

## Karolinska Development AB (publ)

Corporate Identity Number 556707-5048

### Year-end report January – December 2012

#### CEO's comment

In December, we announced a strategic deal worth SEK 220m. A syndicate of well-respected investors will acquire a minority share in Karolinska Development's holdings in 13 of its 25 portfolio companies. The deal demonstrates the value that Karolinska Development has created in recent years. The consideration gives the companies comprised by the transaction a total implied value of approximately SEK 1,500m, about twice Karolinska Development's investment in the same portfolio and a premium of 23 percent on the reported fair value on the transaction date. Our financial position has strengthened significantly.

In 2012, Karolinska Development's portfolio companies took several important steps forward. In total, eleven projects in our active portfolio are now in clinical development for disorders where current treatments fall short or are lacking. Pharmanest finalized a Phase I trial with SHACT for pain relief in connection with IUD insertion and launched a clinical Phase II trial during the year. Pergamum passed clinical milestones in all three clinical projects in 2012 and Aprea announced positive Phase I/II data with APR-246 against cancer. After the end of the year, Pergamum also entered into a strategic collaboration with Cadila Pharmaceuticals on an early-stage project where Cadila is financing the entire development through clinical Phase II and where the companies share the global marketing rights.

Our deal flow agreement with Karolinska Institutet Innovations AB, as well as agreements with other leading universities in the Nordic region, gives us the opportunity to evaluate a significant number of medical innovations in this region. In February, we announced that Karolinska Development has started a collaboration with Mayo Clinic in the US. This is the first step in expanding our inflow of new life science innovations from the best research institutions outside the Nordic region as well.

During the year, Karolinska Development worked intensely to push the portfolio companies' projects forward, identify attractive new investments and entered into an important commercial collaboration. As a whole, this improves our ability to build further value by taking development projects forward to the point where we can line up collaborations with pharmaceutical companies or exit portfolio companies.

Torbjörn Bjerke  
Chief Executive Officer

#### Summary of significant events during and after the fourth quarter

- Pergamum entered into strategic collaboration with Cadila Pharmaceuticals
- Karolinska Development started collaboration with Mayo Clinic
- Dilaforette launched Phase II trial with sevuparin for treatment of severe malaria
- Karolinska Development announced strategic deal worth SEK 220m
- Pergamum reported positive Phase II data from clinical study on outer ear infections

Group Amounts in SEKm	2012 Oct-Dec	2011 Oct-Dec	2012 Full-year	2011 Full-year
<i>Income statement</i>				
Revenue	2.6	3.4	9.9	10.5
Profit/loss after tax	85.8	-114.4	-230.2	-385.7
Earnings per share before and after dilution (SEK)	1.60	-2.16	-4.39	-8.07
<i>Balance sheet</i>				
Cash and cash equivalents			117.0	163.3
Short-term investments			174.2	457.2
<b>Total cash, cash equivalents and short-term investments, Group</b>			<b>291.2</b>	<b>620.6</b>
Cash and cash equivalents to be transferred to KDev Investments Group			59.6	-
<b>Total cash, cash equivalents and short-term investments</b>			<b>350.8</b>	<b>525.6</b>
<i>Share information</i>				
Net asset value per share (SEK) (Note 5)			43.9	44.7
Share price, last trading day in the reporting period (SEK)			15.3	25.8
<i>Portfolio information</i>				
Investments in portfolio companies (Note 7)	24.6	59.7	231.6	297.6
Of which investments not affecting cash flow (Note 7)	4.5	8.4	77.8	94.9
Valuation of total portfolio holdings (Note 2)			1,827.2	1,546.9

## Summary of significant events during the fourth quarter

### **Karolinska Development announced strategic deal worth SEK 220m**

In December, Karolinska Development announced a strategic deal with Rosetta Capital Limited (Rosetta), an investor in life science. A syndicate managed by Rosetta will acquire a minority share in Karolinska Development's holdings in 13 of its 25 portfolio companies for SEK 220m. The consideration gives KDev Investments' portfolio a total implied value of approximately SEK 1,500m, about twice Karolinska Development's investment in the same portfolio and a premium of 23 percent on the reported fair value on the transaction date.

As part of the transaction, Karolinska Development transferred its holdings in 13 portfolio companies to a new investment company, KDev Investments AB, in February 2013. KDev Investments' portfolio includes ten companies in pharmaceutical development with some early-stage projects and others in clinical phases, as well as three technology companies. Rosetta acquires 7.33 percent of the common shares in KDev Investments for SEK 110m and all of the preference shares (a further 6.83% of the total shares) in the same company for an additional SEK 110m. The conditions for the preference shares include a gradual reduction in the possible return for Rosetta. This places a cap on Rosetta's future return in exchange for certain protection if the return is low.

### **Pergamum reported positive Phase II data from clinical trial on outer ear infections**

Pergamum AB reported that the primary end-point was met in the randomized Phase II trial of DPK-060 for treatment of acute external otitis. Data from the trial, which comprised 69 patients, demonstrated that a topical treatment with DPK-060 is safe and well-tolerated. In addition, a complete cure was reported after 10 days in a large percentage of patients treated with DPK-060.

External otitis, also called swimmer's ear, is one of the most common ear, nose and throat infections in outpatient settings. The clinical signs of the condition can range from mild inflammation and discomfort to life-threatening symptoms. DPK-060 is a novel anti-microbial peptide, which is unlikely to evoke antibiotic resistance.

## Significant events after the end of the reporting period

### **Pergamum enters into strategic collaboration with Cadila Pharmaceuticals**

Pergamum AB and Cadila Pharmaceuticals Ltd announced a strategic collaboration to develop a novel treatment for infections with a unique targeting mechanism clearly distinguished from conventional antibiotics.

The two companies will collaborate on the preclinical and clinical development of a novel therapeutic peptide developed by Pergamum AB. Development work will be conducted at Cadila Pharmaceuticals' facilities in Ahmedabad, India. Cadila will be responsible for all costs related to the development of the product up to clinical Phase II and global rights will be shared by the companies.

### **Karolinska Development starts collaboration with Mayo Clinic**

Karolinska Development and Mayo Clinic entered into an agreement with the aim of identifying commercialization opportunities in Mayo Clinic's life science innovations. Mayo Clinic is one of the finest medical institutions in the world and a globally recognized source of innovation in life sciences and new treatment methods, similar to the Karolinska Institutet and other institutions with which Karolinska Development has cooperation agreements. The collaboration will strengthen the flow of new ideas and projects, while also allowing Karolinska Development to showcase its own innovations for a first-class investor in life science.

### **Dilaforette launched a Phase II study with sevuparin for treatment of severe malaria**

In January 2013, Dilaforette announced it had received approval from the regulatory authorities in India to start a Phase II study with sevuparin in patients with severe malaria. Dilaforette and its partner, the Mahidol Oxford Tropical Medicine Research Unit (MORU), plan to include 50 patients in India, where severe malaria remains an important problem. The primary objective of the study is to evaluate safety along several efficacy parameters. The study design has been discussed at a pre-IND meeting with the US Food and Drug Administration (FDA). The first study site is open for enrollment and the first patients are expected in connection with the coming rain season. A separate clinical trial in uncomplicated *falciparum malaria* is ongoing in Thailand since 2011.

