KAROLINSKA DEVELOPMENT

Q3

# Karolinska Development

Karolinska Development (Nasdaq Stockholm: KDEV) is an investment company which offers a unique opportunity to share in the growth in value of a number of Nordic life sciences companies with high commercial potential, eight of which have projects in the clinical development or early launch phase. Clinical phase II results for six of the portfolio companies' projects are scheduled for presentation in 2018, offering the potential for substantially increased opportunities for attractive divestments or licensing deals. Comparable candidate drugs have, in recent years, been out-licensed or sold for contract values of between SEK 1.6 and 7.3 billion for the individual projects. The portfolio companies have been strengthened in the past year through the recruitment of people with a documented ability to close international business deals in the life sciences sector.

For further information, see www.karolinskadevelopment.com

# Financial Update

- Karolinska Development posted a positive quarterly result for the first time since the company's strategy shift in 2014. The net profit totalled SEK 194.1 million (net loss of SEK 17.9 million in Q3 2016), and the earnings per share were SEK 3.0 (SEK -0.3 in Q3 2016).
- The result of change in portfolio fair value amounted to SEK 212.2 million. The increase was primarily due to the increase in the valuation of the Umecrine Cognition holding due to the positive results from the phase Ib study presented during the quarter, and to the flotation of Xspray Pharma.
- The total fair value of the portfolio was SEK 674.0 million at the end of September 2017, an increase from SEK 445.0 million at the end of June 2017.
- Net sales totalled SEK 0.5 million during the third quarter 2017 (SEK 0.4 million in Q3 2016).
- Karolinska Development invested a total of SEK 17.1 million in its portfolio companies during the third quarter. Third quarter investments in the portfolio companies by Karolinska Development and other specialised life sciences investors totalled SEK 21.4 million.
- Cash and cash equivalents decreased by SEK 23.7 million during the third quarter, totalling SEK 165.4 million on 30 September 2017.
- The Parent Company's equity at the end of September 2017 was SEK 235.1 million.

# Karolinska Development – Q3 Highlights

- Karolinska Development posted a positive quarterly result for the first time since the company's strategy shift in 2014.
- Karolinska Development reports an increase in the valuae of its holdings in Umecrine Cognition as a result of the positive results from the phase Ib study (oktober 2017).
- Umecrine Cognition presented positive phase Ib data for its GR3027 candidate drug, which is being developed for the treatment of hepatic encephalopathy (September 2017).
- BioArctic announced that it intends to float the company's class B shares on the NASDAQ First North Stockholm exchange (September 2017).
- Xspray Pharma AB was listed on the NASDAQ First North exchange in Stockholm. When Karolinska Development sold its Xspray holding to new owners in September 2015, an earn-out agreement ensured that it would, in conjunction with a stock market listing, be entitled to receive a holding of 3.74% of the number of shares after the flotation. Based on the share price on 30 September 2017, the value of these shares and the shares owned indirectly via KCIF Co-Investment Fund KB corresponds to SEK 16.2 million, and the value of Karolinska Development's portfolio holdings has, therefore, increased by an equivalent amount (September 2017).
- Aprea Therapeutics enrolled the first patient in a phase Ib/II study of the APR-246 candidate drug for patients with platinum-resistant, high-grade serous ovarian cancer (HGSOC) (August 2017).
- Karolinska Development appointed Fredrik Järrsten to the position of CFO. Fredrik Järrsten will take up his new position in late 2017, succeeding Christian Tange who, after four years at Karolinska Development, is leaving the company to pursue other opportunities. Tange will, however, remain with the company for a period of time after Järrsten takes over as CFO, in order to ensure an orderly handover (August 2017).

# Post Period Events

- Aprea Therapeutics received the last tranche of SEK 188 million in a financing round of totally SEK 437 million from 2016. Aprea also announced the enrollment of the first patient in a Phase Ib/II study in esophageal cancer (October 2017).
- Umecrine Cognition announced that it had secured SEK 20 million in financing for an exploratory, phase IIa study of the company's candidate drug, GR3027, in an additional therapeutic indication area, namely idiopathic hypersomnia (October 2017).
- BioArctic was listed on the NASDAQ First North exchange. Karolinska Development's holding are valued at SEK 48 million, based on the offering price on 12 October, corresponding to a sum that is 80 times the investment (October 2017).

- Karolinska Development and KCIF Co-Investment Fund KB announced the divestment of their holdings in Xspray Pharma AB. The transaction generated SEK 13.3 million to Karolinska Development (October 2017).

## Viktor Drvota, CEO of Karolinska Development, comments:

"The past quarter has seen the value of Karolinska Development's portfolio increase by SEK 229 million, primarily due to the positive results of Umecrine Cognition's phase Ib study and the stock market listing of Xspray Pharma. Karolinska Development has consequently posted its first positive quarterly results since the implementation of the company's new strategy in 2014."

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# Chief Executive's Report

## Our strategy for value creation

Karolinska Development is an investment company which offers its shareholders a unique opportunity to share in the growth in value of a number of Nordic life sciences companies with high commercial potential, eight of which have projects in the clinical development or early launch phases.

In 2014, Karolinska Development implemented a comprehensive strategy shift. Our portfolio at this point comprised 21 companies, making it difficult to finance and promote development effectively in all of the companies. We decided to focus on promoting the development of a smaller number of companies towards clearly defined, value-generating milestones, and this made it necessary to divest a number of lower priority holdings. We ensured, by means of agreements with contingent considerations, known as earn-out agreements, the right to continue sharing in the ongoing growth in value of the divested companies and, at the same time, initiated a determined range of activities with the aim of enhancing the commercial expertise of the remaining portfolio companies. We also implemented measures designed to expand the number of therapeutic indication areas in the prioritised projects, in order to boost their commercial potential and spread the risks.

Our goal is for the portfolio companies operating in the field of pharmaceutical development to deliver phase II results before concluding licensing agreements, corporate sell-offs, or stock market listings. The reasoning here is that this is an attractive point in time for doing business: it is then that companies can, for the first time, demonstrate that a candidate drug has the anticipated biological effect, thereby substantially reducing the ongoing development risk and, furthermore, substantially increasing the value of the project. Five of our portfolio companies are expected to present potentially value-creating data from six different phase II studies in 2018.

We will only divest the holdings in those portfolio companies that operate in the medtech field when the companies have launched their first product and are cash flow-positive.

## Positive quarterly result

We are now starting to see the effects of our new and more focused strategy, and for the first time since implementing its strategy shift, Karolinska Development was able to post a positive quarterly result. The past quarter saw the value of the portfolio increase by SEK 229 million, primarily due to the positive results from Umecrine Cognition's phase Ib study of the GR3027 candidate drug and the listing of Xspray Pharma. When Xspray Pharma was listed Karolinska Development received directly and indirectly via KCIF Co-Investment Fund KB shares valued at SEK 16.3 million at the end of the quarter - an example of the value that can be generated from the earn-out agreements signed in conjunction with recent years' divestments of portfolio companies.

The ability of stock market listings of our portfolio companies to reveal substantial values in our holdings was also demonstrated on [•] October, when trading in BioArctic's shares began on the NASDAQ Stockholm exchange. Based on the closing price on [•] October, the value of Karolinska Development's holding totalled SEK [•] million – [•] times more than our total investment in the company.

At the quarter end, our cash position totalled SEK 165 million and our market capitalisation was approximately SEK 349 million.

## Focus on commercial expertise

Having the right commercial expertise in portfolio companies' management teams and Boards is crucial when maximising the potential for value creation based on positive research results, as are properly thought out strategies for making the projects as attractive as possible from a partnership or divestment perspective. Karolinska Development is consequently working determinedly to support these companies in their recruitment work and strategy development work. What follows are two examples that illustrate the development and commercial potential of our portfolio companies:

## First patient enrolled in Aprea's phase Ib/II study

Aprea is developing new cancer drugs that have shown themselves capable of reactivating mutant p53 protein – the best-known of the body's endogenous substances that, under normal conditions, inhibit uncontrolled cell division. In 2016, on the basis of the company's promising preclinical and clinical data, Aprea secured one of the biggest financing programmes ever by a Swedish biotechnology company, when a syndicate of well-reputed, international specialist investors, including the Swedish firm, HealthCap, invested a combined total of over SEK 400 million in the company.

