

## Karolinska Development AB (publ)

Corporate Identity Number 556707-5048

### Interim report January – September 2012

#### CEO's comment

In connection with Karolinska Development's IPO last year, I made it clear that the commercialization of the company's portfolio is our highest priority. With every passing day, our shareholders naturally grow more impatient for evidence of the value we have created in the company. I therefore wish to emphasize that we are committed to our goal to announce our first commercial agreement by year-end.

The foundation for a successful business is making progress in the portfolio. During the third quarter, Pergamum took its drug candidate LL-37 to clinical development. With LL-37 the company hopes to help patients with hard-to-heal wounds, a condition that places a great burden on both the patient and the healthcare system. Pergamum also reported top-line Phase II data with PXL-01, which unfortunately did not meet the primary end point and has negatively affected the reported valuation of Karolinska Development's total portfolio holding. The company is now awaiting a complete analysis of the data before making a decision on further development.

In addition, Aprea reported promising data from a Phase I/II study of the drug candidate APR-246. The study was primarily designed to evaluate the drug's safety profile, but also gave an indication that APR-246 can reduce the tumor burden in patients with advanced cancer. The next step for Aprea is now to initiate a proof-of-concept study in patients with ovarian cancer. This positive news is especially gratifying since we increased our ownership interest in the company to 69 percent during the third quarter after completing the share swap announced in June. We previously expected to announce data from the Phase I/II study with Akinion's AKN-028 before year end. However, patient recruitment has been somewhat slower than expected and we now believe this study to be completed during the first quarter of 2013.

In 2012, several portfolio companies have taken important steps forward. Three projects have entered clinical development and two Phase II studies have been launched; Pharmanest's SHACT for pain relief in connection with intrauterine device (IUD) insertion and Pergamum's DPK-060 to treat outer ear infections. In total, eleven projects in our active portfolio are now in clinical development for diseases with unmet medical needs.

Torbjörn Bjerke  
Chief Executive Officer

#### Summary of significant events during the third quarter

- Pergamum reported top-line Phase II data from the clinical trial on the prevention of post-surgical adhesions
- The first patient was dosed with Pergamum's drug candidate LL-37 for treatment of hard-to-heal wounds
- Aprea announced positive data from a Phase I/II clinical study with APR-246 in patients with advanced cancers

Group	2012	2011	2012	2011
Amounts in SEKm	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep
<i>Income statement</i>				
Revenue	1.8	1.9	7.4	7.1
Profit/loss after tax	-126.7	-140.5	-315.9	-271.3
Earnings per share before and after dilution (SEK)	-2.47	-2.64	-5.99	-5.88
<i>Balance sheet</i>				
Cash and cash equivalents			202.7	165.4
Short-term investments			213.2	526.5
<b>Total cash, cash equivalents and short-term investments</b>			<b>415.9</b>	<b>691.9</b>
<i>Share information</i>				
Net asset value per share (SEK) (Note 5)			40.4	46.7
Share price, last trading day in the reporting period (SEK)			16.3	25.8
<i>Portfolio information</i>				
Investments in portfolio companies (Note 7)	91.3	11.6	207.0	237.9
Of which investments not affecting cash flow (Note 7)	72.8	2.4	72.8	86.5
Valuation of total portfolio holdings (Note 2)			1,535.6	1,563.9

## Significant events during the third quarter

### **Pergamum reported top-line Phase II data from the clinical trial on the prevention of post-surgical adhesions**

In July, Pergamum announced top-line results from a randomized Phase II clinical trial of PXL-01 for prevention of post-surgical adhesions. The study showed that the drug was safe and well tolerated. The primary end point was not met, but the data suggest that treatment with PXL-01 may improve hand mobility following surgery. The company is now awaiting a complete analysis based on the data before making a decision on the project's continued development.

### **First patient dosed with Pergamum's drug candidate for treatment of hard-to-heal wounds**

To evaluate the safety and tolerability of a promising new treatment for chronic leg ulcers, Pergamum has initiated a Phase I/II double blind study where three different doses of the drug candidate LL-37 will be compared with a placebo. In September, Pergamum announced that the first of a total of 32 patients has been dosed.

### **Aprea announced positive data from a Phase I/II clinical study with APR-246 in patients with advanced cancers**

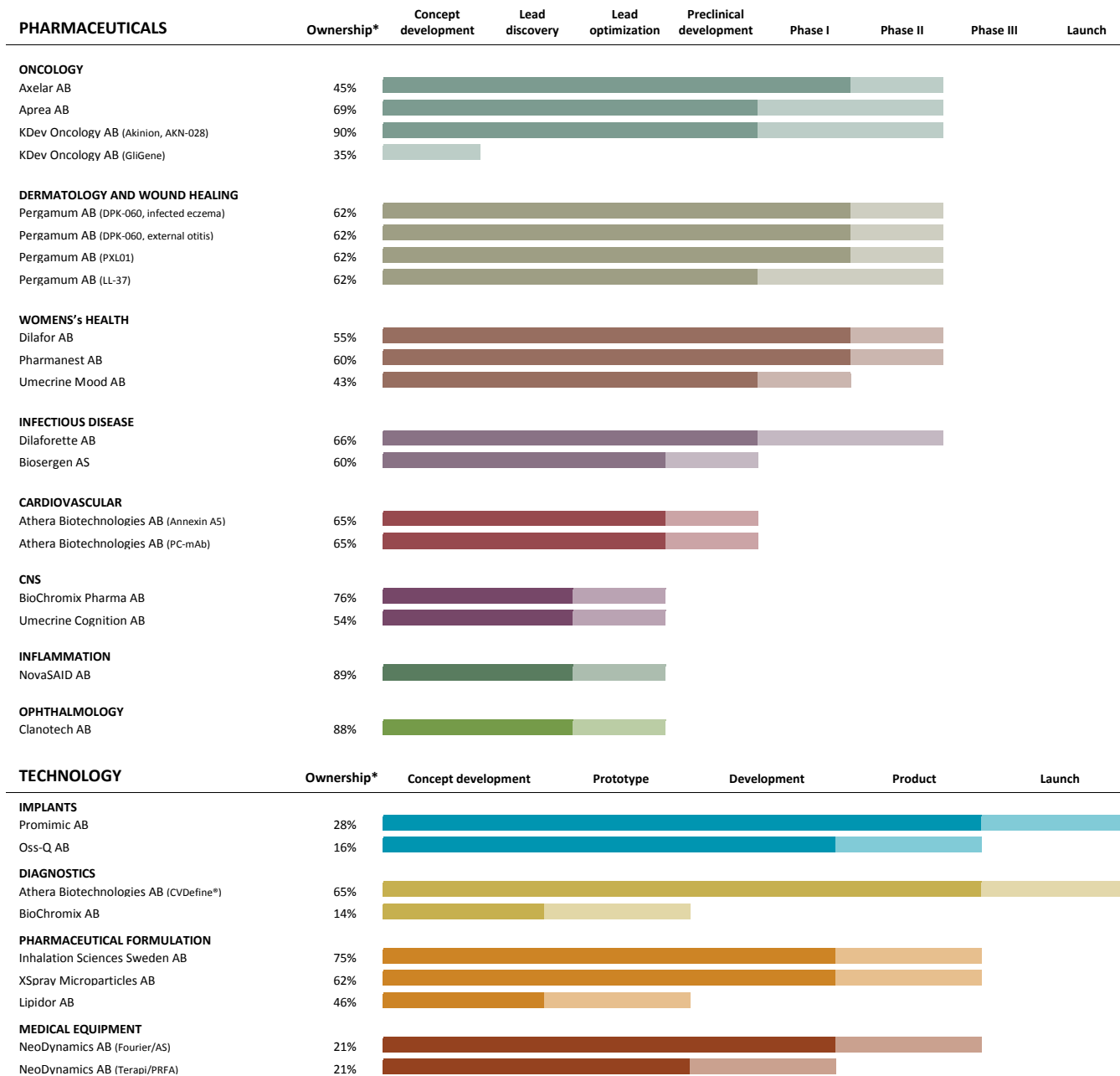
In September, Aprea announced positive data from a completed Phase I/II clinical study with its investigational drug APR-246. The results from the study have been published in the Journal of Clinical Oncology. In the trial, escalating doses of APR-246 were administered as monotherapy to 22 patients with advanced blood or prostate cancer during up to four consecutive days. Dose-limiting toxicity was shown at plasma levels well above predicted therapeutic plasma levels. The study also demonstrated dose-proportional and time-independent pharmacokinetics for APR-246 over the dose range studied. In addition to reporting that the drug was well tolerated, the authors concluded from the study that APR-246 induces biological effects and that there are cases of clinical effects on the tumor burden. One patient with advanced blood cancer demonstrated a 50 percent reduction in the number of blast cells in their bone marrow. Based on the positive data, Aprea is planning to initiate a Phase II proof-of-concept study in ovarian cancer.