## The year in brief

In 2012, several of Karolinska Development's portfolio companies took important steps forward. Three projects advanced into the first clinical development phase and two Phase II trials were initiated. Data from clinical trials were announced for Pergamum's DPK-060 and PXL-01 and Aprea's APR-246. Two new companies were added during the year through investments in GliGene AB and Oss-Q AB, while the holdings in Oncopeptides AB and ProNoxis AB were divested.

### Strategy and business development

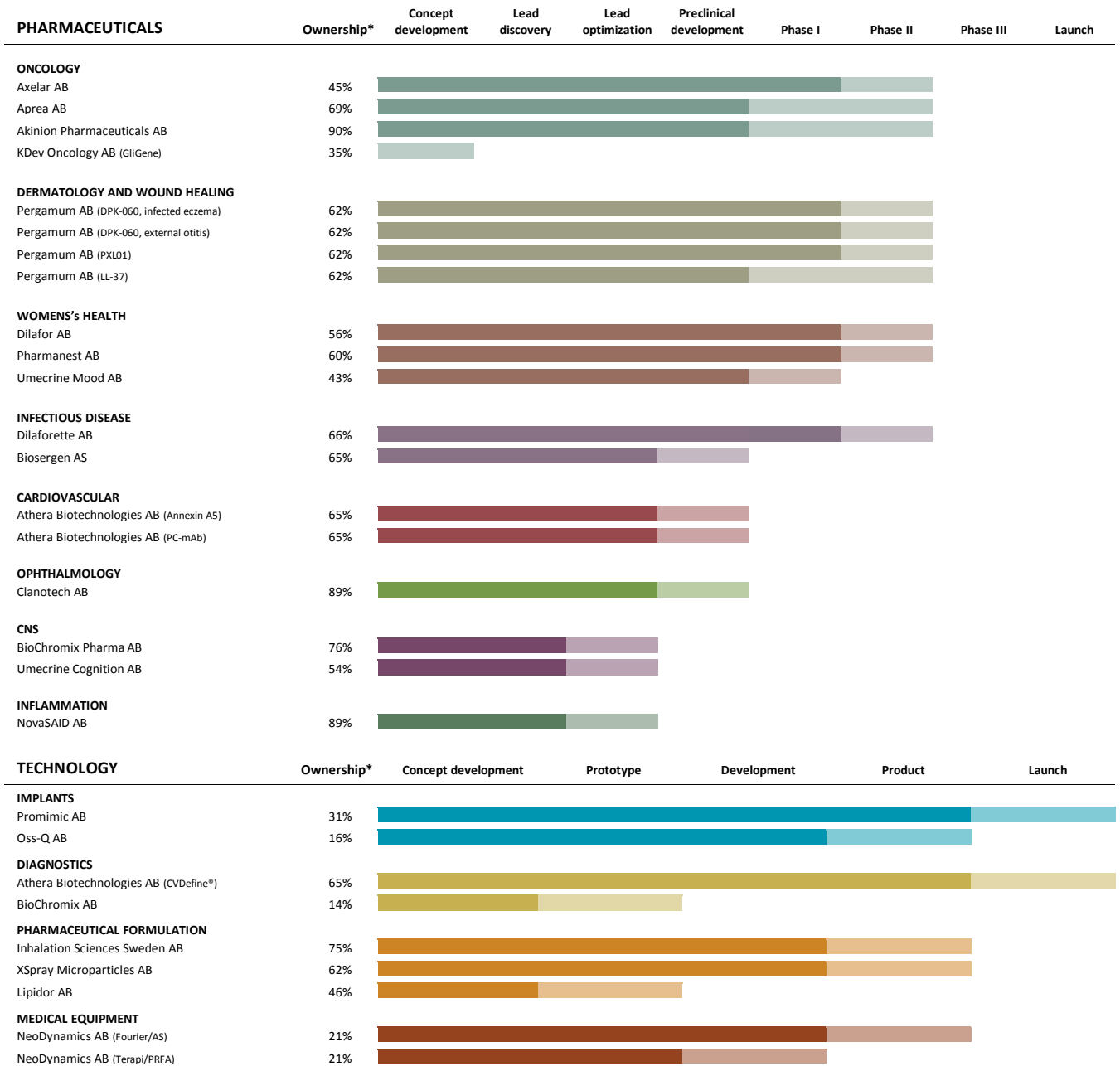
- Karolinska Development announced a strategic deal worth SEK 220m, which is expected to be finalized during the first quarter of 2013
- Karolinska Development completed a share swap with Industrifonden and received all of Industrifonden's shares in Aprea AB in exchange for Karolinska Development's holding in Oncopeptides AB
- Karolinska Development formed KDev Oncology AB

### Research and development

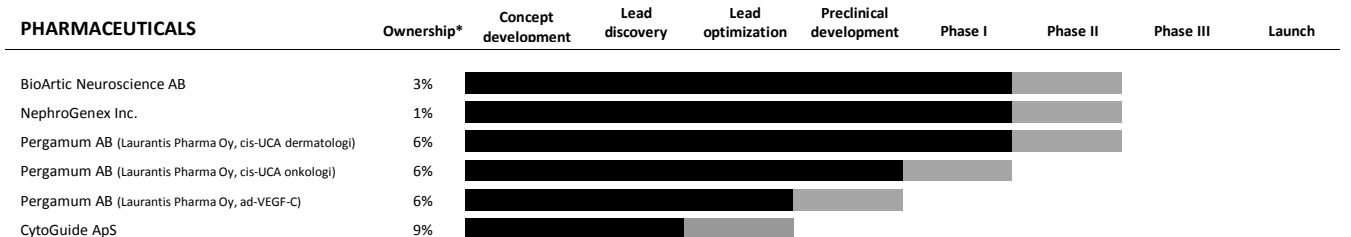
- Akinion Pharmaceuticals launched a clinical Phase I/II trial with AKN-028
- Aprea announced positive data from a clinical Phase I/II trial with APR-246 in patients with advanced cancer. The company is now planning a Phase II trial in ovarian cancer.
- Pergamum
  - launched and reported positive Phase II data with DPK-060 in outer ear infections. The company is now seeking a partner for the project;
  - announced that the first patient had been dosed with LL-37, a potential new treatment for hard-to-heal wounds;
  - reported the first Phase II data from the clinical trial with PXL-01 on the prevention of post-surgical adhesions. The trial did not reach its primary end point and the value of the project was written down during the year as a result.
- Pharmanest launched Phase I and Phase II trials with SHACT

## Portfolio

At the time this report was published, Karolinska Development's portfolio consisted of 34 projects in various stages. Of the pharmaceutical projects, 15 were in clinical trials.



## FINANCIAL/PASSIVE INVESTMENTS



\*Includes indirect ownership

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

## Strategic deal with Rosetta Capital

On 21 December 2012, Karolinska Development announced a deal with Rosetta Capital IV LP, whereby Karolinska Development has transferred the holdings in 13 of its portfolio companies to a new private holding company, KDev Investments AB. Karolinska Development will own 92.67% of the common shares in KDev Investments, while 7.33% will be owned by Rosetta Capital IV LP, the company that a syndicate led by Rosetta Capital Limited is investing in. Rosetta is acquiring 7.33% of the common shares in KDev Investments AB for SEK 110m and 6.83% of the preference shares for an additional SEK 93m. In addition, the first SEK 17m of the total cumulative return from KDev Investments' portfolio will accrue to Karolinska Development. The transaction is expected to be completed during the first quarter 2013 whereby Karolinska Development will receive SEK 203m.