The past quarter saw the first patient enrolled in a phase Ib/II study of Aprea's APR-246 candidate drug for patients with platinum-resistant ovarian cancer – the most lethal form of gynaecological cancer. The results are expected in 2018 and the intention is that they will form the basis for a licensing deal or the sale of the company. The candidate drug is also being evaluated in a phase IIa study of patients with platinum-sensitive ovarian cancer, and in two phase Ib/II studies in myelodysplastic syndrome and esophageal cancer, thereby simultaneously offering the potential for further enhancing the value of the project and reducing the risk level.

A licensing deal involving a similar pharmaceutical project was signed a few years ago with a contract value of almost SEK 4 billion.

## Positive results from Umecrine Cognition's phase Ib study

We believe Umecrine Cognition to be the only company with a candidate drug in development for reducing the risk of disturbances in consciousness and other serious CNS-related symptoms in conjunction with hepatic encephalopathy. Positive results from a phase Ib study were presented in September and phase IIa results are expected to become available in 2018. The company also recently secured financing to conduct an exploratory phase IIa study of patients with idiopathic hypersomnia, thereby potentially increasing the commercial value of the candidate drug and, at the same time, reducing the development risk. The intention is that these results will form the basis for a licensing deal or the sale of the company.

Two licensing deals involving similar pharmaceutical projects were signed in recent years with contract values of over SEK 3 billion and SEK 1.6 billion, respectively.

## Results of six phase II studies expected in 2018

Karolinska Development's goal for the next three years is to generate a positive cash flow by divesting holdings or helping to secure commercially attractive licensing agreements in a substantial number of our portfolio companies. In 2018, five of the companies are expected to present six clinical phase II results with the potential for significantly increasing the opportunities for attractive divestments or

licensing deals.

We do not, as yet, know how the ongoing studies will turn out, and licensing deals and divestments are, furthermore, long, drawn out processes. But there are three things that we do know:

- we have six projects where phase II data is expected to become available in 2018;
- based on available data, the potential for positive phase II data from the projects in question is between 27 and 50%, depending on therapeutic indication area;
- a number of deals have been completed for comparable projects where the contract values of the individual projects totalled SEK 1.6 to 7.3 billion.

Karolinska Development is starting to see the effects of the strategy shift implemented in 2014. We have posted a positive quarterly result and our portfolio companies are well-positioned to exploit the phase II results that are expected to become available in 2018.

# Portfolio Companies

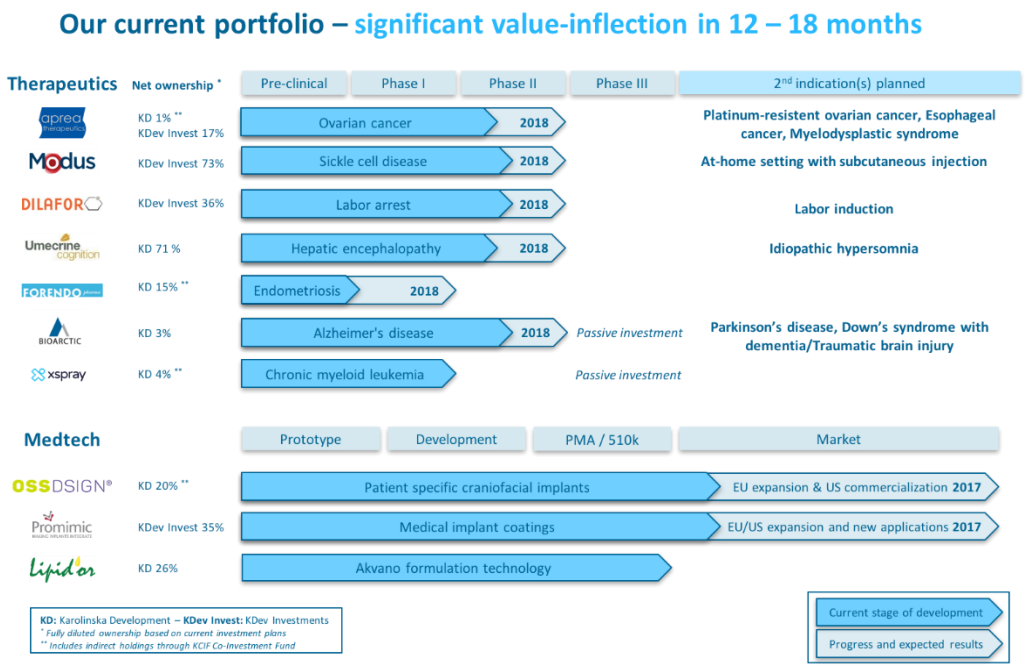
## A Focused Portfolio with High Commercial Potential

Karolinska Development's investments in therapeutic companies are conducted in syndicates with other professional life science investors until proof-of-concept is demonstrated in Phase II trials, at which point different exit options are evaluated. For medtech companies, the business model is to finance the companies beyond break-even before realizing the investments.

Karolinska Development has a focused portfolio of therapeutic and medtech companies with significant value-generating potential. The portfolio companies are developing highly differentiated and commercially attractive products that have the potential to deliver compelling clinical and health economic benefits, as well as attractive returns on investment.

During the past year, Karolinska Development has optimized the clinical programs of the portfolio companies to reach clinically meaningful value-inflection points in 2018. Experienced leadership has been recruited to the management and boards of the portfolio companies. Furthermore, Karolinska Development has supported the financing of the portfolio companies through syndication with experienced international and domestic professional life science investors. As a result, several of Karolinska Development's portfolio companies now are financed and well positioned to deliver key value-generating clinical or commercial milestones over the next 12-18 months.

The therapeutics companies' next key value-generating milestones are expected in 2018, when several of the companies are supposed to present Phase II proof-of-concept data. The medtech companies OssDsign and Promimic are revenue generating and have significant milestones mapped out in 2017/2018 regarding execution of their commercial strategies.



KAROLINSKA DEVELOPMENT

# Aprea Therapeutics AB

## A unique approach to treating broad range of cancers

**Project**
APR-246

**Primary indication**
Ovarian cancer

**Development Phase**
Phase IIa

**Holding in company***
Karolinska Development 1%**
KDev Investments 17%

**Other investors**
Versant Ventures (US), 5AM Ventures (US), HealthCap (Sweden), Sectoral Asset Management (Canada), KCIF Co-Investment Fund KB

**Origin**
Karolinska Institutet

**More information**
aprea.com

** Fully-diluted ownership based on current investment plans.*

*** Includes indirect holdings through KCIF Co-Investment Fund*

Aprea Therapeutics (Stockholm, Sweden and Boston, US) is a biotech company developing novel anticancer compounds targeting the tumor suppressor protein p53. Mutations of the p53 gene occur in around 50% of all human tumors. These mutations are often associated with resistance to anticancer drugs and poor overall survival, representing a major unmet medical need in the treatment of cancer. Aprea's lead drug candidate APR-246 is a first-in-class compound that reactivates mutant p53 protein, inducing programmed cell death in human cancer cells.

APR-246 is currently in a Phase IIa trial of a combined Phase Ib/IIa clinical study (the PiSARRO study), investigating the drug candidate's safety and efficacy in combination with chemotherapy in second-line treatment of patients with platinum-sensitive high-grade serous ovarian cancer (HGSOC). The Phase Ib component is complete and has established safety, tolerability and pharmacokinetics of APR-246 in combination with standard chemotherapy. The Phase IIa portion of the PiSARRO study will enrol 250 up to 400 relapsed platinum-sensitive HGSOC patients in Europe and the US. Patients will be randomized between carboplatin and pegylated liposomal doxorubicin with or without APR-246; the primary endpoint for the study is progression-free survival.

In addition to the ongoing Phase IIa clinical trial in platinum-sensitive HGSOC, Aprea is enrolling three Phase Ib/II studies in myelodysplastic syndrome, platinum-resistant HGSOC and esophageal cancer. The company is expecting to initiate additional clinical studies of APR-246 in other indications in 2017.