## Significant events after the end of the reporting period

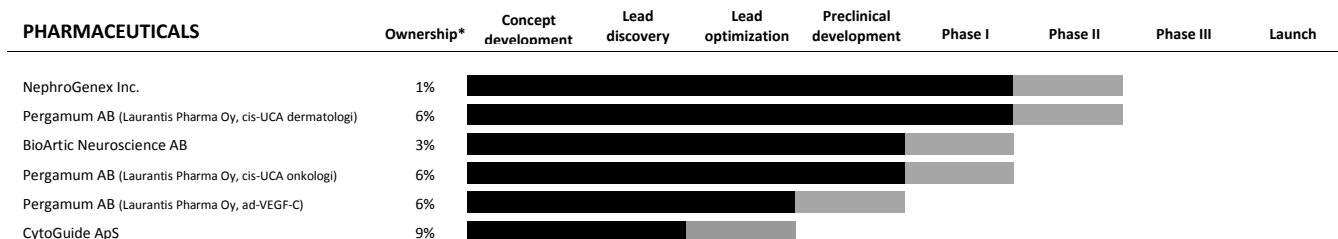
No significant events after the end of the reporting period.

## The portfolio (as per November 22, 2012)

Many of Karolinska Development's portfolio companies took important steps forward during the year. Two of the projects, LL-37 and AKN-028, advanced into Phase I/II studies, Pharmanest completed a full Phase I study and initiated a Phase II study with SHACT, and Pergamum initiated a Phase II trial with DPK-060. Furthermore, Aprea reported the results from a Phase I/II trial with APR-246 and Pergamum reported data from a Phase II trial with PXL-01. Two new companies were added during the year through investments in the companies GliGene AB and Oss-Q AB. In addition, the holdings in Oncopeptides AB and ProNoxis AB were divested. KDev Oncology AB was established during the year and currently comprises GliGene AB and Akinion Pharmaceuticals AB.



## FINANCIAL/PASSIVE INVESTMENTS



\*Includes indirect ownership

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

## Financial overview – Group

### Revenue

Consolidated revenue during the nine-month period amounted to SEK 7.4m, compared with SEK 7.1m in the same period in 2011. During the third quarter, consolidated revenue amounted to SEK 1.8m, compared with SEK 1.9m in the same period in 2011.

### Results

During the nine-month period, the Group's operating loss amounted to SEK -303.7m (-277.4), a change of SEK -26.3m compared with the same period in 2011. The loss was mainly due to the portion of the change in fair value affecting income, which amounted to SEK -188.9m (-167.8) during the period, as well as increased development costs in subsidiaries. Pergamum announced Phase II data from PXL-01 that unfortunately did not meet the primary end point and has negatively affected the valuation of the reported total portfolio holding. As indicated in Note 2, the value of companies reported as subsidiaries appreciated by SEK 43.3m (59.5). These changes are not recognized in the consolidated income statement and statement of financial position, since the subsidiaries are consolidated and therefore are not measured at fair value.

During the nine-month period, a share swap with Industrifonden was completed through which Karolinska Development exchanged its shares in Oncopeptides AB for Industrifonden's shares in Aprea AB. The share swap gave Karolinska Development a controlling interest in Aprea AB, which has therefore been consolidated as a subsidiary as of the closing date of the transaction, 27 August 2012. The transaction has had no effect on the consolidated operating results (Note 4).

The Group's loss before tax during the nine-month period amounted to SEK -326.7m (-286.5) of which parent company costs SEK -41.0m (-46.1), fair value change SEK -188.9m (-167.8), subsidiary costs SEK -73.8m (-63.5) and financial net SEK -23.0 (-9.1).

The Group's operating loss for the third quarter amounted to SEK -101.2m (-143.0), a change of SEK 41.8m compared with the same period in 2011. The change was mainly due to the portion of the change in fair value affecting income, which amounted to SEK -65.5m (-104.9) during the third quarter. As indicated in Note 2, the value of companies reported as subsidiaries appreciated by SEK 18.0m (2.3) during the third quarter.

The Group's loss before tax amounted to SEK -129.9m (-147.3) during the third quarter.

### Investments in portfolio companies (Note 7)

The Group's investments during the nine-month period amounted to SEK 207.0m (237.9) of which SEK 134.2m were cash flow affecting investments.

The largest investments during the nine-month period were in Aprea AB at SEK 72.6m through the share swap with Industrifonden (Note 4), Axelar AB at SEK 25.0m, Athera Biotechnologies AB at SEK 19.0m, the KDev Oncology AB Group at SEK 18.0m (of which SEK 15.0m in Akinion Pharmaceuticals AB and SEK 3.0m in GliGene AB) and Dilaforette Holding AB at SEK 10.0m (of which SEK 10.0 in Dilaforette AB).

The Group's investments during the third quarter amounted to SEK 91.3m (11.6).

The largest investments during the third quarter were in Aprea AB at SEK 72.6m through the share swap with Industrifonden (Note 4), BioChromix Pharma AB at SEK 8.5m, Clanotech AB at SEK 4.5m and Pharmanest AB at SEK 4.4m.

### Financial position\*

The Group's intangible assets have increased by SEK 306.4m. Following the share acquisition in Aprea AB, it was reclassified as a subsidiary during the third quarter. As a result, intangible assets have increased by SEK 307.1m (Note 4). Other changes are related to the capitalization and amortization of patents in other subsidiaries.

The Group's equity to total assets ratio was 90 percent (93) on 30 September 2012 and equity amounted to SEK 1,940.7m (2,173.9).

Cash, cash equivalents and short-term investments amounted to SEK 415.9m (620.6).

Total assets amounted to SEK 2,161.4m (2,345.9).

\* Comparable figures refer to 31 December 2011

## Financial overview– Parent Company

### *Revenue*

The Parent Company's revenue during the nine-month period amounted to SEK 2.7m (1.8).

During the third quarter, the Parent Company's revenue amounted to SEK 1.0m (0.4).

### *Results*

During the nine-month period, the Parent Company's operating loss amounted to SEK -132.7m (-164.0), a change of SEK 31.3m compared with the same period in 2011. The operating loss for the period includes impairment losses on the holdings in Pergamum AB (SEK -125.4m), KDev Exploratory AB (formerly Actar AB) (SEK -5.5m), Limone AB (SEK -3.6m) and Avaris AB (SEK -0.4m). The impairment loss related to Pergamum AB was recognized after the results of the randomized Phase II clinical trial of PXL-01 for prevention of post-surgical adhesions proved inconclusive.

During the nine-month period, a share swap with Industrifonden was completed through which Karolinska Development exchanged its shares in Oncopeptides AB for Industrifonden's shares in Aprea AB. The transaction has positively affected the operating result by SEK 49.7m (Note 8). Furthermore, the shareholding in the portfolio company ProNoxis AB has been divested with a negative effect on the operating result of SEK -6.5m.