### Portfolio companies in the transaction

The transaction comprises 13 companies representing a selection of development projects in various phases and a variety of areas. Seven of the companies develop pharmaceuticals and have projects in clinical trials: Akinion Pharmaceuticals AB, Aprea AB and Axelar AB, which are active in oncology; Dilafor AB and Umechrone Mood, which are developing treatments in the area of women's health; Dilaforette Holding AB Group, which is developing sevuparin for use against malaria and sickle cell anemia; and Pergamum AB, which is developing Karolinska Development's wound healing and dermatology portfolio. Three companies are involved in pharmaceutical projects in or prior to the preclinical phase: Biosergen AS (systemic fungal infections), Clanotech AB (ophthalmology) and NovaSAID AB (inflammatory disorders). Another three companies conduct development of technology products: Inhalation Sciences in Sweden AB, NeoDynamics AB and Promimic AB.

### Management of KDev Investments AB

Karolinska Development will be the majority owner of KDev Investments AB and management of the joint venture will be governed by a shareholders' agreement between the parties. The parties will cooperatively manage the holdings in KDev Investments. The transaction gives Karolinska Development access to the expertise and experience in the life science area that Rosetta's management team has gained through many years of developing and commercializing companies and products. Board resources will be distributed as needed to the companies to provide expertise and experience in specific medical areas and development phases. The transaction does not change the operations of any of the companies involved. Karolinska Development and Rosetta have both committed to further investments in the portfolio in line with the plans Karolinska Development had for these portfolio companies before the deal was announced.

### Consequences for the financial reporting

The consideration paid implies a value of KDev Investments' portfolio of approximately SEK 1,500m, corresponding to a premium of 23% to the reported fair value as of 30 September 2012. Including the consideration, Karolinska Development's cash, cash equivalents and short-term investments will amount to approximately SEK 440m. As a result of the transaction, KDev Investments and its portfolio companies will be classified as a joint venture and, when the deal closes, will be recognized at fair value. Of the 13 companies included in KDev Investments, several are subsidiaries at the end of the reporting period.

### Terms for the preference shares

Rosetta's preference shares will have priority to future profit distributions and other returns as well as in liquidation, as outlined below. Subsequent allocations will be divided between the common shareholders, with 92.67% to Karolinska Development and 7.33% to Rosetta.

- (i) 100% of the total future return up to SEK 220 million after Karolinska Development has received the second tranche of SEK 17m;
- (ii) 30% of the total future return between SEK 220m and SEK 880m;
- (iii) 18.33% of the total future return between SEK 880m and SEK 1,320m; and
- (iv) 0% of the total future return over SEK 1,320m.

## Financial overview – Group

### Revenue

Consolidated revenue during the year amounted to SEK 9.9m, compared with SEK 10.5m in the previous year.  
During the fourth quarter, consolidated revenue amounted to SEK 2.6m, compared with SEK 3.4m in the previous year.

### Results

During the year, the Group's operating loss amounted to SEK -253.8m (-400.7), a change of SEK 146.9m compared with the previous year. The loss was mainly due to the portion of the change in fair value affecting income, which amounted to SEK -86.8m (-243.8) during the year, as well as increased development costs in subsidiaries. The change in fair value was affected when Pergamum announced Phase II data from PXL-01 that unfortunately did not meet the primary end point, which has also affected the valuation of the reported total portfolio holding negatively. As indicated in Note 2, the value of companies reported as subsidiaries appreciated by SEK 208.2m (67.8). These changes are not recognized in the consolidated income statement and statement of financial position, since the subsidiaries are consolidated and not measured at fair value.

During the year, a share swap was completed with Industrifonden 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, 27 August 2012. The transaction has had no effect on the consolidated operating results other than Aprea's operational costs post closing (Note 4).

The Group's loss before tax for the year amounted to SEK -276.0m (-405.7), of which Parent Company costs SEK -55.8m (-61.8), fair value change SEK -86.8m (-243.8), subsidiary costs SEK -111.2m (-95.1) and financial net SEK -22.2m (-5.0).

The Group's loss before tax for the fourth quarter amounted to SEK 49.9m (-123.3), a change of SEK 173.2m year-over-year. The change was mainly due to the portion of the change in fair value affecting income, which amounted to SEK 102.1m (-76.0) during the fourth quarter. As indicated in Note 2, the value of companies reported as subsidiaries appreciated by SEK 164.9m (6.3) during the fourth quarter.

The Group's profit before tax during the fourth quarter amounted to SEK 50.7m (-119.1).

The Group's net profit for the fourth quarter amounted to SEK 85.8m (-114.4) and was affected positively by SEK 35.1m by deferred tax revenue attributable to the upcoming reduction in the Swedish company tax rate.

### Investments in portfolio companies (Note 7)

The Group's investments during the year amounted to SEK 231.6m (297.6), of which SEK 153.8m (202.7) affected cash flow.

The largest investments (SEKm) during the year 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 22.6m, Dilaforette Holding AB at SEK 17.3m (of which SEK 17.3m in Dilaforette AB) and SEK 15.0m in Akinion Pharmaceuticals AB.

The Group's investments during the fourth quarter amounted to SEK 24.6m (59.7).

The largest investments (SEKm) during the fourth quarter were in Dilaforette Holding AB at SEK 7.3m (of which SEK 7.3m in Dilaforette AB), Dilafor AB at SEK 4.5m and Athera Biotechnologies AB at SEK 3.7m.

### Financial position

As of December 31, 2012 assets and liabilities attributable to KDev Investments Group are recognized in accordance with the accounting standard IFRS 5 as available-for-sale holdings (Note 9).

The Group's equity to total assets ratio was 91 (93) percent on 31 December 2012 and equity amounted to SEK 2,026.2m (2,173.9).

Cash, cash equivalents and short-term investments in the Group amounted to SEK 291.2m (620.6), in addition to SEK 59.6m in cash and cash equivalents reclassified as available-for-sale assets.

Total assets amounted to SEK 2,215.0m (2,345.9).

## Financial overview – Parent Company

### Revenue

The Parent Company's revenue during the year amounted to SEK 4.0m (2.5).

During the fourth quarter, the Parent Company's revenue amounted to SEK 1.3m (0.7).

### Results

During the year the Parent Company's operating loss amounted to SEK -132.6m (-181.6), a change of SEK 49.0m compared with the previous year. The operating loss for the year includes impairment losses on the holdings in Pergamum AB (SEK -106.5m), KDev Exploratory AB (formerly Actar AB) (SEK -9.2m), Limone AB (SEK -4.3m) and Avaris AB (SEK -0.1m). The impairment 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 year, 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 year amounted to SEK -152.7m (-187.7).

During the fourth quarter, the Parent Company's operating profit amounted to SEK 0.1m (-17.5), a change of SEK 17.6m compared with the same period in 2011. The fourth quarter's operating profit includes a reversal of impairment losses on the holdings in Pergamum AB (SEK 18.9m) and Avaris AB (SEK 0.4m) as well as impairment losses on KDev Exploratory AB (formerly Actar AB) (SEK -3.7m) and Limone AB (SEK -0.7m).

The Parent Company's net profit during the fourth quarter amounted to SEK 1.8m (-14.0).

### Investments in portfolio companies (Note 7)

The Parent Company invested a total of SEK 81.9m (83.7) in subsidiaries during the year. The largest investments (SEKm) were in Axelar AB at SEK 25.0m, Akinion Pharmaceuticals AB at SEK 15.0m, KDev Exploratory AB (formerly Actar AB) at SEK 13.0m and Clanotech AB at SEK 9.5m.