**Deal values for similar projects**

- USD 469 million MEI Pharma (licensor) & Helsinn Group (licensee)
- USD 467 million Array Biopharma (licensor) & Novartis AG (licensee)

### The market

The lead target indication for APR-246 is ovarian cancer. As the 6th most common cancer in women, over 60,000 new patients are diagnosed worldwide each year. High-grade serous ovarian cancer (HGSOC) accounts for 70-80% of all deaths from ovarian cancer. Over 90% of these patients are Stage III/IV and median survival is less than 4 years. Approximately 60% of ovarian cancer patients, and ≥95% of HGSOC patients, have p53 mutations at diagnosis. Therefore, combination treatment of APR-246 with chemotherapy could provide significant benefit.

### Recent progress

- Research collaboration initiated with Memorial Sloan Kettering Cancer Center in US to further evaluate APR-246 with multiple other cancer agents across multiple tumor types (March 2017).
- First patient enrolled in: Phase Ib/II study in myelodysplastic syndrome (May 2017), Phase Ib/II study in platinum-resistant HGSOC (August 2017) and in Phase Ib/II study in esophageal cancer (October 2017)

### Expected milestones

- Complete recruitment into the Phase IIa part of the PiSARRO study in 2018.
- Results of Phase IIa part of PiSARRO study expected in 2018.

KAROLINSKA DEVELOPMENT

Modus

**Project**
Sevuparin

**Primary indication**
Sickle cell disease (SCD)

**Development Phase**
Phase II

**Holding in company***
KDev Investments 73%

**Other investors**
The Foundation for Baltic and East European Studies, Praktikerinvest

**Origin**
Karolinska Institutet, Uppsala University

**More information**
modustx.com

**Fully-diluted ownership based on current investment plans*

**Deal values for similar projects**

- USD 665 million Novartis AG (buyer) & Selexys Pharmaceuticals (seller)
- USD 340 million GlycoMimetics (licensor) & Pfizer (licensee)

# Modus Therapeutics AB

## Targeting relief for sickle cell disease patients

Modus Therapeutics (Stockholm, Sweden) is developing sevuparin, an innovative, disease-modifying drug which has potential to become the best-in-class treatment for sickle cell disease (SCD).

Sevuparin's anti-adhesive mechanism means it has the potential to prevent and resolve the microvascular obstructions experienced by SCD patients. These obstructions cause the severe pain experienced by patients during Vaso-Occlusive Crises (VOCs) and result in high morbidity through organ damage as well the risk of premature death.

Modus is conducting a Phase II study of sevapurin in hospitalized SCD patients experiencing VOC, the results of which are expected in 2018. The trial is targeting 160 evaluable patients who will have been randomized to receive either an intravenous infusion of sevuparin or placebo on top of standard pain medication. This proof-of-concept study is designed to demonstrate reduced time to resolution of VOC, defined as freedom from parenteral opioid use and readiness for discharge from hospital. Secondary end-points include pharmacokinetics and safety. The study is taking place in Europe and the Middle East under a co-development deal with Ergomed, which co-invests into the trial in return for an equity stake in Modus.

Modus is also aiming to develop a presentation of sevuparin that could be self-administered by SCD patients in a timely manner to prevent VOCs developing.

**The market**

SCD is an orphan disease with approximately 100,000 patients in the US and 35,000 patients in Europe. In addition to this, there is a large patient pool in the Middle East, India, South America and Africa. The average number of VOCs per patient seeking hospital care is in the order of one VOC per year. The commercial impact of a SCD treatment that reduces hospital stay and the use of opioid analgesics is expected to be substantial. A label expansion to include also the preventive treatment would expand the market size significantly.

**Recent progress**

- SEK 32 million (USD 3.6 million) raised from existing investors (February 2017).
- Ellen K. Donnelly, Ph.D., appointed as Chief Executive Officer (April 2017).
- Professor Thomas Knittel, M.D, Ph.D, recruited as Chief Medical Officer (September 2017).

**Expected milestones**

- Complete recruitment into Phase II proof-of-concept trial in 2018.
- Results from Phase II trial expected in 2018.

KAROLINSKA DEVELOPMENT

Umecrine cognition

# Umecrine Cognition AB

**Project**
GR3027

**Primary indication**
Hepatic encephalopathy

**Development Phase**
Phase IIa

**Holding in company***
Karolinska Development 71%

**Other investors**
Norrlandsfonden,
Fort knox förvaring AB,
PartnerInvest

**Origin**
Umeå University

**More information**
umecrinecognition.com

** Fully-diluted ownership based on current investment plans.*

## Unique treatment approach to CNS-related disorders

Umecrine Cognition (Solna, Sweden) is developing a therapy that represents a new target class for several major CNS-related disorders. The lead compound GR3027 is presently in clinical development against hepatic encephalopathy (HE), which is a serious neuropsychiatric and neurocognitive complication in acute and chronic liver disease (including cirrhosis). The drug candidate will also be explored as treatment of idiopathic hypersomnia (IH), which is a severe orphan disease characterized by chronic excessive daytime sleepiness despite normal sleep.

An increase in the inhibitory GABA system in the CNS is believed to be a main driver for the clinical signs and symptoms in HE and IH. This makes GABA-receptor modulating steroid antagonists, as developed by the company, that act on the neurosteroid enhancement of GABA receptor activation, a credible therapeutic class to explore.

In 2016, the company announced positive data from a Phase Ia trial with the drug candidate, demonstrating safety, tolerability and CNS target engagement. The company recently announced positive Phase Ib data from the ongoing combined Phase Ib/IIa study in HE, which show that GR3027 is well tolerated, does not cause any dose-limiting side effects and has a favorable pharmacokinetic profile. Umecrine Cognition is now taking the drug candidate further into the phase IIa part of the study, from which results are expected in 2018.

**Deal values for similar projects**

- USD 397 million Aerial Biopharma (licensor) & Jazz Pharmaceuticals (licensee)
- USD 201 million Vernalis (licensor) & Corvus Pharmaceuticals (licensee)

### The market

HE is a severe disorder with a large unmet need. In total, liver cirrhosis affects up to 1% of US and EU populations. Between 125,000 and 200,000 patients with cirrhosis in the US are hospitalized due to complications of HE. Once HE develops, mortality reaches 22-35% after five years. HE is also associated with large societal and individual costs. The total cost for hospitalizations with HE in the US is estimated to around USD 2 billion.

### Recent progress

- First patient included in clinical Phase Ib/IIa study with GR3027 for HE (March 2017).
- Promising results from the Phase Ia study presented at the International Liver Congress, the annual meeting of the European Association for the Study of the Liver, in Amsterdam (April 2017).
- Dr. Thomas P. Blackburn appointed to the Board of Directors and as Senior Development Advisor (September 2017).
- Positive Phase Ib data for GR3027 presented (September 2017).
- SEK 20 million raised from existing investors to fund a Phase IIa study in IH (October 2017)

### Expected milestones

- Results from the Phase IIa part of the combined Phase Ib/IIa study in HE expected in 2018.

KAROLINSKA DEVELOPMENT

DILAFOR

**Project**
Tafoxiparin

**Primary indication**
Labor arrest

**Development Phase**
Phase IIb

**Holding in company***
KDev Investments 36%

**Other investors**
The Foundation for Baltic and East European Studies,
Praktikerinvest,
Rosetta Capital,
Lee's Pharma

**Origin**
Karolinska Institutet

**More information**
dilafor.com

** Fully-diluted ownership based on current investment plans.*

**Deal values for similar projects**

- USD 335 million AMAG Pharmaceuticals (buyer) & Velo Bio (seller)
- USD 465 million Palatin Technologies (licensor) & AMAG Pharmaceuticals (licensee)

# Dilafor AB

## Reducing complications with childbirth

Dilafor (Stockholm, Sweden) is a drug development company focusing on developing tafoxiparin for obstetric indications. The company's primary goal with tafoxiparin is to decrease the incidence of slow progress of labor both after induction of labor and after spontaneous onset of labor. Tafoxiparin has shown in a Phase II clinical trial encouraging evidence that it can decrease the proportion of women with labor more than 12 hours. A Phase IIb dose-finding study is underway.

Protracted labor (i.e. labor that lasts more than 12 hours) is the main cause of emergency surgical deliveries, such as caesarian section. The condition is often associated with complications for both mother and child, which lead to serious short and long-term consequences and substantial health care costs.