The Parent Company's operating loss for the nine-month period amounted to SEK -154.6m (-173.7).

During the third quarter, the Parent Company's operating profit amounted to SEK 6.3m (-64.5), a change of SEK 70.8m compared with the same period in 2011. The third quarter's operating profit includes impairment losses on the holdings in Pergamum AB (SEK -20.5m), KDev Exploratory AB (formerly Actar AB) (SEK -2.1m) and Limone AB (SEK -1.3m). The share swap with Industrifonden has positively affected the operating result by SEK 49.7m (Note 8). The divestment of ProNoxis AB has negatively affected the operating result by SEK -6.5m.

The Parent Company's net loss was SEK -21.7m (-69.0) during the third quarter.

### *Investments in portfolio companies (Note 7)*

The Parent Company invested a total of SEK 75.9m (69.0) in subsidiaries during the nine-month period. The largest investments were in Axelar AB at SEK 25.0m, the KDev Oncology AB Group at SEK 18.0m (of which SEK 15.0m in Akinion Pharmaceuticals AB and SEK 3.0m in GliGene AB) and KDev Exploratory AB (formerly Actar AB) at SEK 10.0m.

The Parent Company invested SEK 129.6m (165.9) in associated companies and joint ventures during the nine-month period. The largest investments were in Aprea AB at SEK 72.6m through the share swap with Industrifonden (Note 4), Athera Biotechnologies AB at SEK 19.0m and Dilaforette Holding AB at SEK 10.0m (of which SEK 10.0m in Dilaforette AB).

The Parent Company invested SEK 1.5m (3.0) in other long-term securities holdings during the nine-month period.

During the third quarter, the Parent Company invested a total of SEK 91.3m (11.6). The largest investments were in Aprea AB at SEK 72.6m through the share swap with Industrifonden (Note 4), BioChromix Pharma AB at SEK 8.5m, Clanotech AB at SEK 4.5m and Pharmanest AB at SEK 4.4m.

## Information on risks and uncertainties

### *Parent Company and Group*

#### *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.

#### *Project development risks*

Risks and uncertainties are primarily associated with investments in portfolio companies and the development of projects in these companies. The operations of the portfolio companies consist of the development of early stage pharmaceutical projects. By their very nature, such operations are distinguished by very high risk and great uncertainty in terms of results.

#### *Financial risks*

Financial risks consist of investments in portfolio companies as well as risks in the management of liquid assets.

#### *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.

For a description of other risks and uncertainties, see 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, 22 November 2012

Torbjörn Bjerke  
CEO

## Dates for publication of financial information

Year-end report January – December 2012  
Annual report 2012

February 2013  
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 22 November 2012.

This interim report, together with additional information, is available on Karolinska Development's website, [www.karolinskadevelopment.com](http://www.karolinskadevelopment.com)

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SE-171 65 Solna, Sweden

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

## Auditors' review report

### *Introduction*

We have reviewed the condensed financial information (interim report) for Karolinska Development AB (publ) as per 30 September 2012 and the nine-month period ended on this date. The Board of Directors and the CEO are responsible for the preparation and presentation of this financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this financial information based on our review.

### *Scope of review*

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

### *Conclusion*

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

Stockholm, 22 November 2012

Deloitte AB

Thomas Strömberg  
Authorized Public Accountant



# Financial reports

## Condensed consolidated income statement

<i>Amounts in SEK 000</i>	<i>Note</i>	<b>2012</b> <i>Jul-Sep</i>	<b>2011</b> <i>Jul-Sep</i>	<b>2012</b> <i>Jan-Sep</i>	<b>2011</b> <i>Jan-Sep</i>	<b>2011</b> <i>Full-year</i>
Revenue		1,822	1,936	7,371	7,115	10,479
Other external expenses		-21,083	-25,722	-74,014	-70,862	-104,056
Personnel costs		-14,461	-13,499	-44,221	-43,480	-59,871
Depreciation and amortization of tangible and intangible non-current assets		-1,970	-792	-3,918	-2,391	-3,431
Change in fair value of shares in joint ventures and associated companies	2	-66,968	-98,294	-189,477	-164,189	-236,621
Change in fair value of other long-term securities holdings	2	1,508	-6,608	583	-3,577	-7,175
<b>Operating loss</b>		<b>-101,152</b>	<b>-142,979</b>	<b>-303,676</b>	<b>-277,384</b>	<b>-400,675</b>
Financial net	3	-28,718	-4,317	-22,996	-9,134	-4,985
<b>Loss before tax</b>	2	<b>-129,870</b>	<b>-147,296</b>	<b>-326,672</b>	<b>-286,518</b>	<b>-405,660</b>
Deferred taxes		3,159	6,773	10,756	15,229	19,987
Current taxes		0	0	0	0	0
<b>NET LOSS FOR THE PERIOD</b>		<b>-126,711</b>	<b>-140,523</b>	<b>-315,916</b>	<b>-271,289</b>	<b>-385,673</b>
<b>Attributable to:</b>						
Parent Company's shareholders		-119,879	-128,081	-290,692	-249,230	-354,147
Non-controlling interests		-6,832	-12,442	-25,224	-22,059	-31,526
<b>TOTAL</b>		<b>-126,711</b>	<b>-140,523</b>	<b>-315,916</b>	<b>-271,289</b>	<b>-385,673</b>

## Earnings per share

<i>Amounts in SEK 000</i>	<i>Note</i>	<b>2012</b> <i>Jul-Sep</i>	<b>2011</b> <i>Jul-Sep</i>	<b>2012</b> <i>Jan-Sep</i>	<b>2011</b> <i>Jan-Sep</i>	<b>2011</b> <i>Full-year</i>
Earnings per share attributable to Parent Company's shareholders, weighted average, before and after dilution		-2.47	-2.64	-5.99	-5.88	-8.07
Number of shares, weighted average	5	48,531,417	48,531,417	48,531,417	42,351,917	43,908,951

## Consolidated statement of comprehensive income

<i>Amounts in SEK 000</i>	<i>Note</i>	<b>2012</b> <i>Jul-Sep</i>	<b>2011</b> <i>Jul-Sep</i>	<b>2012</b> <i>Jan-Sep</i>	<b>2011</b> <i>Jan-Sep</i>	<b>2011</b> <i>Full-year</i>
<b>Net loss for the period</b>		<b>-126,711</b>	<b>-140,523</b>	<b>-315,916</b>	<b>-271,289</b>	<b>-385,673</b>
<b>Total comprehensive income for the period</b>		<b>-126,711</b>	<b>-140,523</b>	<b>-315,916</b>	<b>-271,289</b>	<b>-385,673</b>
<b>Attributable to:</b>						
Parent Company's shareholders		-119,879	-128,081	-290,692	-249,230	-354,147
Non-controlling interests		-6,832	-12,442	-25,224	-22,059	-31,526
<b>TOTAL</b>		<b>-126,711</b>	<b>-140,523</b>	<b>-315,916</b>	<b>-271,289</b>	<b>-385,673</b>