The Parent Company invested SEK 148.2m (210.0) in associated companies and joint ventures during the year. The largest investments (SEKm) were in Aprea AB at SEK 72.6m through the share swap with Industrifonden (Note 4), Athera Biotechnologies AB at SEK 22.6m and Dilaforette Holding AB at SEK 17.3m (of which SEK 17.3m in Dilaforette AB).

The Parent Company invested SEK 1.5m (3.9) in other long-term securities holdings during the year.

During the fourth quarter, the Parent Company invested a total of SEK 24.6m (59.7). The largest investments (SEKm) were in Dilaforette Holding AB at SEK 7.3m (of which SEK 7.3m in Dilaforette AB), Dilafor AB at SEK 4.5m and Athera Biotechnologies AB at SEK 3.7m.

### Dividend

The Board of Directors proposes that no dividend be paid to the shareholders for the financial year 2012.

## 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, refer to the annual report 2011



The CEO hereby certifies that the year-end 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, 20 February 2013

Torbjörn Bjerke

CEO

## Dates for publication of financial information

Annual report 2012	April week 15, 2013
Interim report January-March 2013	May 10, 2013
Annual General Meeting	May 14, 2013
Interim report January-June 2013	August 22, 2013
Interim report January-September 2013	November 21, 2013

Karolinska Development is required to make public the information in this year-end report in accordance with the Securities Market Act. The information was released for publication on 20 February 2013.

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

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

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

## Financial reports

### Condensed consolidated income statement

<i>Amounts in SEK 000</i>	<i>Note</i>	<b>2012</b> <i>Oct-Dec</i>	<b>2011</b> <i>Oct-Dec</i>	<b>2012</b> <i>Full-year</i>	<b>2011</b> <i>Full-year</i>
Revenue		2,572	3,364	9,943	10,479
Other external expenses		-34,966	-33,194	-108,980	-104,056
Personnel costs		-18,597	-16,391	-62,818	-59,871
Depreciation and amortization of tangible and intangible non-current assets		-1,245	-1,040	-5,163	-3,431
Change in fair value of shares in joint ventures and associated companies	2	101,783	-72,432	-87,694	-236,621
Change in fair value of other long-term securities holdings	2	319	-3,598	902	-7,175
<b>Operating profit/loss</b>		<b>49,866</b>	<b>-123,291</b>	<b>-253,810</b>	<b>-400,675</b>
Financial net	3	835	4,149	-22,161	-4,985
<b>Profit/loss before tax</b>	2	<b>50,701</b>	<b>-119,142</b>	<b>-275,971</b>	<b>-405,660</b>
Deferred taxes		35,051	4,758	45,807	19,987
Current taxes		0	0	0	0
<b>NET PROFIT/LOSS FOR THE PERIOD</b>		<b>85,752</b>	<b>-114,384</b>	<b>-230,164</b>	<b>-385,673</b>
<b>Attributable to:</b>					
Parent Company's shareholders		77,840	-104,917	-212,852	-354,147
Non-controlling interests*		7,912	-9,467	-17,312	-31,526
<b>TOTAL</b>		<b>85,752</b>	<b>-114,384</b>	<b>-230,164</b>	<b>-385,673</b>

\*Non-controlling interests is a term defined by IFRS 3 and has a similar meaning to the term previously used, which was minority interests

### Earnings per share

<i>Amounts in SEK 000</i>	<i>Note</i>	<b>2012</b> <i>Oct-Dec</i>	<b>2011</b> <i>Oct-Dec</i>	<b>2012</b> <i>Full-year</i>	<b>2011</b> <i>Full-year</i>
Earnings per share attributable to Parent Company's shareholders, weighted average, before and after dilution		1.60	-2.16	-4.39	-8.07
Number of shares, weighted average	5	48,524,869	48,531,417	48,529,767	43,908,951

### Consolidated statement of comprehensive income

<i>Amounts in SEK 000</i>	<i>Note</i>	<b>2012</b> <i>Oct-Dec</i>	<b>2011</b> <i>Oct-Dec</i>	<b>2012</b> <i>Full-year</i>	<b>2011</b> <i>Full-year</i>
<b>Net profit/loss for the period</b>		<b>85,752</b>	<b>-114,384</b>	<b>-230,164</b>	<b>-385,673</b>
<b>Total comprehensive income for the period</b>		<b>85,752</b>	<b>-114,384</b>	<b>-230,164</b>	<b>-385,673</b>
<b>Attributable to:</b>					
Parent Company's shareholders		77,840	-104,917	-212,852	-354,147
Non-controlling interests		7,912	-9,467	-17,312	-31,526
<b>TOTAL</b>		<b>85,752</b>	<b>-114,384</b>	<b>-230,164</b>	<b>-385,673</b>

## Condensed consolidated statement of financial position

<i>Amounts in SEK 000</i>	<i>Note</i>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible non-current assets		9,864	702,957
Tangible non-current assets		4,985	1,663
Shares in joint ventures and associated companies	2,4	219,173	980,276
Other long-term securities holdings	2,4	26,949	24,587
Loans receivable joint ventures and associated companies		12,856	3,675
Other financial assets	4	8,907	0
<b>Total non-current assets</b>		<b>282,734</b>	<b>1,713,158</b>
<b>Current assets</b>			
Accounts receivable		513	1,462
Other short-term receivables		3,955	8,757
Prepaid expenses and accrued income		4,578	1,886
Short-term investments		174,160	457,249
Cash and cash equivalents		117,033	163,347
<b>Total current assets</b>		<b>301,255</b>	<b>632,701</b>
Assets to be transferred to KDev Investments Group	9	1,632,025	0
<b>TOTAL ASSETS</b>		<b>2,214,998</b>	<b>2,345,859</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	5	24,266	24,266
Share premium		1,768,179	1,768,179
Retained earnings including current period result		-122,547	86,442
<b>Equity attributable to Parent Company's shareholders</b>		<b>1,669,898</b>	<b>1,878,887</b>
Non-controlling interests*		354,294	295,041
<b>Total equity</b>		<b>2,024,192</b>	<b>2,173,928</b>
<b>Long-term liabilities</b>			
Deferred taxes		0	143,586
Interest-bearing liabilities		0	2,000
Other financial liabilities	4	10,889	0
<b>Total long-term liabilities</b>		<b>10,889</b>	<b>145,586</b>
<b>Current liabilities</b>			
Accounts payable		4,215	9,563
Other short-term liabilities		2,775	2,796
Accrued expenses and prepaid income		8,166	13,986
<b>Total current liabilities</b>		<b>16,172</b>	<b>26,345</b>
Liabilities attributable to assets to be transferred to KDev Investments Group	9	164,761	0
<b>Total liabilities</b>		<b>191,822</b>	<b>171,931</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,214,998</b>	<b>2,345,859</b>

\*Non-controlling interests is a term defined by IFRS 3 and has a similar meaning to the term previously used, which was minority interests.