The Phase IIb study aims to test tafoxiparin/placebo in addition to standard care (oxytocin infusion) in term-pregnant first-time mothers that, after spontaneous onset of labor, require labor augmentation due to primary slow progress or labor arrest. The target is to enroll 360 pregnant women into the study in Europe.

Dilafor has a license and partnership agreement with Lee's Pharmaceutical, which have the right to manufacture, develop and commercialize tafoxiparin for obstetrics and gynecological indications in China, Hong Kong, Macau and Taiwan.

**The market**

It has been estimated that up to 40% of pregnant women run into complications during childbirth in the form of protracted labor, where pharmaceutical therapy is relevant. This number represents the primary target population for tafoxiparin, which indicate a substantial market potential. Existing pharmacological therapies that improve uterine contractions are usually insufficient, as they are not working well enough in up to 50% of cases. Consequently, there is strong interest in better treatments such as tafoxiparin, which has "first-in-class" potential.

**Recent progress**

- Initiated a Phase IIb dose-finding study with tafoxiparin in Europe (Jan 2017).

**Expected milestones**

- Complete recruitment into Phase IIb dose-finding trial in 2017.
- Results from Phase IIb trial expected 2018.

KAROLINSKA DEVELOPMENT

OSSDSIGN®

**Project**
OSSDSIGN® Cranial and OSSDSIGN® Facial

**Primary indication**
Cranial implants

**Development Phase**
Marketed

**Holding in company***
Karolinska Development 20%**

**Other investors**
SEB Venture Capital, Fouriertransform

**Origin**
Karolinska University Hospital, Uppsala University

**More information**
ossdsign.com

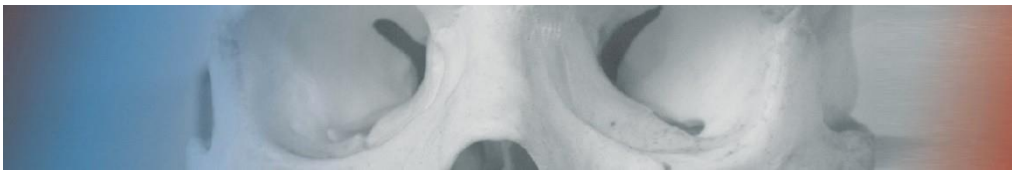
** Fully-diluted ownership based on current investment plans*

*** Includes indirect holdings through KCIF Co-Investment Fund*

**Deal values for similar projects**

- USD 330 million Baxter International (buyer) & ApaTech (seller)
- USD 360 million Royal DSM (buyer) & Kensey Nash (seller)

# OssDsign AB



## Commercializing the best craniofacial implants

OssDsign (Uppsala, Sweden) is an innovator, designer and manufacturer of implants and material technology for bone regeneration. Its lead products – OSSDSIGN® Cranial and OSSDSIGN® Facial – are already being sold in several European markets including Germany, the UK and the Nordic region, as well as selected non-European markets including Singapore and Israel. The Company is commercializing its cranial implant in the US, and is also undertaking regulatory and commercial activities in Japan.

OssDsign's commercial strategy is focused on building sales of its innovative products through a combination of its internal sales organization and distribution partnerships, and the Company is well-funded to support this strategy.

OssDsign's personalized bone regeneration technology provides improved healing properties that are clinically proven to enhance patient outcomes. By combining a regenerative ceramic material reinforced with titanium, with tailored patient-specific designs enabled by state-of-the-art computer-aided design, 3D printing and moulding techniques, the technology platform aims to contribute to the permanent healing of a range of bone defects. Enhanced healing means a better implant solution for patients and cost savings for hospitals.

### The market

OssDsign is focusing on the market for craniomaxillofacial (CMF) implants. The total market size was estimated to USD 1,8 billon in 2016 and is expected to grow at an CAGR of 5-9% worldwide over the five next years. The market for OssDsign´s lead product in cranioplasty alone is estimated to amount to approximately to USD 200 million. OssDsign pursues a focused business strategy on a well-defined patient population. The advantages are that the targeted procedures are carried out in a limited number of easily identifiable hospitals around the world. The indications are relatively price insensitive and easy to access on many markets from a regulatory perspective.

### Recent progress

- Launch of OSSDSIGN® Cranial in the US (April 2017).
- OSSDSIGN® Cranial presented at the American Association of Neurological Surgeons (AANS) scientific yearly meeting in Los Angeles (April 2017).
- Agreement with Matador Medical for US distribution of OSSDSIGN® Cranial (Feb 2017).
- 510(k) clearance granted by US FDA to market OSSDSIGN® Cranial in the US (Jan 2017).
- European distributor network expanded with partnerships signed in five countries (Jan 2017).

### Expected milestones

- Launch of OSSDSIGN® Cranial and OSSDSIGN® Facial on new EU markets and selected markets outside of Europe during 2017.

KAROLINSKA DEVELOPMENT

Promimic
MAKING IMPLANTS INTEGRATE

**Project**
HA$^{nano}$ Surface

**Primary indication**
Implant surface coatings

**Development Phase**
Marketed

**Holding in company***
KDev Investments 35%

**Other investors**
ALMI Invest,
K-Svets Venture,
Chalmers Ventures

**Origin**
Chalmers University of Technology

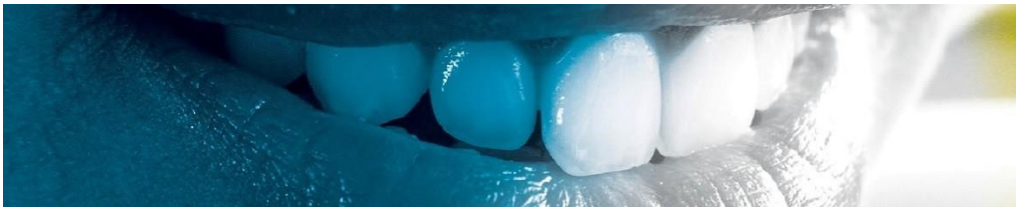
**More information**
promimic.com

**Fully-diluted ownership based on current investment plans*

**Deal values for similar projects**

- USD 95 million Nobel Biocare (buyer) & AlphaBioTec (seller)
- USD 120 million MAKO surgical (buyer) & Pipeline Biomedical (seller)

# Promimic AB



## Coatings to enhance the properties of medical implants

Promimic (Gothenburg, Sweden) is a biomaterials company that develops and markets a unique coating for medical implants called HA$^{nano}$ Surface, which increases their integration into bone and anchoring strength.

The HA$^{nano}$ Surface is nanometer thin, which helps preserve the micro-structure of the implant and reduces the risk of cracks in the coating. Furthermore, the coating improves the hydrophilicity of the implant, which increases the possibility for bone cells to attach to the surface. The HA$^{nano}$ Surface has been evaluated in both *in vitro* and *in vivo* studies, which have shown that it can reduce healing times. The coating process is easy to implement in the industrial scale production of implants.

Promimic has established a sales operation in the US and a series of development and commercial partnerships, including with Sistema de Implante Nacional (S.I.N), a leading provider of dental implants in Brazil, which launched the first product using Promimic's technology in January 2016. Promimic has also signed an agreement with Amendia Inc. (US) which allows Amendia to develop the HA$^{nano}$ Surface technology for use with Amendia's patient-focused spinal implants.

A manufacturing facility for HA$^{nano}$ coated implants to supply the US and Chinese markets has been established by the Company's partner, Danco Anodizing.

**The market**

Promimic is focusing on the markets for dental and orthopedic implants, which collectively represents a worldwide market opportunity for Promimic of USD 600 - 800 million. The implant industry is a large, high-growth market which delivers high profit margins. The competition amongst implant manufacturers is fierce and each market segment is dominated by four-to-eight global companies. The strategies of many of these companies rely on in-licensing new technologies in order to differentiate their products and strengthen their market position. Promimic has a business model designed to meet these needs. It is centered on out-licensing its HA$^{nano}$ Surface technology to leading implant manufacturers so that they can incorporate it into their products.

**Recent progress**

- Magnus Larsson appointed as Chief Executive Officer, replacing Ulf Brogren, who relocated to the US to lead Promimic Inc. as Head of Sales (Jan 2017).