## Condensed consolidated statement of financial position

<i>Amounts in SEK 000</i>	<i>Note</i>	<i>30 Sep 2012</i>	<i>30 Sep 2011</i>	<i>31 Dec 2011</i>
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible non-current assets		1,009,081	702,672	702,957
Tangible non-current assets		5,254	1,946	1,663
Shares in joint ventures and associated companies	2,4	669,561	1,017,651	980,276
Other long-term securities holdings	2,4	26,630	27,272	24,587
Loans receivable joint ventures and associated companies		12,103	8,400	3,675
Other financial assets	4	8,907	0	0
<b>Total non-current assets</b>		<b>1,731,536</b>	<b>1,757,941</b>	<b>1,713,158</b>
<b>Current assets</b>				
Accounts receivable		890	975	1,462
Other short-term receivables		7,546	10,249	8,757
Prepaid expenses and accrued income		5,608	3,430	1,886
Short-term investments		213,136	526,534	457,249
Cash and cash equivalents		202,720	165,367	163,347
<b>Total current assets</b>		<b>429,900</b>	<b>706,555</b>	<b>632,701</b>
<b>TOTAL ASSETS</b>		<b>2,161,436</b>	<b>2,464,496</b>	<b>2,345,859</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	5	24,266	24,266	24,266
Share premium		1,768,179	1,768,179	1,768,179
Retained earnings including current period result		-198,043	195,187	86,442
<b>Equity attributable to Parent Company's shareholders</b>		<b>1,594,402</b>	<b>1,987,632</b>	<b>1,878,887</b>
Non-controlling interests		346,262	300,288	295,041
<b>Total equity</b>		<b>1,940,664</b>	<b>2,287,920</b>	<b>2,173,928</b>
<b>Long-term liabilities</b>				
Deferred taxes		186,329	148,344	143,586
Interest-bearing liabilities		0	2,000	2,000
Other financial liabilities	4	8,907	0	0
<b>Total long-term liabilities</b>		<b>195,236</b>	<b>150,344</b>	<b>145,586</b>
<b>Current liabilities</b>				
Interest-bearing liabilities		1,675	0	0
Accounts payable		6,995	8,096	9,563
Other short-term liabilities		3,989	4,531	2,796
Accrued expenses and prepaid income		12,877	13,605	13,986
<b>Total current liabilities</b>		<b>25,536</b>	<b>26,232</b>	<b>26,345</b>
<b>Total liabilities</b>		<b>220,772</b>	<b>176,576</b>	<b>171,931</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,161,436</b>	<b>2,464,496</b>	<b>2,345,859</b>

## Condensed consolidated statement of changes in equity

Equity attributable to Parent Company's shareholders							
Amounts in SEK 000	Note	Share capital	Share premium	Retained earnings incl. current year result	Total	Non-controlling interests	Total equity
<b>Opening equity at 1 Jan 2012</b>		<b>24,266</b>	<b>1,768,179</b>	<b>86,442</b>	<b>1,878,887</b>	<b>295,041</b>	<b>2,173,928</b>
<i>Net loss for the period</i>				-290,692	-290,692	-25,224	-315,916
Total comprehensive income for the period		0	0	-290,692	-290,692	-25,224	-315,916
Business combinations	4				0	78,435	78,435
Change in non-controlling interests				6,207	6,207	-1,990	4,217
<b>Closing equity at 30 Sep 2012</b>	<b>5</b>	<b>24,266</b>	<b>1,768,179</b>	<b>-198,043</b>	<b>1,594,402</b>	<b>346,262</b>	<b>1,940,664</b>
<b>Opening equity at 1 Jan 2011</b>		<b>16,666</b>	<b>1,212,611</b>	<b>454,484</b>	<b>1,683,761</b>	<b>33,414</b>	<b>1,717,175</b>
<i>Net loss for the period</i>				-249,230	-249,230	-22,059	-271,289
Total comprehensive income for the period		0	0	-249,230	-249,230	-22,059	-271,289
Business combinations					0	222,834	222,834
Change in non-controlling interests				-10,067	-10,067	66,099	56,032
New share issue		7,600	600,400		608,000		608,000
Issue costs			-44,949		-44,949		-44,949
Effect of warrants			117		117		117
<b>Closing equity at 30 Sep 2011</b>	<b>5</b>	<b>24,266</b>	<b>1,768,179</b>	<b>195,187</b>	<b>1,987,632</b>	<b>300,288</b>	<b>2,287,920</b>
<b>Opening equity at 1 Jan 2011</b>		<b>16,666</b>	<b>1,212,611</b>	<b>454,484</b>	<b>1,683,761</b>	<b>33,414</b>	<b>1,717,175</b>
<i>Net loss for the 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
<b>Closing equity at 31 Dec 2011</b>	<b>5</b>	<b>24,266</b>	<b>1,768,179</b>	<b>86,442</b>	<b>1,878,887</b>	<b>295,041</b>	<b>2,173,928</b>

## Consolidated statement of cash flows

		2012	2011
Amounts in SEK 000	Note	Jan-Sep	Jan-Sep
<b>Operating activities</b>			
Operating loss		-303,676	-277,384
Adjustments for depreciation, amortization and impairment losses		3,918	2,391
Adjustments for changes in fair value	2	188,894	167,766
Realized changes in value of short-term investments		8,684	0
Interest paid		-26	-25
Interest received		3,053	2,650
<b>Cash flow from operating activities before changes in working capital</b>		<b>-99,153</b>	<b>-104,602</b>
<b>Cash flow from changes in working capital</b>			
Increase (-)/Decrease (+) in operating receivables		-3,310	-205
Increase (+)/Decrease (-) in operating liabilities		-5,651	3,976
<b>Cash flow from operating activities</b>		<b>-108,114</b>	<b>-100,831</b>
<b>Investing activities</b>			
Investments in intangible non-current assets		-1,772	-1,190
Investments in tangible non-current assets		-4,611	-283
Acquired liquid assets in subsidiaries	4	5,363	12,878
Investments in shares in joint ventures and associated companies	7	-56 951	-79,362
Investments in other long-term securities	7	-1,460	-3,002
Change in short-term investments		238,431	-385,408
Sale of shares in joint ventures and associated companies		3,217	21,811
Sale of other long-term securities		0	540
Loans provided to associated companies		-38,542	-23,400
<b>Cash flow from investing activities</b>		<b>143,675</b>	<b>-457,416</b>
<b>Financing activities</b>			
Non-controlling interests' share of subsidiary issue		4,137	53,121
New share issue		0	608,000
Issue costs		0	-44,949
Warrants		0	117
Amortization of interest-bearing liabilities		-325	0
<b>Cash flow from financing activities</b>		<b>3,812</b>	<b>616,289</b>
<b>Cash flow for the period</b>		<b>39,373</b>	<b>58,042</b>
Cash and cash equivalents at beginning of period		163,347	107,325
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>202,720</b>	<b>165,367</b>
<b>Supplemental disclosure</b>			
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>202,720</b>	<b>165,367</b>
Short-term investments, market value on closing date		213,136	526,534
<b>CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS AT END OF PERIOD</b>		<b>415,856</b>	<b>691,901</b>

## Condensed income statement for the Parent Company

		2012	2011	2012	2011	2011
<i>Amounts in SEK 000</i>	<i>Note</i>	<i>Jul-Sep</i>	<i>Jul-Sep</i>	<i>Jan-Sep</i>	<i>Jan-Sep</i>	<i>Full-year</i>
Net sales		976	411	2,701	1,807	2,467
<b>Revenue</b>		<b>976</b>	<b>411</b>	<b>2,701</b>	<b>1,807</b>	<b>2,467</b>
Other external expenses		-5,939	-4,407	-21,449	-24,758	-32,174
Personnel costs		-7,887	-6,512	-22,268	-23,095	-32,066
Depreciation of tangible non-current assets		-1	-17	-4	-50	-67
Impairment losses on shares in subsidiaries, joint ventures, associated companies and other long-term securities holdings		-24,031	-53,984	-134,966	-117,938	-125,961
Result from sale of portfolio companies	8	43,222	0	43,269	0	6,239
<b>Operating loss</b>		<b>6,340</b>	<b>-64,509</b>	<b>-132,717</b>	<b>-164,034</b>	<b>-181,562</b>
Financial net	3	-28,030	-4,525	-21,838	-9,684	-6,183
<b>NET LOSS FOR THE PERIOD</b>		<b>-21,690</b>	<b>-69,034</b>	<b>-154,555</b>	<b>-173,718</b>	<b>-187,745</b>

