	31 Dec 2011
<i>Subsidiaries</i>			
Actar AB	12,197	6,844	3,679
Axelar AB	73,343	-	48,343
Clanotech AB	39,194	34,695	37,194
Daffodil AB (dormant)	50	-	-
HBV Theranostica AB (dormant)	0	-	-
Inhalation Sciences Sweden AB	24,238	19,738	24,238
KCIF Fund Management AB	43	43	43
KD Incentive AB	200	100	200
KDev Oncology AB	49,070	0	1,000
Akinion Pharmaceuticals AB	-	28,070	48 070
Limone AB	1,858	1,500	296
NovaSAID AB	74,407	66,407	74,407
Pharmanest AB	18,725	7,776	15,075
Total book value subsidiaries	293,325	165,173	252,545
<i>Joint ventures</i>			
Aprea AB	46,199	39,629	46,199
Athera Biotechnologies AB	93,787	66,037	74,797
Avaris AB	0	53,650	0
BioChromix Pharma AB	19,350	9,350	19,350
Bioneris AB (in liquidation)	0	0	0
Biosergen AS	21,370	15,114	21,370
Dilafor AB	88,831	83,831	88,831
Dilaforette Holding AB	17,188	-	7,188
Eribis AB	-	10,970	-
HBV Theranostica AB (dormant)	-	2,190	0
IMED AB (divested)	-	45,307	-
Lipidor AB	9,000	4,003	9,000
NeoDynamics AB	11,097	7,551	11,097
Oncopeptides AB	22,914	18,536	22,914
OncoReg AB (liquidated)	-	0	-
Pergamum AB	210,850	103,014	210,850
ProNoxis AB	6,500	3,000	5,500
Umecrine Cognition AB	14,700	7,000	14,700
Umecrine Mood AB	25,112	21,253	25,112
XSpray Microparticles AB	33,708	27,872	33,708
<i>Associated companies</i>			
Axelar AB	-	28,342	-
KCIF Co-Investment Fund KB	12,791	7,439	10,527
Oss-Q AB	3,650	-	3,650
Promimic AB	11,100	8,100	8,100
Total book value joint ventures and associated companies	648,147	562,188	612,893
Total fair value joint ventures and associated companies	953,164	1,199,924	980,276
<i>Other long-term securities holdings</i>			
BioArctic NeuroScience AB	600	600	600
BioChromix AB	2,374	2,002	2,374
BioResonator AB (in liquidation)	0	2,500	0
CytoGuide ApS	3,300	3,300	3,300
Independent Pharmaceutica AB (liquidated)	-	0	-
NephroGenex Inc.	709	709	709
Umecrine AB	7,398	7,398	7,398
Total book value other long-term securities holdings	14,381	16,509	14,381
Total fair value other long-term securities holdings	24,388	30,598	24,587

Note 5 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 2011		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
Total as of 31 Mar 2012		48,531,417		24,265,709	1,503,098	47,028,319		0.5

Calculation of net asset value

<i>Amounts in SEK 000</i>	Group		
	31 Mar 2012	31 Mar 2011	31 Dec 2011
<i>Net assets</i>			
Cash and cash equivalents	171,513	141,841	163,347
Short-term investments	362,204	78,633	457,249
Loans receivable joint ventures and associated companies	26 715	86,162 ¹	3,675
Financial liabilities	-2,000	-2,000	-2,000
Total net assets	558,432	304,636	622,271
Estimated fair value of portfolio companies including subsidiaries	1 581 144	1 461 871	1,546,864
Total net asset value	2,139,576	1,766,507	2,169,135
Number of shares	48,531,417	33,331,417	48,531,417
Net asset value per share*	44.09	53.00	44.70

*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.

¹ The amount includes a restricted account with a balance of SEK 2,837 thousand. In the balance sheet, the amount is included in other current receivables.

Note 6 Pledged assets and contingent liabilities

Karolinska Development has entered into an investment commitment of SEK 25.0m related to Axelar AB. Additional financing commitments in portfolio companies also relate strictly to Axelar AB.

<i>Amounts in SEK 000</i>	Group		
	31 Mar 2012	31 Mar 2011	31 Dec 2011
Pledged assets			
Restricted account	0	2,837	0
Endowment insurance	2,178	1,692	2,080
Total pledged assets	2,178	4,529	2,080
Investment commitments			
Biocellex	0	1,500	500
Uminova	200	400	400
Other contingent liabilities			
Axelar	26,000	0	26,000
Total contingent liabilities	26,200	1,900	26,900
Total	28,378	6,429	28,980

Note 7 Investments in portfolio companies

	2012	2011	2011
<i>Amounts in SEK 000</i>	<i>Jan-Mar</i>	<i>Jan-Mar</i>	<i>Full-year</i>
<i>Investments in subsidiaries</i>			
Actar AB	10,000	0	2
Akinion Pharmaceuticals AB	0	10,000	30,000
Axelar AB	25,000	0	20,000
Clanotech AB	2,000	0	2,499
Daffodil AB	50	0	0
Inhalation Sciences Sweden AB	0	2,500	7,000
KD Incentive AB	0	0	100
KDev Oncology AB	0	0	1,000
Limone AB	2,000	1,500	3,000
NovaSAID AB	0	4,000	12,000
Pharmanest AB	3,650	0	8,110
<i>Total investments in subsidiaries</i>	<i>42,700</i>	<i>18,000</i>	<i>83,711</i>
<i>Investments in joint ventures and associated companies</i>			
Aprea AB	0	5,900	12,470
Athera Biotechnologies AB	18,991	0	8,760
Avaris AB	0	1,800	1,800
BioChromix Pharma AB	0	0	10,000
Biosergen AS	0	0	6,256
Dilafor AB	0	4,000	9,000
Dilaforette Holding AB	10,000	0	7,188
Eribis Pharmaceuticals AB	0	0	2,490
HBV Theranostica AB	0	0	200
KCIF Co-Investment Fund KB	2,280	2,760	5,834
Lipidor AB	0	0	4,997
NeoDynamics AB	0	0	3,546
Oncopeptides AB	0	0	4,378
Oss-Q AB	0	0	3,650
Pergamum AB	0	228	108,065
Promimic AB	3,000	0	0
ProNoxis AB	1,000	0	2,500
Umecrine Cognition AB	0	0	7,700
Umecrine Mood AB	0	0	5,286
XSpray Microparticles AB	0	0	5,835
<i>Total investments in joint ventures and associated companies</i>	<i>35,271</i>	<i>14,688</i>	<i>209,955</i>
<i>Investments in other long-term securities holdings</i>			
BioChromix AB	0	2,002	2,915
Umecrine AB	0	1,000	1,000
<i>Total investments in other long-term securities holdings</i>	<i>0</i>	<i>3,002</i>	<i>3,915</i>
Total investments	77,971	35,690	297,581

Investments not affecting cash flow during the period

	2012	2011	2011
<i>Amounts in SEK 000</i>	<i>Jan-Mar</i>	<i>Jan-Mar</i>	<i>Full-year</i>
Conversions of previously issued loans			
Aprea AB	0	5,900	5,900
Biosergen AS	0	0	2,425
Dilaforette Holding AB	0	0	4,000
NeoDynamics AB	0	0	546
Oncopeptides AB	0	0	4,378
Pergamum AB	0	0	77,629
Total investments not affecting cash flow during the period	0	5,900	94,878

Note 8 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 2011 and as indicated in Note 6.