**Expected milestones**

- Further product launches and license agreements with major manufacturers during 2017.

# Financial Development

The following financial reporting is divided into one financial reporting for The Parent Company and one for The Investment Entity. The Parent Company and The Investment Entity are the same legal entity but the reporting is divided in order to meet legal reporting requirements.

The Parent Company is reporting in accordance with the guidelines under the Swedish Annual Accounting Act and Swedish Financial Accounting Standards Council, RFR 2. The Investment Entity is required to meet the reporting requirements of listed companies and thus in accordance with IFRS adopted by the EU and the Swedish Annual Accounts Act

Amounts with brackets refer to the corresponding period previous year unless otherwise stated.

## Financial development in summary for the Investment Entity

| SEK000 | 2017 Jul-Sep | 2016 Jul-Sep | 2017 Jan-Sep | 2016 Jan-Sep | 2016 Full-year |
|---|---|---|---|---|---|
| **Condensed income statement** | | | | | |
| Result of change in fair value in portfolio companies | 212.2 | 0.4 | 203.0 | -140.7 | -147.0 |
| Net profit/loss | 194.1 | -17.9 | 147.6 | -193.8 | -216.8 |
| **Balance sheet information** | | | | | |
| Cash, cash equivalents and short-term investments | 165.4 | 256.3 | 165.4 | 256.3 | 248.1 |
| **Share information** | | | | | |
| Earnings per share, weighted average, before and after dilution (SEK) | 3.0 | -0.3 | 2.4 | -3.6 | -4.1 |
| Net asset value per share (SEK) (Note 1) | | | 3.8 | 1.1 | 0.7 |
| Equity per share (SEK) (Note 1) | | | 3.7 | 1.0 | 0.6 |
| Share price, last trading day in the reporting period (SEK) | | | 5.6 | 7.3 | 6.0 |
| **Portfolio information** | | | | | |
| Investments in portfolio companies | 17.1 | 6.9 | 57.8 | 24.1 | 28.9 |
| Of which investments not affecting cash flow | 1.2 | 0.4 | 3.0 | 1.2 | 1.9 |
| Portfolio companies at fair value through profit or loss | 410.2 | 151.0 | 410.2 | 151.0 | 149.4 |

## Financial Development for the Investment Entity in 2017

### *Investments*

Investments in the portfolio in third quarter 2017 by external investors and Karolinska Development amounted to SEK 21.4 million, whereof 21% by external investors.

Karolinska Development invested SEK 17.1 million, of which SEK 15.9 million was cash investments and SEK 1.2 million was non-cash investments (accrued interest on loans). Investments by external investors amounted to SEK 4.4 million. Karolinska Development's cash investments were made in the portfolio company Umecrine Cognition.

Karolinska Development also invested SEK 2.5 million in KDev Investments.

In addition, external investors invested in Umecrine Cognition, SEK 4.1 million, and in Kdev Investments, SEK 0.3 million.

During the year, Karolinska Development and external investors have made investments in the portfolio companies as follows:

| SEK 000 | Karolinska Development | External Investors | Total Invested Q1-Q3 2017 |
|---|---|---|---|
| Umecrine Cognition | 29.2 | 8.3 | 37.5 |
| OssDsign | 10.4 | 27.5 | 37.9 |
| Modus Therapeutics | 17.9 | 9.2 | 27.1 |
| Kdev Investments | 2.5 | 0.3 | 2.7 |
| KCIF | 0.3 | 0.8 | 1.1 |
| Dilafor | 0.0 | 13.9 | 13.9 |
| Biosergen | 0.0 | 3.3 | 3.3 |
| Asarina Pharma | 0.0 | 3.0 | 3.0 |
| Lipidor | 0.0 | 1.8 | 1.8 |
| **Total** | **60.2** | **68.1** | **128.3** |

## *Portfolio Fair Value*

Fair Value of the portfolio companies owned directly by Karolinska Development increased by SEK 229.0 million during third quarter 2017. The main reason for the increase was the fair value in Umecrine Cognition increasing with SEK 212.9 as a consequence of the positive outcome of the company's phase Ib study. The appreciation was based on an independent valuation performed by Xplico and PWC. In addition to this XSpray was listed at Firth North and Karolinska Development received shares at a value of SEK 16.2 million under an earnout agreement previously signed with the company's shareholders (end of September 2017).

Total Fair Value from portfolio companies owned directly by Karolinska Development and indirectly via KDev Investments increased by SEK 229.0 million in third quarter 2017.

As a consequence of the decrease in Fair Value of the part of the portfolio owned via KDev Investments, the potential distribution to Rosetta Capital decreased by SEK 0.2 million, resulting in Net Portfolio Fair Value increasing by SEK 229.2 million in third quarter 2017.

| SEK 000 | 2017-09-30 | 2017-06-30 | Q3 vs Q2 2017 |
|---|---|---|---|
| Karolinska Development Portfolio Fair Value (non listed companies) | 378.3 | 163.8 | 214.5 |
| Karolinska Development Portfolio Fair Value (listed companies) | 15.3 | 0.0 | 15.3 |
| KDev Investments Portfoilio Fair Value | 280.5 | 281.2 | -0.7 |
| **Total Portfolio Fair Value** | **674.0** | **445.0** | **229.0** |
| Potential distribution to Rosetta Capital of fair value of KDev Investments | 263.9 | 264.1 | -0.2 |
| **Net Portfolio Fair Value** (after potential distribution to Rosetta Capital) | **410.1** | **180.9** | **229.2** |

Total Portfolio Fair Value on 30 September 2017 amounted to SEK 674.0 million and the potential distribution to Rosetta Capital amounted to SEK 263.9 million. Net Portfolio Fair Value at 30 September 2017 amounted to SEK 410.1 million.

### ***Results third quarter 2017*** *(comparable numbers third quarter 2016)*

During third quarter 2017 Karolinska Development's revenue remained at the same level as in third quarter 2016 – SEK 0.5 million. The revenue primarily consists of services provided to portfolio companies. The revenue for the period January – September 2017 amounted to SEK 1.7 million.

Other expenses increased with SEK 0.2 million during third quarter 2017 compared to third quarter 2016. Other expenses for the period January – September 2017 amounted to SEK 8.6 million.

Personnel Costs amounted to SEK 5.9 million in third quarter 2017 a SEK 0.9 million increase compared to the same period 2016, mainly due to accrued severance package related to the change of CFO. The personnel cost for the period January – September amounted to SEK 16.9.

As Net Portfolio Fair Value increased with SEK 229.2 million while investments in the portfolio amounted to SEK 17.1 million the Result of Change in Portfolio Fair Value in the profit and loss statement amounted to SEK 212.2 million in third quarter 2017. The main reason for this is the SEK 196.0 million re-valuation of Umecrine Cognition due to Phase Ib data, and the SEK 16.2 million value of the shares received in Xspray.

Karolinska Development ended up with a positive result in the third quarter with operational profit/loss amounting to SEK 203.8 million. The Operational profit/loss for the period January – September was also positive and amounted to SEK 179.1 million.

Financial costs decreased during third quarter 2017 compared to third quarter 2016, which is the consequence of a part of the convertible debt being reduced in the set-off offering in first quarter 2017.

With Operational profit/loss of SEK 203.8 million (SEK -7.0 million) and Financial net of SEK -9.7 million (SEK -10.9 million), the Investment Entity's Profit/loss before tax was positive and amounted to SEK 194.1 million in third quarter 2017 (loss of SEK -17.9 million). The Profit/loss before tax for the period January – September amounted to SEK 147.6 million.

### ***Financial position*** *(comparable numbers refer to 31 December 2016)*

The Investment Entity's equity amounted to SEK 235.1 million at 30 September 2017 compared to SEK 29.8 million on 31 December 2016.The increase was a combination of the SEK 147.6 million Profit/Loss in January – September 2017 and the increase in equity due to the set-off issue carried out in the first quarter.

The Investment Entity's equity to total assets ratio was 38% on 30 September 2017 compared to 7% on 31 December 2016, an increase of 31% points.

After paying operational costs and investments in third quarter 2017 cash and cash equivalents together with short-term investments 30 September 2017 amounted to SEK 165.4 million.