## Statement of comprehensive income for the Parent Company

		2012	2011	2012	2011	2011
<i>Amounts in SEK 000</i>	<i>Note</i>	<i>Jul-Sep</i>	<i>Jul-Sep</i>	<i>Jan-Sep</i>	<i>Jan-Sep</i>	<i>Full-year</i>
<b>Net loss for the period</b>		<b>-21,690</b>	<b>-69,034</b>	<b>-154,555</b>	<b>-173,718</b>	<b>-187,745</b>
<b>Total comprehensive income for the period</b>		<b>-21,690</b>	<b>-69,034</b>	<b>-154,555</b>	<b>-173,718</b>	<b>-187,745</b>
<b>Attributable to:</b>						
Parent Company's shareholders		-21,690	-69,034	-154,555	-173,718	-187,745
<b>TOTAL</b>		<b>-21,690</b>	<b>-69,034</b>	<b>-154,555</b>	<b>-173,718</b>	<b>-187,745</b>

## Condensed statement of financial position for the Parent Company

<i>Amounts in SEK 000</i>	<i>Note</i>	<i>30 Sep 2012</i>	<i>30 Sep 2011</i>	<i>31 Dec 2011</i>
<b>Assets</b>				
<b>Non-current assets</b>				
Tangible non-current assets		11	59	42
Shares in subsidiaries, joint ventures, associated companies and other long-term securities holdings	4	922,753	828,128	879,819
Loans receivable joint ventures and associated companies		12,103	8,400	3,675
Other financial assets		2,301	1,959	2,080
<b>Total non-current assets</b>		<b>937,168</b>	<b>838,546</b>	<b>885,616</b>
<b>Current assets</b>				
Accounts receivable		413	228	49
Group receivables		247	1,523	74
Other receivables		2,425	8,071	5,766
Prepaid expenses and accrued income		2,732	2,138	881
Short-term investments		213,136	526,532	457,249
Cash and cash equivalents		108,445	57,235	68,319
<b>Total current assets</b>		<b>327,398</b>	<b>595,727</b>	<b>532,338</b>
<b>TOTAL ASSETS</b>		<b>1,264,566</b>	<b>1,434,273</b>	<b>1,417,954</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
<b>Restricted equity</b>				
Share capital	5	24,266	24,266	24,266
<b>Unrestricted equity</b>				
Share premium reserve		1,778,253	1,778,253	1,778,253
Retained earnings		-395,026	-207,281	-207,281
Net loss for the period		-154,555	-173,718	-187,745
<b>Total equity</b>		<b>1,252,938</b>	<b>1,421,520</b>	<b>1,407,493</b>
<b>Long-term liabilities</b>				
Pension obligations		2,301	1,959	2,080
<b>Total long-term liabilities</b>		<b>2,301</b>	<b>1,959</b>	<b>2,080</b>
<b>Current liabilities</b>				
Accounts payable		1,906	2,252	807
Group liabilities		70	0	0
Other current liabilities		1,676	3,593	1,530
Accrued expenses and deferred income		5,675	4,949	6,044
<b>Total current liabilities</b>		<b>9,327</b>	<b>10,794</b>	<b>8,381</b>
<b>Total liabilities</b>		<b>11,628</b>	<b>12,753</b>	<b>10,461</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,264,566</b>	<b>1,434,273</b>	<b>1,417,954</b>

## Pledged assets and contingent liabilities

<i>Amounts in SEK 000</i>	<i>Note</i>	<i>30 Sep 2012</i>	<i>30 Sep 2011</i>	<i>31 Dec 2011</i>
Pledged assets	6	2,301	4,984	2,080
Contingent liabilities	6	1,200	900	900
<b>Total</b>		<b>3,501</b>	<b>5,884</b>	<b>2,980</b>

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

<i>Amounts in SEK 000</i>	Restricted equity		Unrestricted equity			Total equity
	Note	Share capital	Share premium reserve	Retained earnings	Net loss for the period	
<b>Opening equity at 1 Jan 2012</b>		<b>24,266</b>	<b>1,778,253</b>	<b>-207,281</b>	<b>-187,745</b>	<b>1,407,493</b>
Appropriation of loss				-187,745	187,745	0
Net loss for the period					-154,555	-154,555
<b>Closing equity at 30 Sep 2012</b>	<b>5</b>	<b>24,266</b>	<b>1,778,253</b>	<b>-395,026</b>	<b>-154,555</b>	<b>1,252,938</b>
<b>Opening equity at 1 Jan 2011</b>		<b>16,666</b>	<b>1,222,685</b>	<b>-95,932</b>	<b>-111,349</b>	<b>1,032,070</b>
Appropriation of loss				-111,349	111,349	0
Net loss for the period					-173,718	-173,718
<b>Total</b>		<b>16,666</b>	<b>1,222,685</b>	<b>-207,281</b>	<b>-173,718</b>	<b>858,352</b>
New share issue		7,600	600,400			608,000
Issue costs			-44,949			-44,949
Warrants			117			117
<b>Closing equity at 30 Sep 2011</b>	<b>5</b>	<b>24,266</b>	<b>1,778,253</b>	<b>-207,281</b>	<b>-173,718</b>	<b>1,421,520</b>
<b>Opening equity at 1 Jan 2011</b>		<b>16,666</b>	<b>1,222,685</b>	<b>-95,932</b>	<b>-111,349</b>	<b>1,032,070</b>
Appropriation of loss				-111,349	111,349	0
Net loss for the year					-187,745	-187,745
<b>Total</b>		<b>16,666</b>	<b>1,222,685</b>	<b>-207,281</b>	<b>-187,745</b>	<b>844,325</b>
New share issue		7,600	600,400			608,000
Issue costs			-44,949			-44,949
Warrants			117			117
<b>Closing equity at 31 Dec 2011</b>	<b>5</b>	<b>24,266</b>	<b>1,778,253</b>	<b>-207,281</b>	<b>-187,745</b>	<b>1,407,493</b>

## Notes to the financial reports

### Note 1 Accounting principles

This report has been prepared in accordance with the International Accounting Standard (IAS) 34 Interim Financial Reporting 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*

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 Jul-Sep	2011 Jul-Sep	2012 Jan-Sep	2011 Jan-Sep	2011 Full-year
<i>Amounts in SEK 000</i>					
<b>Subsidiaries</b>					
Change in fair value	17,982	2,259	43,327	59,472	67,819
<b>Joint ventures and associated companies</b>					
Change in fair value	-46,431	-36,894	-63,661	-44,289	-118,789
Impairment losses <sup>1</sup>	-20,537	-61,400	-125,816	-119,900	-117,832
<b>Other long-term securities holdings</b>					
Change in fair value	1,508	-6,608	583	-3,577	-4,675
Impairment losses <sup>1</sup>	0	0	0	0	-2,500
<b>Change in fair value of total portfolio holdings</b>	<b>-47,478</b>	<b>-102,643</b>	<b>-145,567</b>	<b>-108,294</b>	<b>-175,977</b>
<b>Group eliminations</b>					
Less change in fair value of subsidiaries	-17,982	-2,259	-43,327	-59,472	-67,819
<b>Net loss from changes in fair value</b>	<b>-65,460</b>	<b>-104,902</b>	<b>-188,894</b>	<b>-167,766</b>	<b>-243,796</b>
Consolidated revenue and other expenses (including financial net)	-64,410	-42,394	-137,778	-118,752	-161,864
<b>Consolidated loss before tax</b>	<b>-129,870</b>	<b>-147,296</b>	<b>-326,672</b>	<b>-286,518</b>	<b>-405,660</b>

<sup>1</sup>In the Group's internal follow-up the change in the value of discontinued projects is recognized as impairments

The aggregate loss from changes in the fair value of the portfolio companies amounted to SEK -145.6m (-108.3) during the nine-month period, which includes a positive change in the fair value of subsidiaries of SEK 43.3m (59.5). The change in the fair value of subsidiaries is not recognized in the consolidated income statement or statement of financial position, 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 -188.9m (-167.8).