## Condensed consolidated statement of changes in equity

Amounts in SEK 000	Note	Equity attributable to Parent Company's shareholders					Non-controlling interests	Total equity
		Share capital	Share premium	Retained earnings incl. current year result	Total			
<b>Opening equity at 1 Jan 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 year</i>				-212,852	-212,852		-17,312	-230,164
Total comprehensive income for the year		0	0	-212,852	-212,852		-17,312	-230,164
Business combinations	4				0		78,435	78,435
Change in non-controlling interests				6,106	6,106		-1,870	4,236
Share repurchase				-2,243	-2,243		0	-2,243
<b>Closing equity at 31 Dec 2012</b>	<b>5</b>	<b>24,266</b>	<b>1,768,179</b>	<b>-122,547</b>	<b>1,669,898</b>		<b>354,294</b>	<b>2,024,192</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
<i>Amounts in SEK 000</i>	<i>Note</i>	<i>Full-year</i>	<i>Full-year</i>
<b>Operating activities</b>			
Operating loss		-253,810	-400,675
Adjustments for depreciation, amortization and impairment losses		5,163	3,431
Adjustments for changes in fair value	2	86,792	243,796
Realized changes in value of short-term investments		9,868	6,435
Interest paid		-56	-36
Interest received		3,345	3,302
<b>Cash flow from operating activities before changes in working capital</b>		<b>-148,698</b>	<b>-143,747</b>
<b>Cash flow from changes in working capital</b>			
Increase (-)/Decrease (+) in operating receivables		-2,516	6,223
Increase (+)/Decrease (-) in operating liabilities		-1,431	4,087
<b>Cash flow from operating activities</b>		<b>-152,645</b>	<b>-133,437</b>
<b>Investing activities</b>			
Investments in intangible non-current assets		-1,963	-2,546
Investments in tangible non-current assets		-5,233	-288
Acquired liquid assets in subsidiaries	4	5,363	12,878
Investments in shares in joint ventures and associated companies	7	-70,564	-115,077
Investments in other long-term securities	7	-1,460	-3,915
Change in short-term investments		278,555	-317,040
Sale of shares in joint ventures and associated companies		3,217	24,833
Sale of other long-term securities		0	540
Loans provided to associated companies		-43,467	-29,805
<b>Cash flow from investing activities</b>		<b>164,448</b>	<b>-430,420</b>
<b>Financing activities</b>			
Non-controlling interests' share of subsidiary issue		4,137	56,711
New share issue		0	608,000
Issue costs		0	-44,949
Warrants		0	117
Amortization of interest-bearing liabilities		-425	0
Share repurchase		-2,243	0
<b>Cash flow from financing activities</b>		<b>1,469</b>	<b>619,879</b>
<b>Cash flow for the year</b>		<b>13,272</b>	<b>56,022</b>
Cash and cash equivalents at beginning of year		163,347	107,325
Cash and cash equivalents to be transferred to KDev Investments Group	9	-59,586	0
<b>CASH AND CASH EQUIVALENTS AT YEAR-END</b>		<b>117,033</b>	<b>163,347</b>
<i>Supplemental disclosure</i>			
<b>CASH AND CASH EQUIVALENTS AT YEAR-END</b>		<b>117,033</b>	<b>163,347</b>
Cash and cash equivalents to be transferred to KDev Investments Group		59,586	0
Short-term investments, market value on closing date		174,160	457,249
<b>CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS AT YEAR-END</b>		<b>350,779</b>	<b>620,596</b>

## Condensed income statement for the Parent Company

		<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<i>Amounts in SEK 000</i>	<i>Note</i>	<i>Oct-Dec</i>	<i>Oct-Dec</i>	<i>Full-year</i>	<i>Full-year</i>
Net sales		1,285	660	3,986	2,467
<b>Revenue</b>		<b>1,285</b>	<b>660</b>	<b>3,986</b>	<b>2,467</b>
Other external expenses		-6,707	-7,416	-28,156	-32,174
Personnel costs		-9,382	-8,971	-31,650	-32,066
Depreciation of tangible non-current assets		-2	-17	-6	-67
Impairment losses on shares in subsidiaries, joint ventures, associated companies and other long-term securities holdings		14,888	-8,023	-120,078	-125,961
Result from sale of portfolio companies	8	0	6,239	43,269	6,239
<b>Operating profit/loss</b>		<b>82</b>	<b>-17,528</b>	<b>-132,635</b>	<b>-181,562</b>
Financial net	3	1,762	3,501	-20,076	-6,183
<b>NET PROFIT/LOSS FOR THE PERIOD</b>		<b>1,844</b>	<b>-14,027</b>	<b>-152,711</b>	<b>-187,745</b>

## Statement of comprehensive income for the Parent Company

		<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<i>Amounts in SEK 000</i>	<i>Note</i>	<i>Oct-Dec</i>	<i>Oct-Dec</i>	<i>Full-year</i>	<i>Full-year</i>
<b>Net profit/loss for the period</b>		<b>1,844</b>	<b>-14,027</b>	<b>-152,711</b>	<b>-187,745</b>
<b>Total comprehensive income for the period</b>		<b>1,844</b>	<b>-14,027</b>	<b>-152,711</b>	<b>-187,745</b>
<b>Attributable to:</b>					
Parent Company's shareholders		1,844	-14,027	-152,711	-187,745
<b>TOTAL</b>		<b>1,844</b>	<b>-14,027</b>	<b>-152,711</b>	<b>-187,745</b>

## Condensed statement of financial position for the Parent Company

<i>Amounts in SEK 000</i>	<i>Note</i>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Tangible non-current assets		9	42
Shares in subsidiaries, joint ventures, associated companies and other long-term securities holdings	4	962,243	879,819
Loans receivable joint ventures and associated companies		12,856	3,675
Other financial assets		2,623	2,080
<b>Total non-current assets</b>		<b>977,731</b>	<b>885,616</b>
<b>Current assets</b>			
Accounts receivable		409	49
Group receivables		260	74
Other receivables		2,476	5,766
Prepaid expenses and accrued income		2,463	881
Short-term investments		174,160	457,249
Cash and cash equivalents		108,680	68,319
<b>Total current assets</b>		<b>288,448</b>	<b>532,338</b>
<b>TOTAL ASSETS</b>		<b>1,266,179</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
<b>Unrestricted equity</b>			
Share premium reserve		1,778,253	1,778,253
Retained earnings		-397,269	-207,281
Net loss for the year		-152,711	-187,745
<b>Total equity</b>		<b>1,252,539</b>	<b>1,407,493</b>
<b>Long-term liabilities</b>			
Pension obligations		2,623	2,080
<b>Total long-term liabilities</b>		<b>2,623</b>	<b>2,080</b>
<b>Current liabilities</b>			
Accounts payable		2,510	807
Group liabilities		474	0
Other current liabilities		1,512	1,530
Accrued expenses and deferred income		6,521	6,044
<b>Total current liabilities</b>		<b>11,017</b>	<b>8,381</b>
<b>Total liabilities</b>		<b>13,640</b>	<b>10,461</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,266,179</b>	<b>1,417,954</b>

## Pledged assets and contingent liabilities

<i>Amounts in SEK 000</i>	<i>Note</i>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
Pledged assets	6	2,623	2,080
Contingent liabilities	6	1,200	900
<b>Total</b>		<b>3,823</b>	<b>2,980</b>

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

	Restricted equity		Unrestricted equity		
	Note	Share capital	Share premium reserve	Retained earnings	Net loss for the period
<i>Amounts in SEK 000</i>					
<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>
Appropriation of loss				-187,745	187,745
Net loss for the year					-152,711
<b>Total</b>		<b>24,266</b>	<b>1,778,253</b>	<b>-395,026</b>	<b>-152,711</b>
Share repurchase				-2,243	
<b>Closing equity at 31 Dec 2012</b>	<b>5</b>	<b>24,266</b>	<b>1,778,253</b>	<b>-397,269</b>	<b>-152,711</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>
Appropriation of loss				-111,349	111,349
Net loss for the year					-187,745
<b>Total</b>		<b>16,666</b>	<b>1,222,685</b>	<b>-207,281</b>	<b>-187,745</b>
New share issue		7,600	600,400		
Issue costs			-44,949		
Warrants			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>