## Financial Development – Parent Company

*The Parent Company refers to Karolinska Development AB (comparable numbers third quarter 2016).*

During third quarter 2017, the Parent Company's Net profit/loss amounted to SEK 194.1 million (SEK -17.9 million), an improvement of SEK 212.0 million compared to third quarter 2016. Accumulated for the year, Net profit/loss amounted to SEK 147.6 million.

Due to the positive result for the third quarter 2017 the equity increased from SEK 41.2 million 31 June 2017 to SEK 235.1 million 30 September 2017.

# Information on Risks and Uncertainties

## Investment Entity and Parent Company

### Financial risks

During third quarter 2017 Karolinska Development's equity increased to SEK 235.1 million which reduced the financial risk significantly. No new risk areas have been identified since 31 December 2016. For a detailed description of risks and uncertainties, see the annual report 2016.

Solna, 30 October 2017

| | | |
|---|---|---|
| Niclas Adler<br>Chairman | Tse Ping | Vlad Artamonov |
| Anders Härfstrand | Hans-Olov Olsson | Magnus Persson |
| Hans Wigzell | Viktor Drvota<br>CEO | |

# Dates for Publication of Financial Information

| | |
|---|---|
| Year-End Report January-December 2017 | 14 February 2018 |
| Annual Report 2017 | 20 March 2018 |
| Interim Report January-March 2018 | 25 April 2018 |
| Annual General Meeting 2018 | 26 April 2018 |
| Interim Report January-June 2018 | 16 August 2018 |
| Interim Report January-September 2018 | 31 October 2018 |

Karolinska Development is required by law to publish the information in this interim report. The information was published on 31 October 2017.

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

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

# Review report

Karolinska Development AB, corporate identity number 556707-5048

## Introduction

We have reviewed the condensed interim report for Karolinska Development AB, the Investment Entity, as at September 30, 2017 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

## Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Financial Statements 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 and other generally accepted auditing standards in Sweden. 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. Accordingly, we do not express an audit opinion.

## Conclusion

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

Solna, 30 October 2017

Ernst & Young AB

Björn Ohlsson

Authorized Public Accountant

# Financial Statements

## Condensed income statement for the Investment Entity

| SEK 000 | Note | 2017 Jul-Sep | 2016 Jul-Sep | 2017 Jan-Sep | 2016 Jan-Sep | 2016 Full-year |
|---|---|---|---|---|---|---|
| Dividend[1] | | 0 | 0 | 0 | 0 | 3,333 |
| Other revenue | | 537 | 435 | 1,713 | 1,650 | 2,027 |
| **Revenue** | | **537** | **435** | **1,713** | **1,650** | **5,360** |
| Other expenses | | -2,999 | -2,790 | -8,649 | -10,215 | -15,415 |
| Personnel costs | | -5,940 | -5,032 | -16,943 | -12,587 | -17,344 |
| Depreciation of tangible non-current assets | | 0 | 0 | 0 | -106 | -106 |
| Result of change in fair value of shares in portfolio companies | 2 | 212,190 | 423 | 202,968 | -140,723 | -146,988 |
| Result from sale of shares in portfolio companies | | 0 | - | 0 | - | 444 |
| **Operating profit/loss** | | **203,788** | **-6,964** | **179,089** | **-161,981** | **-174,049** |
| Financial net | | -9,705 | -10,916 | -31,445 | -31,839 | -42,783 |
| **Profit/loss before tax** | | **194,083** | **-17,880** | **147,644** | **-193,820** | **-216,832** |
| Taxes | | - | - | - | - | - |
| **NET PROFIT/LOSS FOR THE PERIOD** | | **194,083** | **-17,880** | **147,644** | **-193,820** | **-216,832** |

## Condensed statement of comprehensive income for the Investment Entity

| SEK 000 | Note | 2017 Jul-Sep | 2016 Jul-Sep | 2017 Jan-Sep | 2016 Jan-Sep | 2016 Full-year |
|---|---|---|---|---|---|---|
| Net/profit loss for the period | | 194,083 | -17,880 | 147,644 | -193,820 | -216,832 |
| **Total comprehensive income/loss for the period** | | **194,083** | **-17,880** | **147,644** | **-193,820** | **-216,832** |

## Earnings per share for the Investment Entity

| SEK | Note | 2017 Jul-Sep | 2016 Jul-Sep | 2017 Jan-Sep | 2016 Jan-Sep | 2016 Full-year |
|---|---|---|---|---|---|---|
| Earnings per share, weighted average, before and after dilution | | 3.03 | -0.34 | 2.45 | -3.64 | -4.08 |
| Number of shares, weighted average | | 64,108,498 | 53,209,361 | 60,274,818 | 53,207,369 | 53,210,223 |

[1] Dividend from BioArctic

## Condensed balance sheet for the Investment Entity

| SEK 000 | Note | 30 Sep 2017 | 30 Sep 2016 | 31 Dec 2016 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Tangible assets** | | | | |
| Tangible non-current assets | | - | - | - |
| **Financial assets** | | | | |
| Shares in portfolio companies at fair value through profit or loss | 2 | 410,186 | 150,980 | 149,408 |
| Loans receivable from portfolio companies | | 3,407 | 951 | 957 |
| Other financial assets | | 38,113 | 38,113 | 38,113 |
| **Total non-current assets** | | **451,706** | **190,044** | **188,478** |
| **Current assets** | | | | |
| Receivables from portfolio companies | | 341 | 1,154 | 229 |
| Other current receivables | | 359 | 1,419 | 660 |
| Prepaid expenses and accrued income | | 868 | 544 | 806 |
| Short-term investments, at fair value through profit or loss | | 155,491 | 237,706 | 237,545 |
| Cash and cash equivalents | | 9,862 | 18,605 | 10,602 |
| **Total current assets** | | **166,921** | **259,428** | **249,842** |
| **TOTAL ASSETS** | | **618,627** | **449,472** | **438,320** |
| **EQUITY AND LIABILITIES** | | | | |
| **Total equity** | | **235,112** | **52,857** | **29,815** |
| **Long-term liabilities** | | | | |
| Convertible loan | 3 | 368,411 | 383,129 | 394,438 |
| Other financial liabilities | | 4,807 | 4,798 | 4,798 |
| **Total long-term liabilities** | | **373,218** | **387,927** | **399,236** |
| **Current liabilities** | | | | |
| Accounts payable | | 1,132 | 646 | 1,460 |
| Liabilities to portfolio companies | | - | 494 | - |
| Other current liabilities | | 707 | 723 | 960 |
| Accrued expenses and prepaid income | | 8,458 | 6,825 | 6,849 |
| **Total current liabilities** | | **10,297** | **8,688** | **9,269** |
| **Total liabilities** | | **383,515** | **396,615** | **408,505** |
| **TOTAL EQUITY AND LIABILITIES** | | **618,627** | **449,472** | **438,320** |

## Condensed statement of changes in the Investment Entity's equity

| SEK 000 | Not | 2017-09-30 | 2016-09-30 | 2016-12-31 |
|---|---|---|---|---|
| | | | restated | restated |
| Share capital | | 26,732 | 26,725 | 26,725 |
| Share premium[1] | | 1,884,310 | 1,884,310 | 1,884,310 |
| Retained earnings[1] | | -1,881,227 | -1,663,154 | -1,663,154 |
| **Opening balance, equity** | | **29,815** | **247,881** | **247,881** |
| Net profit/ loss for the period | | 147,644 | -193,820 | -216,832 |
| Effect of incentive programs | | -73 | -1,211 | -1,241 |
| Set-off issue[2] | | 57,713 | - | - |
| Share issue | | 13 | 7 | 7 |
| Share capital[3] | | 644 | 26,732 | 26,732 |
| Share premium[3] | | 1,970,752 | 1,884,310 | 1,884,310 |
| Retained earnings | | -1,736,284 | -1,858,185 | -1,881,227 |
| **Closing balance, equity** | | **235,112** | **52,857** | **29,815** |

[1] Correction of error has been made between Share premium (+) and Retained earnings (-) in June 2017 with SEK 10.1 million, recalculated 2016.

[2] Increase of Share capital with SEK 5.4 million and Share premium with SEK 54.9 million, decrease of Retained earnings with SEK 2.6 million.