### Assets per segment

Amounts in SEK 000	Fair value of portfolio companies		
	30 Sep 2012	30 Sep 2011	31 Dec 2011
<b>Fair value of total portfolio holdings</b>			
Subsidiaries	839,417	518,943	542,001
Joint ventures and associated companies	669,561	1,017,651	980,276
Other long-term securities holdings	26,630	27,272	24,587
<b>Fair value of total portfolio holdings</b>	<b>1,535,608</b>	<b>1,563,866</b>	<b>1,546,864</b>
Less fair value in subsidiaries	-839,417	-518,943	-542,001
<b>Group</b>	<b>696,191</b>	<b>1,044,923</b>	<b>1,004,863</b>

### Shares in portfolio companies at fair value

Amounts in SEK 000	Subsidiaries	Joint ventures & associated companies	Other long-term securities	Total portfolio holdings
<b>Accumulated fair value</b>				
Opening balance at 1 Jan 2011	209,108	1,220,791	24,761	1,454,660
Investments (Note 7)	69,000	165,862	3,002	237,864
Reclassifications	182,173	-185,799	3,626	0
Sale of shares	-810	-21,811	-540	-23,161
Reversal of profit share from KCIF Co-Investment Fund KB	0	2,797	0	2,797
Changes in fair value and impairment losses	59,472	-164,189	-3,577	-108,294
<b>Closing balance at 30 Sep 2011</b>	<b>518,943</b>	<b>1,017,651</b>	<b>27,272</b>	<b>1,563,866</b>
Opening balance at 1 Jan 2011	209,108	1,220,791	24,761	1,454,660
Investments (Note 7)	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
<b>Closing balance at 31 Dec 2011</b>	<b>542,001</b>	<b>980,276</b>	<b>24,587</b>	<b>1,546,864</b>
Opening balance at 1 Jan 2012	542,001	980,276	24,587	1,546,864
Investments (Note 7)	75,949	129,587	1,460	206,996
Reclassifications (Note 4)	178,140	-178,140	0	0
Sale of shares	0	-72,685 <sup>1</sup>	0	-72,685
Changes in fair value and impairment losses	43,327	-189,477	583	-145,567
<b>Closing balance at 30 Sep 2012</b>	<b>839,417</b>	<b>669,561</b>	<b>26,630</b>	<b>1,535,608</b>

<sup>1</sup> Of which SEK 72,636 thousand relates to Oncopeptides AB (Note 4)

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

<i>Amounts in SEK 000</i>	<b>30 Sep 2012</b>	<b>30 Sep 2011</b>	<b>31 Dec 2011</b>
Aggregate fair value of total portfolio holdings	1,535,608	1,563,866	1,546,864
Less fair value of consolidated subsidiaries	-839,417	-518,943	-542,001
Other consolidated assets	1,465,245	1,419,573	1,340,996
<b>Consolidated total assets</b>	<b>2,161,436</b>	<b>2,464,496</b>	<b>2,345,859</b>

**Note 3**      **Financial net**

<i>Amounts in SEK 000</i>	<b>Group</b>				
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2011</b>
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Full-year
Interest income	1,881	4,096	3,886	4,972	6,247
Interest expenses	-6	-16	-26	-24	-36
Change in value of short-term investments	1,827	-2,100	6,536	4,519	10,036
Exchange rate gains and losses	-1,129	203	-2,101	-101	-2
Impairment of loans receivable from joint ventures and associated companies	-31,291 <sup>1</sup>	-6,500	-31,291	-18,500	-21,230
<b>Financial net</b>	<b>-28,718</b>	<b>-4,317</b>	<b>-22,996</b>	<b>-9,134</b>	<b>-4,985</b>

<sup>1</sup> Refers to write-down of loan receivables from Pergamum

<i>Amounts in SEK 000</i>	<b>Parent Company</b>				
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2011</b>
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Full-year
Interest income	1,506	3,893	3,170	4,331	5,017
Interest expenses	0	-3	-4	-4	-6
Change in value of short-term investments	1,866	-2,100	6,398	4,519	10,036
Exchange rate gains and losses	-111	185	-111	-30	0
Impairment of loans receivable from joint ventures and associated companies	-31,291 <sup>1</sup>	-6,500	-31,291	-18,500	-21,230
<b>Financial net</b>	<b>-28,030</b>	<b>-4,525</b>	<b>-21,838</b>	<b>-9,684</b>	<b>-6,183</b>

<sup>1</sup> Refers to write-down of loan receivables from Pergamum

## 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, % <sup>1</sup>		
	30 Sep 2012	30 Sep 2011	31 Dec 2011
<b>Subsidiaries</b>			
Aprea AB <sup>2</sup>	69.43	-	-
Aprea Personal AB (dormant)	69.43	-	-
Axelar AB	45.29	40.03	40.03
Clanotech AB	88.31	86.32	86.94
Daffodil AB (dormant)	100.00	-	-
HBV Theranostica AB (dormant)	100.00	-	-
Inhalation Sciences Sweden AB	74.72	68.75	72.11
KCIF Fund Management AB	37.50	37.50	37.50
KD Incentive AB	100.00	100.00	100.00
KDev Exploratory AB (formerly Actar AB)	100.00	99.96	100.00
KDev Oncology AB	100.00	100.00	100.00
Akinion Pharmaceuticals AB	90.32	88.09	88.09
GliGene AB	34.65	-	10.13
Limone AB	100.00	100.00	100.00
NovaSAID AB	88.91	88.91	88.91
Pharmanest AB	60.24	53.57	56.53
<b>Joint ventures</b>			
Aprea AB <sup>2</sup>	-	41.12	41.12
Athera Biotechnologies AB	64.57	62.19	62.19
Avaris AB	94.87	68.40	68.40
BioChromix Pharma AB	76.47	58.96	68.77
Bioneris AB (in liquidation)	26.31	26.31	26.31
Biosergen AS	60.26	56.79	60.26
Dilafor AB	54.76	54.76	54.76
Dilaforette Holding AB	62.12	54.02	57.96
Dilaforette AB	62.12	54.02	57.96
HBV Theranostica AB (dormant)	-	72.52	72.52
IMED AB (divested)	-	57.38	-
Lipidor AB	46.13	39.98	39.98
NeoDynamics AB	20.72	25.74	25.74
Oncopeptides AB (divested) (Note 8)	-	42.32	43.36
OncoReg AB (liquidated)	-	88.91	-
Pergamum AB	61.93	61.75	61.93
DermaGen AB	61.93	61.75	61.93
Laurantis Pharma OY	6.07	6.07	6.07
Lipo peptide AB	61.93	61.75	61.93
PharmaSurgics in Sweden AB	61.93	61.75	61.93
Ximmune AB	5.16	6.18	5.36
ProNoxis AB (divested)	-	17.60	19.83
Umecrine Cognition AB	54.17	46.25	54.17
Umecrine Mood AB	42.88	42.87	42.87
XSpray Microparticles AB	61.81	60.80	60.80
<b>Associated companies</b>			
KCIF Co-Investment Fund KB	26.00	26.00	26.00
Oss-Q AB	15.63	-	15.69
Promimic AB	28.42	24.50	24.50
<b>Other long-term securities holdings</b>			
BioArctic NeuroScience AB	3.17	3.17	3.17
BioChromix AB	13.94	6.40	9.34
BioResonator AB (in liquidation)	7.62	7.62	7.62
CytoGuide ApS	9.06	9.06	9.06
NephroGenex Inc.	0.58	0.58	0.58
Umecrine AB	10.41	10.41	10.41

<sup>1</sup> Including indirect ownership through Aprea AB, KDev Oncology AB, Dilaforette Holding AB, Pergamum AB, KCIF Co-Investment Fund KB, BioChromix AB and Umecrine AB. <sup>2</sup>Karolinska Development has controlling interest of Aprea as of 27 August 2012; see below under "Business combinations"