## 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 profit/loss before tax*

	Profit/loss from change in fair value of portfolio companies			
	2012 Oct-Dec	2011 Oct-Dec	2012 Full-year	2011 Full-year
<i>Amounts in SEK 000</i>				
<b>Subsidiaries</b>				
Change in fair value	164,874	6,253	208,201	67,819
<b>Joint ventures and associated companies</b>				
Change in fair value	82,508	-72,432	18,847	-118,789
Impairment losses <sup>1</sup>	19,275	0	-106,541	-117,832
<b>Other long-term securities holdings</b>				
Change in fair value	319	-1,098	902	-4,675
Impairment losses <sup>1</sup>	0	-2,500	0	-2,500
<b>Total change in fair value of total portfolio holdings</b>	<b>266,976</b>	<b>-69,777</b>	<b>121,409</b>	<b>-175,977</b>
<b>Group eliminations</b>				
Less change in fair value of subsidiaries	-164,874	-6,253	-208,201	-67,819
<b>Net result from changes in fair value</b>	<b>102,102</b>	<b>-76,030</b>	<b>-86,792</b>	<b>-243,796</b>
Consolidated revenue and other expenses (including financial net)	-51,401	-43,112	-189,179	-161,864
<b>Consolidated profit/loss before tax</b>	<b>50,701</b>	<b>-119,142</b>	<b>-275,971</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 result from changes in the fair value of the portfolio companies amounted to SEK 121.4m (-176.0) during the year, which includes a positive change in the fair value of subsidiaries of SEK 208.2m (67.8). 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 reported result from changes in the fair value of joint ventures, associated companies and other long-term securities holdings amounted to SEK -86.8m (-243.8).

The aggregate result from changes in the fair value of the portfolio companies amounted to SEK 267.0m (-69.8) during the fourth quarter, which includes a positive change in the fair value of subsidiaries of SEK 164.9m (6.3). The Group's reported result from changes in the fair value of joint ventures, associated companies and other long-term securities holdings amounted to SEK 102.1m (-76.0). During the fourth quarter, impairments of SEK 18.9m related to Pergamum and SEK 0.4m related to Avaris were reversed.

### Assets per segment

	Fair value of portfolio companies	
	31 Dec 2012	31 Dec 2011
<i>Amounts in SEK 000</i>		
<i>Fair value of total portfolio holdings</i>		
Subsidiaries	1,010,663	542,001
Joint ventures and associated companies	789,578	980,276
Other long-term securities holdings	26,949	24,587
<b>Total fair value of total portfolio holdings</b>	<b>1,827,190</b>	<b>1,546,864</b>
Less fair value in subsidiaries	-1,010,663	-542,001
Less fair value of joint ventures and associated companies to be transferred to KDev Investments Group	-570,405	0
<b>Group</b>	<b>246,122</b>	<b>1,004,863</b>

### Shares in portfolio companies at fair value

	Subsidiaries	Joint ventures & associated companies	Other long-term securities	Total portfolio holdings
<i>Amounts in SEK 000</i>				
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 (Note 4)	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)	81,949	148,189	1,460	231,598
Reclassifications (Note 4)	178,512	-178,512	0	0
Sale of shares	0	-72,681 <sup>1</sup>	0	-72,681
Changes in fair value and impairment losses	208,201	-87,694	902	121,409
<b>Closing balance at 31 Dec 2012</b>	<b>1,010,663</b>	<b>789,578</b>	<b>26,949</b>	<b>1,827,190</b>

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

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

	31 Dec 2012	31 Dec 2011
<i>Amounts in SEK 000</i>		
Aggregate fair value of total portfolio holdings	1,827,190	1,546,864
Less fair value of subsidiaries	-1,010,663	-542,001
Other consolidated assets	1,398,471	1,340,996
<b>Total consolidated assets</b>	<b>2,214,998</b>	<b>2,345,859</b>

### Note 3 Financial net

	Group			
	2012	2011	2012	2011
<i>Amounts in SEK 000</i>	Oct-Dec	Oct-Dec	Full-year	Full-year
Interest income	1,941	1,275	5,827	6,247
Interest expenses	-31	-12	-57	-36
Change in value of short-term investments	798	5,517	7,334	10,036
Exchange rate gains and losses	794	99	-1,307	-2
Revaluation of financial liability related to Aperia (Note 4)	-1,982	0	-1,982	0
Impairment of loans receivable from joint ventures and associated companies	-685	-2,730	-31,976 <sup>1</sup>	-21,230
<b>Financial net</b>	<b>835</b>	<b>4,149</b>	<b>-22,161</b>	<b>-4,985</b>

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

	Parent Company			
	2012	2011	2012	2011
<i>Amounts in SEK 000</i>	Oct-Dec	Oct-Dec	Full-year	Full-year
Interest income	1,454	686	4,624	5,017
Interest expenses	0	-2	-4	-6
Change in value of short-term investments	936	5,517	7,334	10,036
Exchange rate gains and losses	57	30	-54	0
Impairment of loans receivable from joint ventures and associated companies	-685	-2,730	-31,976 <sup>1</sup>	-21,230
<b>Financial net</b>	<b>1,762</b>	<b>3,501</b>	<b>-20,076</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% <sup>1</sup>	
	31 Dec 2012	31 Dec 2011
<b>Subsidiaries</b>		
Akion Pharmaceuticals AB <sup>3</sup>	90.32	88.09
Aprea AB <sup>2,3</sup>	69.43	-
Aprea Personal AB (dormant) <sup>3</sup>	69.43	-
Avaris AB <sup>4</sup>	94.87	-
Axelar AB <sup>3</sup>	45.29	40.03
Clanotech AB <sup>3</sup>	88.85	86.94
HBV Theranostica AB (dormant)	100.00	-
Inhalation Sciences Sweden AB <sup>3</sup>	74.72	72.11
KCIF Fund Management AB	37.50	37.50
KD Incentive AB	100.00	100.00
KDev Exploratory AB (formerly Actar AB)	100.00	100.00
KDev Investments AB (formerly Daffodil AB)	100.00	-
KDev Oncology AB	100.00	100.00
GliGene AB	34.65	10.13
Limone AB	100.00	100.00
NovaSAID AB <sup>3</sup>	88.91	88.91
Pharmanest AB	60.24	56.53
<b>Joint ventures</b>		
Aprea AB <sup>2</sup>	-	41.12
Athera Biotechnologies AB	65.02	62.19
Avaris AB <sup>4</sup>	-	68.40
BioChromix Pharma AB	76.47	68.77
Bioneris AB (in liquidation)	26.31	26.31
Biosergen AS <sup>3</sup>	60.26	60.26
Dilafor AB <sup>3</sup>	55.86	54.76
Dilaforette Holding AB <sup>3</sup>	66.34	57.96
Dilaforette AB <sup>3</sup>	66.34	57.96
HBV Theranostica AB (dormant)	-	72.52
Lipidor AB	46.13	39.98
NeoDynamics AB <sup>3</sup>	20.72	25.74
Oncopeptides AB (divested) (Note 8)	-	43.36
Pergamum AB <sup>3</sup>	61.93	61.93
DermaGen AB <sup>3</sup>	61.93	61.93
Laurantis Pharma OY <sup>3</sup>	3.44	6.07
Lipo peptide AB <sup>3</sup>	61.93	61.93
PharmaSurgics in Sweden AB (divested)	-	61.93
XImmune AB <sup>3</sup>	5.16	5.36
ProNoxis AB (divested)	-	19.83
Umecrine Cognition AB	54.17	54.17
Umecrine Mood AB <sup>3</sup>	42.54	42.87
XSpray Microparticles AB	61.81	60.80
<b>Associated companies</b>		
KCIF Co-Investment Fund KB	26.00	26.00
Oss-Q AB	15.63	15.69
Promimic AB <sup>3</sup>	30.12	24.50
<b>Other long-term securities holdings</b>		
BioArctic NeuroScience AB	3.17	3.17
BioChromix AB	13.94	9.34
BioResonator AB (in liquidation)	7.62	7.62
CytoGuide ApS	9.06	9.06
NephroGenex Inc.	0.58	0.58
Umecrine AB	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 a controlling interest in Aprea as of 27 August 2012; see below under "Business combinations".