[3] Reduction of Share capital has been made with SEK 31.5 million towards Share premium.

## Condensed statement of cash flows for the Investment Entity

| SEK 000 | Note | 2017 Jan-Sep | 2016 Jan-Sep |
|---|---|---|---|
| **Operating activities** | | | |
| Operating profit/loss | | 179,089 | -161,981 |
| **Adjustments for items not affecting cash flow** | | | |
| Depreciation | | 0 | 106 |
| Change in fair value | 2 | -202,968 | 140,723 |
| Other items | | 96 | -1,332 |
| Proceeds from short-term investments | | -279 | -109 |
| Interest paid/received | | 2 | -1 |
| **Cash flow from operating activities before changes in working capital and operating investments** | | **-24,060** | **-22,594** |
| **Cash flow from changes in working capital** | | | |
| Increase (-)/Decrease (+) in operating receivables | | -500 | 6,128 |
| Increase (+)/Decrease (-) in operating liabilities | | 1,029 | -3,247 |
| **Operating investments** | | | |
| Acquisitions of shares in portfolio companies | | -56,130 | -22,686 |
| Proceeds from sale of short-term investments[1] | | 81,549 | 41,415 |
| Investments in short-term investments[1] | | - | - |
| **Cash flow from operating activities** | | **1,888** | **-984** |
| **Financing activities** | | | |
| Convertible debentures issue | | -2,628 | - |
| **Cash flow from financing activities** | | **-2,628** | **0** |
| **Cash flow for the period** | | **-740** | **-984** |
| Cash and cash equivalents at the beginning of the year | | 10,602 | 19,589 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | | **9,862** | **18,605** |

## Supplemental disclosure[1]

| | | |
|---|---|---|
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | **9,862** | **18,605** |
| Short-term investments, market value at closing date | 155,491 | 237,706 |
| **CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS AT THE END OF THE PERIOD** | **165,353** | **256,311** |

[1]Surplus liquidity in the Investment Entity is invested in interest-bearing instruments and is recognized as short-term investments with a maturity exceeding three months. These investments are consequently not reported as cash and cash equivalents and are therefore included in the statement of cash flows from operating activities. The supplemental disclosure is presented to provide a total overview of the Investment Entity's available fund including cash, cash equivalents and short-term investments described here.

## Condensed income statement for the Parent Company

| SEK 000 | Note | 2017 Jul-Sep | 2016 Jul-Sep restated | 2017 Jan-Sep restated | 2016 Jan-Sep restated | 2016 Full-year restated |
|---|---|---|---|---|---|---|
| Dividend[1] | | 0 | - | 0 | - | 3,333 |
| Other revenue | | 537 | 435 | 1,713 | 1,650 | 2,027 |
| **Revenue** | | **537** | **435** | **1,713** | **1,650** | **5,360** |
| Other expenses | | -2,999 | -2,790 | -8,649 | -10,215 | -15,415 |
| Personnel costs | | -5,940 | -5,032 | -16,943 | -12,587 | -17,344 |
| Depreciation of tangible non-current assets | | 0 | 0 | 0 | -106 | -106 |
| Result of change in fair value of shares in portfolio companies | 4 | 212,190 | 423 | 202,968 | -140,723 | -146,988 |
| Result from sale of shares in portfolio companies | | 0 | - | 0 | - | 444 |
| **Operating profit/loss** | | **203,788** | **-6,964** | **179,089** | **-161,981** | **-174,049** |
| Financial net | 4 | -9,705 | -10,916 | -31,445 | -31,839 | -42,783 |
| **Profit/loss before tax** | | **194,083** | **-17,880** | **147,644** | **-193,820** | **-216,832** |
| Tax | | - | - | - | - | - |
| **NET PROFIT/LOSS FOR THE PERIOD** | **4** | **194,083** | **-17,880** | **147,644** | **-193,820** | **-216,832** |

## Condensed statement of comprehensive income for the Parent Company

| SEK 000 | Note | 2017 Jul-Sep | 2016 Jul-Sep restated | 2017 Jan-Sep restated | 2016 Jan-Sep restated | 2016 Full-year restated |
|---|---|---|---|---|---|---|
| Net profit/loss for the period | 4 | 194,083 | -17,880 | 147,644 | -193,820 | -216,832 |
| **Total comprehensive income/loss for the period** | **4** | **194,083** | **-17,880** | **147,644** | **-193,820** | **-216,832** |

[1] Dividend from BioArctic

## Condensed balance sheet for the Parent Company

| SEK 000 | Note | 30 Sep 2017 | 30 Sep 2016 restated | 31 Dec 2016 restated |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Tangible assets** | | | | |
| Machinery and equipment | | - | - | - |
| **Financial assets** | | | | |
| Shares in portfolio companies at fair value through profit or loss | 2.4 | 410,186 | 150,980 | 149,408 |
| Loans receivable from portfolio companies | 4 | 3,407 | 951 | 957 |
| Other financial assets | 4 | 38,113 | 38,113 | 38,113 |
| **Total non-current assets** | | **451,706** | **190,044** | **188,478** |
| **Current assets** | | | | |
| Receivables from portfolio companies | | 341 | 1,154 | 229 |
| Other current receivables | | 359 | 1,419 | 660 |
| Prepaid expenses and accrued income | 4 | 868 | 544 | 806 |
| Short-term investments at fair value through profit or loss | | 155,491 | 237,706 | 237,545 |
| Cash and cash equivalents | | 9,862 | 18,605 | 10,602 |
| **Total current assets** | | **166,921** | **259,428** | **249,842** |
| **TOTAL ASSETS** | | **618,627** | **449,472** | **438,320** |
| **EQUITY AND LIABILITIES** | | | | |
| **Total equity** | 4 | **235,112** | **52,857** | **29,815** |
| **Long-term liabilities** | | | | |
| Convertible loan | 3 | 368,411 | 383,129 | 394,438 |
| Other financial liabilities | 4 | 4,807 | 4,798 | 4,798 |
| **Total long-term liabilities** | | **373,218** | **387,927** | **399,236** |
| **Current liabilities** | | | | |
| Accounts payable | | 1,132 | 646 | 1,461 |
| Liabilities to portfolio companies | | - | 494 | - |
| Other current liabilities | | 707 | 723 | 959 |
| Accrued expenses and prepaid income | | 8,458 | 6,825 | 6,849 |
| **Total current liabilities** | | **10,297** | **8,688** | **9,269** |
| **Total liabilities** | | **383,515** | **396,615** | **408,505** |
| **TOTAL EQUITY AND LIABILITIES** | | **618,627** | **449,472** | **438,320** |

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

| SEK 000 | Not | 30 Sep 2017 | 30 Sep 2016 restated | 31 Dec 2016 restated |
|---|---|---|---|---|
| Share capital | | 26,732 | 26,725 | 26,725 |
| Share premium reserve | 4 | 1,884,310 | 1,884,310 | 1,884,310 |
| Reratined earnings | 4 | -1,881,227 | -1,676,548 | -1,676,548 |
| **Opening balance, equity** | | **29,815** | **234,487** | **234,487** |
| Net profit/ loss for the period | 4 | 147,644 | -194,410 | -218,926 |
| Effect of incentive programs | | -73 | -1,241 | -1,241 |
| Set-off issue[1] | | 57,713 | - | - |
| Effect off voluntary change of accounting principle | 4 | 0 | 13,985 | 15,488 |
| Share issue | | 13 | - | 7 |
| Share capital[2] | | 644 | 26,732 | 26,732 |
| Share premium reserve[2] | | 1,970,752 | 1,884,310 | 1,884,310 |
| Reratined earnings | | -1,736,284 | -1,858,214 | -1,881,227 |
| **Closing balance, equity** | **4** | **235,112** | **52,828** | **29,815** |

[1] Increase of Share capital with SEK 5.4 million and Share premium with SEK 54.9 million, decrease of Retained earnings with SEK 2,6 million.

[2] Reduction of Share capital has been made towards Share premium reserve with SEK 31.5 million.

# Notes to the Financial Statements

## NOTE 1 Accounting policies

This report has been prepared in accordance with the International Accounting Standard (IAS) 34 Interim Financial Reporting and the Annual Accounts Act. The accounting policies applied to the Investment Entity and the Parent Company correspond, unless otherwise stated below, to the accounting policies and valuation methods used in the preparation of the most recent annual report.