*Book value in Parent Company*

<i>Amounts in SEK 000</i>	<b>Book value in Parent Company</b>		
	<b>30 Sep 2012</b>	<b>30 Sep 2011</b>	<b>31 Dec 2011</b>
<b><i>Subsidiaries</i></b>			
Aprea AB <sup>1</sup>	119,235	-	-
Axelar AB	73,343	48,343	48,343
Clanotech AB	43,694	34,695	37,194
Daffodil AB (dormant)	50	-	-
HBV Theranostica AB (dormant)	50	-	-
Inhalation Sciences Sweden AB	28,238	19,738	24,238
KCIF Fund Management AB	143	43	43
KD Incentive AB	200	100	200
KDev Exploratory AB (formerly Actar AB)	8,180	6,511	3,679
KDev Oncology AB	67,070	0	1,000
Akinion Pharmaceuticals AB	-	48,070	48,070
Limone AB	733	1,500	296
NovaSAID AB	74,407	74,407	74,407
Pharmanest AB	23,174	9,966	15,075
<b>Total book value subsidiaries</b>	<b>438,517</b>	<b>243,373</b>	<b>252,545</b>
<b>Total fair value subsidiaries</b>	<b>839,417</b>	<b>518,943</b>	<b>542,001</b>
<b><i>Joint ventures</i></b>			
Aprea AB <sup>1</sup>	-	46,199	46,199
Athera Biotechnologies AB	93,787	74,797	74,797
Avaris AB	0	0	0
BioChromix Pharma AB	27,850	12,350	19,350
Bioneris AB (in liquidation)	0	0	0
Biosergen AS	21,370	19,013	21,370
Dilafor AB	88,831	88,831	88,831
Dilaforette Holding AB	17,188	188	7,188
Eribis AB (divested)	-	0	-
HBV Theranostica AB (dormant)	-	0	0
IMED AB (divested)	-	0	-
Lipidor AB	12,998	9,000	9,000
NeoDynamics AB	11,097	11,097	11,097
Oncopeptides AB (divested) (Note 8)	-	18,536	22,914
OncoReg AB (liquidated)	-	0	-
Pergamum AB	85,475	198,643	210,850
ProNoxis AB (divested)	-	4,500	5,500
Umecrine Cognition AB	14,700	8,200	14,700
Umecrine Mood AB	27,850	25,112	25,112
XSpray Microparticles AB	36,628	33,708	33,708
<b><i>Associated companies</i></b>			
KCIF Co-Investment Fund KB	13,871	10,513	10,527
Oss-Q AB	3,650	-	3,650
Promimic AB	13,100	8,100	8,100
<b>Total book value joint ventures and associated companies</b>	<b>468,395</b>	<b>568,787</b>	<b>612,893</b>
<b>Total fair value joint ventures and associated companies</b>	<b>669,561</b>	<b>1,017,651</b>	<b>980,276</b>
<b><i>Other long-term securities holdings</i></b>			
BioArctic NeuroScience AB	600	600	600
BioChromix AB	3,834	1,461	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
<b>Total book value other long-term securities holdings</b>	<b>15,841</b>	<b>15,968</b>	<b>14,381</b>
<b>Total fair value other long-term securities holdings</b>	<b>26,630</b>	<b>27,272</b>	<b>24,587</b>

<sup>1</sup>Karolinska Development has controlling interest of Aprea as of 27 August 2012; see below under "Business combinations"

### Business combinations

Karolinska Development has completed the share swap with Industrifonden through which Karolinska Development has received shares in Aprea AB in exchange for Karolinska Development's holding in Oncopeptides AB. The share swap has given Karolinska Development controlling interest of Aprea AB. Aprea AB was previously reported as a joint venture and measured at fair value with changes in fair value through profit or loss. Because of this controlling interest, Aprea AB is classified as a subsidiary and consolidated in the Group as of 27 August 2012. This means that the full income statement, statement of financial position and cash flows for this company are now consolidated and that the holding is no longer recognized at fair value. The net assets are recognized in the consolidated financial statements, including non-controlling interests.

### Acquisition of subsidiaries

Subsidiary	Operations	Acquisition date	Share of acquired equity that carries a voting rights, %	Acquisition cost
Aprea AB	Biotechnological research and development	27 August 2012	69.43%	178,140
<b>Total consolidated value, SEK 000</b>				<b>178,140</b>

### Consolidated value

<i>Amounts in SEK 000</i>	
Book value of previous holding in Aprea AB	46,199
Share swap with Industrifonden	72,636
Change in fair value <sup>1</sup>	59,305
<b>Total consolidated value</b>	<b>178,140</b>

<sup>1</sup> The change in fair value has previously been recognized through profit or loss

### Share swap with Industrifonden

Through the share swap, Karolinska Development received Industrifonden's holding in Aprea AB, representing 28.31% of the total number of shares outstanding in exchange for Karolinska Development's holding of shares in Oncopeptides AB. No cash consideration was paid.

### Financial receivable and liability contingent consideration

The transaction also contains a provision whereby Karolinska Development AB can receive a 5% share of any revenue Industrifonden receives from Oncopeptides up to SEK 80m, while Industrifonden can receive a 5% share of any revenue Karolinska Development receives from Aprea AB up to SEK 80m as contingent consideration. In the statement of financial position, they have been recognized at an estimated market value of SEK 8,907 thousand.

### Acquisition-related costs

Acquisition-related costs have amounted to SEK 400 thousand and are recognized as other external expenses in the Group's total comprehensive income.

### Other disclosures

Aprea has issued 21,160 warrants to its employees. These warrants have not been taken into consideration on the acquisition date, since they are not expected to have a significant effect on the acquisition cost.

*Acquired assets and assumed liabilities on the acquisition date*

	Aprea AB
<i>Amounts in SEK 000</i>	<b>Fair value</b>
Patents	324
Development projects in progress	306,811
Equipment	31
Financial non-current assets	1
Deferred tax assets from fiscal deficit	24,307
Accounts receivable	23
Other short-term receivables	592
Prepaid expenses and accrued income	97
Cash and cash equivalents	5,363
Deferred tax liabilities on development projects in progress	-77 807
Accounts payable	-1,066
Other current liabilities	-228
Accrued expenses and deferred income	-1,873
<b>Net identifiable assets and liabilities</b>	<b>256,575</b>
Less non-controlling interests	-78,435
<b>Acquisition cost</b>	<b>178,140</b>

*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
Aprea AB	18	-969

*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
Aprea AB	268	-11,350

**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
<b>Total as of 1 Jan 2011</b>		<b>33,331,417</b>		<b>16,665,709</b>	<b>1,503,098</b>	<b>31,828,319</b>		<b>0.5</b>
April 2011	New share issue	15,200,000	7,600,000	24,265,709		15,200,000	40	0.5
<b>Total as of 31 Dec 2011</b>		<b>48,531,417</b>		<b>24,265,709</b>	<b>1,503,098</b>	<b>47,028,319</b>		<b>0.5</b>
<b>Total as of 30 Sep 2012</b>		<b>48,531,417</b>		<b>24,265,709</b>	<b>1,503,098</b>	<b>47,028,319</b>		<b>0.5</b>

### Calculation of net asset value

Amounts in SEK 000	Group		
	30 Sep 2012	30 Sep 2011	31 Dec 2011
<b>Net assets</b>			
Cash and cash equivalents	202,720	165,367	163,347
Short-term investments	213,136	526,534	457,249
Loans receivable joint ventures and associated companies	12,103	11,425 <sup>1</sup>	3,675
Financial liabilities	-1,675	-2,000	-2,000
<b>Total net assets</b>	<b>426,284</b>	<b>701,326</b>	<b>622,271</b>
Estimated fair value of portfolio companies including subsidiaries	1,535,608	1,563,866	1,546,864
<b>Total net asset value</b>	<b>1,961,892</b>	<b>2,265,192</b>	<b>2,169,135</b>
<b>Number of shares</b>	<b>48,531,417</b>	<b>48,531,417</b>	<b>48,531,417</b>
<b>Net asset value per share</b>	<b>40.43</b>	<b>46.67</b>	<b>44.70</b>

<sup>1</sup>The amount includes a restricted account with a balance of SEK 3,025 thousand. In the statement of financial position, 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. No additional financing commitments to portfolio companies exist other than to Axelar AB.