<sup>3</sup> These companies will be transferred to KDev Investments Group during the first quarter 2013. <sup>4</sup>Reclassified during the fourth quarter.

*Book value in Parent Company*

<i>Amounts in SEK 000</i>	<b>Book value in Parent Company</b>	
	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
<b><i>Subsidiaries</i></b>		
Akinion Pharmaceuticals AB <sup>2</sup>	63,070	48,070
Aprea AB <sup>1,2</sup>	119,235	-
Avaris AB <sup>3</sup>	369	0
Axelar AB <sup>2</sup>	73,343	48,343
Clanotech AB <sup>2</sup>	46,692	37,194
HBV Theranostica AB (dormant)	50	-
Inhalation Sciences Sweden AB <sup>2</sup>	28,238	24,238
KCIF Fund Management AB	143	43
KD Incentive AB	200	200
KDev Exploratory AB (formerly Actar AB)	7,500	3,679
KDev Investments AB (formerly Daffodil AB)	50	-
KDev Oncology AB	4,000	1,000
Limone AB	8	296
NovaSAID AB <sup>2</sup>	74,407	74,407
Pharmanest AB	23,174	15,075
<b>Total book value subsidiaries</b>	<b>440,479</b>	<b>252,545</b>
<b>Total fair value subsidiaries</b>	<b>1,010,663</b>	<b>542,001</b>
<b><i>Joint ventures</i></b>		
Aprea AB <sup>1</sup>	-	46,199
Athera Biotechnologies AB	97,438	74,797
Avaris AB <sup>3</sup>	-	0
BioChromix Pharma AB	27,850	19,350
Bioneris AB (in liquidation)	0	0
Biosergen AS <sup>2</sup>	21,370	21,370
Dilafor AB <sup>2</sup>	93,376	88,831
Dilaforette Holding AB <sup>2</sup>	24,438	7,188
HBV Theranostica AB (dormant)	-	0
Lipidor AB	12,998	9,000
NeoDynamics AB <sup>2</sup>	11,097	11,097
Oncopeptides AB (divested) (Note 8)	-	22,914
Pergamum AB <sup>2</sup>	104,400	210,850
ProNoxis AB (divested)	-	5,500
Umecrine Cognition AB	14,700	14,700
Umecrine Mood AB <sup>2</sup>	31,007	25,112
XSpray Microparticles AB	36,628	33,708
<b><i>Associated companies</i></b>		
KCIF Co-Investment Fund KB	13,871	10,527
Oss-Q AB	3,650	3,650
Promimic AB <sup>2</sup>	13,100	8,100
<b>Total book value joint ventures and associated companies</b>	<b>505,923</b>	<b>612,893</b>
<b>Total fair value joint ventures and associated companies</b>	<b>789,578</b>	<b>980,276</b>
<b><i>Other long-term securities holdings</i></b>		
BioArctic NeuroScience AB	600	600
BioChromix AB	3,834	2,374
BioResonator AB (in liquidation)	0	0
CytoGuide ApS	3,300	3,300
NephroGenex Inc.	709	709
Umecrine AB	7,398	7,398
<b>Total book value other long-term securities holdings</b>	<b>15,841</b>	<b>14,381</b>
<b>Total fair value other long-term securities holdings</b>	<b>26,949</b>	<b>24,587</b>

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

<sup>2</sup> These companies will be transferred to KDev Investments Group during the first quarter 2013.

<sup>3</sup> Reclassified during the fourth quarter.

### 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 a controlling interest in 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 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 future revenue Industrifonden receives from Oncopeptides up to SEK 80m, while Industrifonden can receive a 5% share of any future 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 on the acquisition date. During the fourth quarter, the financial liability was revalued at SEK 10,889 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
Amounts in SEK 000	Fair value
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*

Amounts in SEK 000	Revenue	Loss before tax
Aprea AB	326	-5,896

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

Amounts in SEK 000	Revenue	Loss before tax
Aprea AB	577	-16,350

**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 31 Dec 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>

During the fourth quarter 2012, the Parent Company and the Group repurchased 150,600 shares with a par value of SEK 0.5. These shares represent SEK 75,300 of the share capital and the consideration paid totals SEK 2,243,879. The shares were repurchased to cover the social security expenses in the incentive program PSP 2012 resolved by the Annual General Meeting in 2012.



### Calculation of net asset value

Amounts in SEK 000	Group	
	31 Dec 2012	31 Dec 2011
<b>Net assets</b>		
Cash and cash equivalents	117,033	163,347
Short-term investments	174,160	457,249
Loans receivable joint ventures and associated companies	12 856	3,675
Financial liabilities	-1,982	-2,000
<b>Total net assets</b>	<b>302,067</b>	<b>622,271</b>
Estimated fair value of portfolio companies including subsidiaries	1,827,190	1,546,864
<b>Total net asset value</b>	<b>2,129,257</b>	<b>2,169,135</b>
<b>Number of shares</b>	<b>48,531,417</b>	<b>48,531,417</b>
<b>Net asset value per share</b>	<b>43.87</b>	<b>44.70</b>

### Note 6 Pledged assets and contingent liabilities

Karolinska Development has entered into an investment commitment of SEK 26.6m related to Axelar AB.

Amounts in SEK 000	Parent Company	
	31 Dec 2012	31 Dec 2011
<b>Pledged assets</b>		
Endowment insurance	2,623	2,080
<b>Total pledged assets</b>	<b>2,623</b>	<b>2,080</b>
<b>Investment commitments</b>		
Biocellex	1,000	500
Uminova	200	400
<b>Total contingent liabilities</b>	<b>1,200</b>	<b>900</b>
<b>Total</b>	<b>3,823</b>	<b>2,980</b>

### Group's other contingent liabilities

#### Axelar AB

Axelar AB acquired the rights to its project's patent applications from another legal entity during 2005. If Axelar sells its project to another third party in the future, the legal entity has the right to receive repayment for its development costs up to a maximum of SEK 26m (26m).

