

Karolinska Development – Q4 and 2015 Year-End Report – February 2016

STOCKHOLM – 23rd FEBRUARY 2016. Karolinska Development AB (Nasdaq Stockholm: KDEV) today publishes its Q4 and 2015 Year-End Report. The Company will host a conference call and webcast today at 2.30 pm CET – details below. The full report is available on the Company's website.

Jim Van heusden, CEO, comments: “During the course of 2015 we have made significant progress in executing our new strategy which is designed to transform Karolinska Development into a successful Nordic Venture Capital company delivering attractive returns to our shareholders. In 2015 we have focused our portfolio and streamlined our own organization accordingly I look forward to updating you on our progress in the course of 2016 when we will look to build future value by making new investments.”

2015 – Full Year Highlights

- Jim Van heusden appointed CEO in March 2015
- Launched new strategy focused on transforming Karolinska Development into a leading Nordic Venture Capital Company
- New organizational structure put in place to support venture capital strategy
- Modified deal flow agreement with Karolinska Institutet Holding AB (KIHAB) will allow Karolinska Development to invest in more mature companies and create a more balanced Nordic-centric investment portfolio
- Streamlined the Karolinska Development portfolio to allow resources to be focused on those companies with the best chances of delivering attractive returns to shareholders
- Adoption of a more representative approach to reporting the fair value in line with the International Private Equity and Venture Capital (IPEV) valuation guidelines
- Total of SEK 204 million invested in portfolio companies with SEK 131 million coming from Karolinska Development and SEK 73 million from external investors. This is in line with Karolinska Development's new approach of attracting third party investors to support the development of its portfolio companies. Another SEK 70 million was raised by third-party syndicates for divested companies Pharmanest, XSpray Microparticles and Athera Biotechnologies.
- Current level of funding provides sufficient runway to execute its strategy and to unlock the potential value of its portfolio

Q4 Highlights

- The difficult market environment has also impacted our portfolio and resulted in a non-realized decrease of the Fair Value in line with our valuation guidelines. Total Fair Value of the portfolio at year end was SEK 591.7 million, a decrease of SEK 130.8 million compared to the end of third quarter. Net Fair Value of the portfolio at year end was SEK 267.7 million, a decrease of SEK 83.3 million compared to the end of the third quarter

- Continuing to execute our strategy, which is focused on transforming Karolinska Development into a leading Nordic Venture Capital Company
- Karolinska Development and Karolinska Institutet Holding AB (KIHAB) announced the signing of a new non-exclusive deal flow agreement in December. This new agreement will allow Karolinska Development to invest in more mature companies and increase its focus on building a more balanced investment portfolio by sourcing opportunities from both KI and other academic institutions across the Nordic region
- In December, the Company appointed Viktor Drvota, M.D. PhD as Chief Investment Officer. Dr Drvota is an experienced life science investor and joins Karolinska Development from SEB Venture Capital, where he has been Head of Life Science since 2002. At the same time it was announced that Terje Kalland, M.D. PhD, the Company's Deputy Chief Executive Officer and Chief Scientific Officer, would retire from both positions effective December 31, 2015
- Further focusing of the investment portfolio with the divestment of the Company's entire shareholding in Athera Biotechnologies AB to a consortium led by The Foundation for Baltic and East European Studies (Östersjöstiftelsen) and Industrifonden in an earn-out agreement

Portfolio Developments – Q4 Highlights

- Dilaforette initiated a Phase II clinical trial in October with sevuparin in patients with sickle-cell disease (SCD) experiencing a vaso-occlusive crisis. The trial results are anticipated in H2 2016
- In October, Promimic signed a strategic agreement with Amendia Inc. (US) that will allow Amendia to develop Promimic's HA^{nano} Surface technology for use with its patient-focused spinal implants
- Aprea presented updated preliminary data from its ongoing Phase Ib/II clinical study in ovarian cancer at the European Society for Gynaecological Oncology congress (ESGO) in Nice, France, in October. The data presented suggest that APR-246 can be combined with standard chemotherapy and that preliminary efficacy data indicate that the combination regimen has activity in the treatment of recurrent ovarian cancer
- OssDsign raised SEK 93 million in an equity financing led by new investors SEB Venture Capital and Fouriertransform with continued investment from Karolinska Development. The proceeds will be used for the market expansion of OssDsign's product line of unique craniofacial implants

Post period events

- In January, Akinion Pharmaceuticals AB, announced the appointment of Dr Richard Jones as Chief Executive Officer. Dr Jones recently served at Novartis and GSK as VP, Global Haematology Medicines Commercialization Leader
- In January, Promimic announced that its strategic partner Sistema de Implante Nacional (SIN) had initiated the launch of the first dental implant coated with Promimic's implant surface HA^{nano} Surface. The implant was launched at CIOSP (Sao Paulo International Dental Meeting), the second largest dental trade show in the world.

- In February, Dilaforette signed an agreement with Arabian Gulf University to support the company's current Phase II clinical trial with sevuparin in patients with SCD

Financial Update

- Investments in portfolio companies during the fourth quarter amounted to SEK 15.7 million (SEK 27.5 million 2014). A total of SEK 130.8 million was invested in portfolio companies during the course of 2015 (SEK 92.6 million 2014)
- Net loss amounted to SEK 121.6 million in the fourth quarter (SEK - 46.8 million in the fourth quarter 2014)
- Cash, cash equivalents and short term liquidity investments decreased by SEK 31.2 million during the fourth quarter and amounted to SEK 297.2 million as of end December 2015. At the end of 2014 cash, cash equivalents and short term liquidity investments amounted to SEK 141.3 million
- The difficult market environment has also impacted our portfolio and resulted in a non-realized decrease of the Fair Value in line with our valuation guidelines. Total Fair Value of the portfolio at year end was SEK 591.7 million, a decrease of SEK 130.8 million compared to the end of third quarter. Net Fair Value of the portfolio at year end was SEK 267.7 million, a decrease of SEK 83.3 million compared to the end of the third quarter
- Restructured organization is expected to reduce operational cost in 2016 by approximately 30%

Conference Call and Webcast

Please dial in at one of the following numbers a few minutes before the start of the conference call:

- From Sweden: +46 (0) 8 505 564 74
- From the US: +1 855 753 22 30
- From the UK: +44 (0) 20 336 453 74

The presentation will also be webcast and can be accessed from the following web address:

<http://edge.media-server.com/m/p/3p7pt5hb>

Host: Jim Van heusden, CEO.

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TO THE EDITORS

About Karolinska Development AB

Karolinska Development AB is an investment company focused on identifying medical innovation and investing in the creation and growth of companies developing these assets into differentiated products that will make a difference to patients' lives and provide an attractive return on investment.

Karolinska Development has access to world-class medical innovations at the Karolinska Institutet and other leading universities and research institutes in the Nordic region. The Company aims to build companies around scientists who are leaders in their fields, supported by experienced management teams and advisers, and co-funded by specialist international investors, to provide the greatest chance of success.

Karolinska Development has established a portfolio of 12 companies targeting opportunities in innovative treatment for life-threatening or serious debilitating diseases.

The Company is led by a team including investment professionals with strong venture capital backgrounds, experienced company builders and entrepreneurs, with access to a strong global network.

For more information, please visit www.karolinskadevelopment.com