Amounts in SEK 000	Parent Company		
	30 Sep 2012	30 Sep 2011	31 Dec 2011
<b>Pledged assets</b>			
Restricted account	0	3,025	0
Endowment insurance	2,301	1,959	2,080
<b>Total pledged assets</b>	<b>2,301</b>	<b>4,984</b>	<b>2,080</b>
<b>Investment commitments</b>			
Biocellex	1,000	500	500
Uminova	200	400	400
<b>Total contingent liabilities</b>	<b>1,200</b>	<b>900</b>	<b>900</b>
<b>Total</b>	<b>3,501</b>	<b>5,884</b>	<b>2,980</b>

### Group's other contingent liabilities

#### Axelar AB

. Axelar AB acquired the rights to its projects patent applications from another legal entity during 2005. If Axelar transfers its project to another third party in the future the seller has the right to receive repayment of its development costs up to a maximum of SEK 26m.



**Note 7** Investments in portfolio companies

	2012	2011	2012	2011	2011
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Full-year
<i>Amounts in SEK 000</i>					
<b>Investments in subsidiaries</b>					
Akinion Pharmaceuticals AB	0	0	0	30,000	30,000
Axelar AB	0	0	25,000	20,000	20,000
Clanotech AB	4,500	0	6,500	0	2,499
Daffodil AB	0	0	50	0	0
HBV Theranostica AB	150	0	200	0	0
Inhalation Sciences Sweden AB	0	0	4,000	2,500	7,000
KCIF Fund Management AB	100	0	100	0	0
KD Incentive AB	0	0	0	0	100
KDev Exploratory AB (formerly Actar AB)	0	0	10,000	0	2
KDev Oncology AB	0	0	18,000	0	1,000
Limone AB	0	0	4,000	1,500	3,000
NovaSAID AB	0	0	0	12,000	12,000
Pharmanest AB	4,380	0	8,099	3,000	8,110
<b>Total investments in subsidiaries</b>	<b>9,130</b>	<b>0</b>	<b>75,949</b>	<b>69,000</b>	<b>83,711</b>
<b>Investments in joint ventures and associated companies</b>					
Aprea AB (Note 4)	72,636	0	72,636	12,470	12,470
Athera Biotechnologies AB	0	0	18,991	8,760	8,760
Avaris AB	0	0	444	1,800	1,800
BioChromix Pharma AB	8,500	0	8,500	3,000	10,000
Biosergen AS	0	3,899	0	3,899	6,256
Dilafor AB	0	0	0	9,000	9,000
Dilaforette Holding AB	0	0	10,000	188	7,188
Eribis Pharmaceuticals AB	0	0	0	2,490	2,490
HBV Theranostica AB	0	0	0	200	200
KCIF Co-Investment Fund KB	1,080	1,888	3,360	5,834	5,834
Lipidor AB	0	0	3,998	4,997	4,997
NeoDynamics AB	0	0	0	3,546	3,546
Oncopeptides AB	0	0	0	0	4,378
Oss-Q AB	0	0	0	0	3,650
Pergamum AB	0	0	0	95,857	108,065
Promimic AB	0	0	5,000	0	0
ProNoxis AB	0	0	1,000	1,500	2,500
Umecrine Cognition AB	0	0	0	1,200	7,700
Umecrine Mood AB	0	0	2,738	5,286	5,286
XSpray Microparticles AB	0	5,835	2,920	5,835	5,835
<b>Total investments in joint ventures and associated companies</b>	<b>82,216</b>	<b>11,622</b>	<b>129,587</b>	<b>165,862</b>	<b>209,955</b>
<b>Investments in other long-term securities holdings</b>					
BioChromix AB	0	0	1,460	2,002	2,915
Umecrine AB	0	0	0	1,000	1,000
<b>Total investments in other long-term securities holdings</b>	<b>0</b>	<b>0</b>	<b>1,460</b>	<b>3,002</b>	<b>3,915</b>
<b>Total investments</b>	<b>91,346</b>	<b>11,622</b>	<b>206,996</b>	<b>237,864</b>	<b>297,581</b>

*Investments not affecting cash flow during the period*

	2012	2011	2012	2011	2011
<i>Amounts in SEK 000</i>	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Full-year
<b>Conversions of previously issued loans</b>					
Aprea AB	0	0	0	5,900	5,900
Biosergen AS	0	2,425	0	2,425	2,425
Dilaforette Holding AB	0	0	0	0	4,000
NeoDynamics AB	0	0	0	546	546
Oncopeptides AB	0	0	0	0	4,378
Pergamum AB	0	0	0	77,629	77,629
<b>Other investments not affecting cash flow</b>			0		
HBV Theranostica AB	150	0	150	0	0
Aprea AB (Note 4)	72,636	0	72,636	0	0
<b>Total investments not affecting cash flow during the period</b>	<b>72,786</b>	<b>2,425</b>	<b>72,786</b>	<b>86,500</b>	<b>94,878</b>

**Note 8** Result on sale of portfolio companies

	Parent Company				
	2012	2011	2012	2011	2011
<i>Amounts in SEK 000</i>	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Full-year
<b>Capital gain/loss</b>					
Oncopeptides AB	49,722	0	49,722	0	0
ProNoxis AB	-6,500	0	-6,500	0	0
Independent Pharmaceutica AB	0	0	47	0	3,022
IMED AB	0	0	0	0	3,217
<b>Gain/loss on sale of portfolio companies</b>	<b>43,222</b>	<b>0</b>	<b>43,269</b>	<b>0</b>	<b>6,239</b>

The capital gain on Oncopeptides AB has arisen as a result of the share exchange with Industrifonden. The disclosure of the transaction is based on the fair value of the shares received in Aprea. No cash consideration was paid.

**Note 9** 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.

## Note 10 Performance Share Program 2012 (PSP 2012)

On 23 May 2012, the Annual General Meeting resolved on a Performance Share Program for management based on the participants acquiring shares ("Saving Shares") on the open market. Under certain conditions, the participants will be allotted, free of charge, a maximum of five Performance Share Rights and one Matching Share Right by the company for each Saving Share they acquire. The Matching and Performance Share Rights will be allotted after three years. The total number of Performance and Matching Share Rights is 480,000. The program comprises a maximum of ten participants.

There are no performance conditions for the Matching Share Rights, but each participant must remain an employee on the allotment date. The conditions for the Performance Share Rights are related to Karolinska Development's share price performance and a comparison between what are called the Start Price and the End Price. The Start Price is measured as the average over ten trading days. The Board of Directors determines the measurement period. However, the measurement must be made not later than 23 November 2012. The established measurement period was 27 August 2012 through 7 September 2012. The Start Price was set at SEK 15.70. The End Price is measured as the average over ten trading days beginning on 2 May 2015. For any allotment to be made at all, the share price must rise by six percent annually. For a maximum allotment (five Performance Shares per Saving Share), the share price must rise by 30 percent. Within this span, allotments will be made proportionately. Allotments are capped at ten times the Start Price, after which the number of allotted Performance Share Rights is reduced. The participants will be compensated in cash for dividends paid during the period.

The company intends to cover the social security contributions related to the program by acquiring and transferring not more than 150,800 of its own shares. As of 30 September 2012, no Saving Shares had been acquired. The Performance Share Program has not had any impact on the company's results and financial position as of 30 September 2012.