**Note 7** Investments in portfolio companies

	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<i>Amounts in SEK 000</i>	Oct-Dec	Oct-Dec	Full-year	Full-year
<b><i>Investments in subsidiaries</i></b>				
Akinion Pharmaceuticals AB	0	0	15,000	30,000
Axelar AB	0	0	25,000	20,000
Clanotech AB	3,000	2,499	9,500	2,499
HBV Theranostica AB	0	0	200	0
Inhalation Sciences Sweden AB	0	4,500	4,000	7,000
KCIF Fund Management AB	0	0	100	0
KD Incentive AB	0	100	0	100
KDev Exploratory AB (formerly Actar AB)	3,000	2	13,000	2
KDev Investments AB (formerly Daffodil AB)	0	0	50	0
KDev Oncology AB	0	1,000	3,000	1,000
Limone AB	0	1,500	4,000	3,000
NovaSAID AB	0	0	0	12,000
Pharmanest AB	0	5,110	8,099	8,110
<b><i>Total investments in subsidiaries</i></b>	<b>6,000</b>	<b>14,711</b>	<b>81,949</b>	<b>83,711</b>
<b><i>Investments in joint ventures and associated companies</i></b>				
Apra AB (Note 4)	0	0	72,636	12,470
Athera Biotechnologies AB	3,650	0	22,641	8,760
Avaris AB	0	0	444	1,800
BioChromix Pharma AB	0	7,000	8,500	10,000
Biosergen AS	0	2,357	0	6,256
Dilafor AB	4,545	0	4,545	9,000
Dilaforette Holding AB	7,250	7,000	17,250	7,188
Eribis Pharmaceuticals AB	0	0	0	2,490
HBV Theranostica AB	0	0	0	200
KCIF Co-Investment Fund KB	0	0	3,360	5,834
Lipidor AB	0	0	3,998	4,997
NeoDynamics AB	0	0	0	3,546
Oncopeptides AB	0	4,378	0	4,378
Oss-Q AB	0	3,650	0	3,650
Pergamum AB	0	12,208	0	108,065
Promimic AB	0	0	5,000	0
ProNoxis AB	0	1,000	1,000	2,500
Umecrine Cognition AB	0	6,500	0	7,700
Umecrine Mood AB	3,157	0	5,895	5,286
XSpray Microparticles AB	0	0	2,920	5,835
<b><i>Total investments in joint ventures and associated companies</i></b>	<b>18,602</b>	<b>44,093</b>	<b>148,189</b>	<b>209,955</b>
<b><i>Investments in other long-term securities holdings</i></b>				
BioChromix AB	0	913	1,460	2,915
Umecrine AB	0	0	0	1,000
<b><i>Total investments in other long-term securities holdings</i></b>	<b>0</b>	<b>913</b>	<b>1,460</b>	<b>3,915</b>
<b>Total investments</b>	<b>24,602</b>	<b>59,717</b>	<b>231,598</b>	<b>297,581</b>

*Investments not affecting cash flow during the period*

	2012	2011	2012	2011
<i>Amounts in SEK 000</i>	Oct-Dec	Oct-Dec	Full-year	Full-year
<b>Conversions of previously issued loans</b>				
Apra AB	0	0	0	5,900
Biosergen AS	0	0	0	2,425
Dilafor AB	4,545	0	4,545	0
Dilaforette Holding AB	0	4,000	0	4,000
NeoDynamics AB	0	0	0	546
Oncopeptides AB	0	4,378	0	4,378
Pergamum AB	0	0	0	77,629
<b>Other investments not affecting cash flow</b>	0	0	0	0
Apra AB (Note 4)	0	0	72,636	0
Avaris AB	0	0	444	0
HBV Theranostica AB	0	0	150	0
<b>Total investments not affecting cash flow during the period</b>	<b>4,545</b>	<b>8,378</b>	<b>77,775</b>	<b>94,878</b>

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

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

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

**Note 9** Assets and liabilities to be transferred to KDev Investments Group

On 21 December 2012, Karolinska Development signed an agreement with Rosetta Capital Limited on the sale of a minority share in Karolinska Development's holdings in 13 of its portfolio companies. The transaction will be finalized during the first quarter 2013. Karolinska Development will transfer the holdings in 13 of its portfolio companies to a new investment company, KDev Investments AB. Karolinska Development will be the majority owner of KDev Investments AB. The shareholders will enter into a shareholders agreement on the management of KDev Investments AB, whereby Karolinska Development will relinquish controlling interest in the KDev Investments Group. After the transaction, Karolinska Development will share control with Rosetta, due to which the KDev Investments Group will be a joint venture to Karolinska Development and will be recognized at fair value in the consolidated statement of financial position. The assets and liabilities attributable to KDev Investment Group have been recognized separately in the statement of financial position, in accordance with accounting standard IFRS 5.

*Assets to be transferred to KDev Investments Group*

	<b>Group</b>
<i>Amounts in SEK 000</i>	<b>31 Dec 2012</b>
Intangible assets	998,776
Tangible assets	362
Shares in joint ventures and associated companies	570,405
Other current assets	2,896
Cash and cash equivalents	59,586
<b>Total</b>	<b>1,632,025</b>

*Liabilities attributable to assets to be transferred to KDev Investments Group*

	<b>Group</b>
<i>Amounts in SEK 000</i>	<b>31 Dec 2012</b>
Deferred taxes	151,278
Interest-bearing liabilities	1,575
Accounts payable	3,878
Other short-term liabilities	8,030
<b>Total</b>	<b>164,761</b>

**Note 10**      **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 Notes 6 and 11.

**Note 11**      **Performance Share Program 2012 (PSP 2012)**

On 23 May 2012, the Annual General Meeting decided on a Performance Share Program for management based on the participants acquiring shares ("Saving Shares") on the open market. For each Savings Share, participants will be allotted, free of charge, one Matching Share Right and a maximum of five Performance Share Rights. The maximum number of Performance and Matching Share Rights is 480,000. The program comprises a maximum of ten participants.

Each Performance and Matching Share Right is entitled to the allocation of one subscription option. Each subscription option entitles its holder to acquire one series B share at a subscription price corresponding to the share's par value and assuming that the option is exercised as soon as possible after receiving the subscription option. Subscription options will be allocated after publication of the company's interim report for the first quarter 2015, though no earlier than three years after the agreement on PSP 2012 was signed (vesting period).

There are no performance conditions for the Matching Share Rights, but each participant must remain an employee during the vesting period and may not have sold their Savings Shares. The Performance Share Rights have the same terms as the Matching Share Rights. In addition, there is a target related to Karolinska Development's share price performance and a comparison between the so-called Start Price and 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 10 trading days beginning on 2 May 2015. For any allotment to be made, 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.

In December 2012, the participants acquired 80,000 Savings Shares. The fair value of a Matching Share Right on the allotment date in December 2012 has been set at SEK 14 based on the Black-Scholes option pricing model. The inputs in the model were a share price of SEK 14.65, an exercise price of SEK 0.5, an anticipated maturity 3.1 years, an anticipated volatility of 42.5%, an anticipated

dividend of zero percent and a risk-free rate of interest of 0.87%. The fair value of a Performance Share Right on the allotment date in December 2012 was set at SEK 7.20 based on a Monte Carlo simulation. The inputs in the model were a share price of SEK 14.65, an exercise price of SEK 0.5, an anticipated maturity 3.1 years, an anticipated dividend of zero percent and a risk-free rate of interest of 0.87%. The condition related to share price performance has been taken into account in the valuation of the Performance Share Rights.

Anticipated volatility is based on historical volatility and comparisons with comparable companies.

The company will cover the social security contributions related to the program by acquiring and transferring not more than 150,600 of its own shares. The Performance Share Program has not had any impact on the company's results and financial position as of 31 December 2012.