### Information on the Parent Company

Karolinska Development AB (publ) ("Karolinska Development," "Investment Entity" or the "Company") is a Nordic life sciences investment company. The Company focuses on identifying medical innovations 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 to its shareholders. Investments are made in companies whose sole purpose is to generate a return through capital appreciation and investment income. These temporary investments, which are not investment entities, are designated "portfolio companies" below. The Company, with Corporate Identity Number 556707-5048, is a limited liability company with its registered office in Solna, Sweden. Future investments will be sourced via the deal flow agreement with Karolinska Institutet Innovations AB, through an extended network of contracts at research institutions across the Nordic region, and through relationships with other specialist life sciences investors.

### Changes in accounting principles and information's 2017

No changes in accounting principles and information has been made for the Investment Company. Restated figures due to the effect of the voluntary change in accounting principles during second quarter 2017.

Comparable periods have been recalculated. See note 4.

### New and revised accounting principles 2017

No new or revised IFRS standards or recommendations from IFRS Interpretations Committee has had impact on the Investment Entity. The implementation of *IFRS 9 Financial Instruments* is expected to have no or little influence on the financial reporting compared to the current reporting. The implementation of *IFRS 15 Revenue from Contracts with Customers* is expected to have no influence on the financial reporting compared to the current reporting.

### Definitions

**Portfolio companies**: Companies where Karolinska Development has made investments (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 Stockholm regulations for issuers require companies listed on NASDAQ Stockholm 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 entities, nor do they affect cash flows.

Karolinska Development applies the accounting principles of fair value according to the International Private Equity and Venture Capital Valuation Guidelines and adheres to the guidance of IFRS 13 Fair Value Measurement and the Annual Accounts Act. Based on the valuation criteria provided by these rules, an assessment is made of each company to determine a valuation method. This takes into account whether the companies have recently been financed or involved with a transaction that includes an independent third party. If there is no valuation available based on a similar transaction, risk adjusted net present value (rNPV) calculations are made of the portfolio companies whose projects are suitable for this type of calculation. In other cases, Karolinska Development's total investment is used as the best estimation of fair value.

The part of the Fair Value that is related to the value of Karolinska Development's portfolio companies is named Portfolio Fair Value or Fair Value of the portfolio. The calculation of the Portfolio Fair Value is based on IFRS 13 standards of deciding and reporting fair value and the International Private Equity and Venture Capital Valuation Guidelines (IPEV Valuation Guidelines) decided by the IPEV board that represent the current best practice, on the valuation of private equity investments.

The Portfolio Fair Value is divided into Total Portfolio Fair Value and Net Portfolio Fair Value.

**Total Portfolio Fair Value**: The aggregated proceeds that would be received by Karolinska Development and KDev Investments if the shares in their portfolio companies were sold in an orderly transaction between market participants at the measurement date.

**Net Portfolio Fair Value** (after potential distribution to Rosetta Capital) is the net aggregated proceeds that Karolinska Development will receive after KDev Investments' distribution of proceeds to Rosetta Capital (calculated as Total Portfolio Fair Value minus Potential Distribution to Rosetta Capital).

**Net asset value per share**: Fair value of the total portfolio (SEK 410.2 million), loans receivable from portfolio companies (SEK 3.4 million), short-term investments (SEK 155.5 million), cash and cash equivalents (SEK 9.9 million), and financial assets less interest-bearing liabilities (SEK 38.1 million minus SEK 373.2 million) in relation to the number of shares outstanding (64 116 815) on the closing date (30 September 2017).

**Equity per share**: Equity on the closing date in relation to the number of shares outstanding on the closing date.

**Equity to total assets ratio:** Equity divided by total assets.

**Interim period**: The period from the beginning of the financial year through the closing date.

**Reporting period**: January – September 2017.

## NOTE 2 Fair value

The table below shows financial instruments measured at fair value based on the classification in the fair value hierarchy. The various levels are defined as follows:

**Level 1**- Fair value determined on the basis of observed (unadjusted) quoted prices in an active market for identical assets and liabilities
**Level 2**- Fair value determined based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
**Level 3**- Fair value determined based on valuation models where significant inputs are based on non-observable data

### Fair value as of 30 September 2017

| SEK 000 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Shares in portfolio companies, at fair value through profit or loss | 15,250 | - | 394,936 | 410,186 |
| Loans receivable from portfolio companies | - | 3,407 | - | 3,407 |
| Other financial assets | - | - | 38,113 | 38,113 |
| Receivables from portfolio companies | - | 341 | - | 341 |
| Cash, cash equivalents and short-term investments | 165,353 | - | - | 165,353 |
| **Total** | **180,603** | **3,748** | **433,049** | **617,400** |
| | | | | |
| **Financial liabilities** | | | | |
| Other financial liabilities | - | - | 4,807 | 4,807 |
| Accounts payable | - | 1,132 | - | 1,132 |
| **Total** | **-** | **1,132** | **4,807** | **5,939** |

## Fair value as of 30 September 2016

| SEK 000 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Shares in portfolio companies, at fair value through profit or loss | - | - | 150,980 | 150,980 |
| Loans receivable from portfolio companies | 0 | 951 | - | 951 |
| Other financial assets | - | - | 38,113 | 38,113 |
| Receivables from portfolio companies | - | 1,154 | - | 1,154 |
| Cash, cash equivalents and short-term investments | 256,311 | - | - | 256,311 |
| **Total** | **256,311** | **2,105** | **189,093** | **447,509** |
| | | | | |
| **Financial liabilities** | | | | |
| Other financial liabilities | - | - | 4,798 | 4,798 |
| Accounts payable | - | 646 | - | 646 |
| Liabilities to portfolio companies | - | 494 | - | 494 |
| **Total** | **-** | **1,140** | **4,798** | **5,938** |

## Fair value (level 3) as of 30 September 2017

| SEK 000 | Shares in portfolio companies | Other financial assets | Other financial liabilities |
|---|---|---|---|
| At beginning of the year | 149,408 | 38,113 | 4,798 |
| Acquisitions | 57,810 | - | - |
| Gains and losses recognized through profit or loss | 187,718 | - | 9 |
| **Closing balance 30 Sep 2017** | **394,9366** | **38,113** | **4,807** |
| Realized gains and losses for the period included in profit or loss | -77 | - | - |
| Unrealized gains and losses in profit or loss for the period included in profit or loss | 187,795 | - | -9 |

## Fair value (level 3) as of 30 September 2016

| SEK 000 | Shares in portfolio companies | Other financial assets | Other financial liabilities |
|---|---|---|---|
| At beginning of the year | 267,651 | 38,113 | 4,798 |
| Acquisitions | 17,185 | - | - |
| Gains and losses recognized through profit or loss | -141,146 | - | - |
| **Closing balance 31 Sep 2016** | **143,690** | **38,113** | **4,798** |
| Realized gains and losses for the period included in profit or loss | -1,262 | - | - |
| Unrealized gains and losses in profit or loss for the period included in profit or loss | -139,884 | - | 0 |

The Investment Entity recognizes transfers between levels in the fair value hierarchy on the date when an event or changes occur that give rise to the transfer.

## Impact of Portfolio Fair Value

In the table below, "Total Portfolio Fair Value" is as defined in Note 1.

## Impact on Portfolio Fair Value of the agreement with Rosetta Capital

"Potential distribution to Rosetta Capital", SEK 263.9 million, is the amount that KDev Investments according to the investment agreement between Karolinska Development and Rosetta Capital is obligated to distribute to Rosetta Capital from the proceeds received by KDev Investments (KDev Investments Fair Value). The amount includes repayment of SEK 34.7 million that Rosetta Capital currently has invested in KDev Investments' portfolio companies and the distribution of dividends from Rosetta Capital's common and preference shares. The distribution to Rosetta Capital will only happen when KDev Investments distribute dividends. KDev Investments will only distribute dividends after all eventual payables and outstanding debt has been repaid.

If Rosetta Capital has not received 2.5 times the amount invested in KDev Investments by Rosetta Capital by 7 March 2018, then Rosetta Capital may require within 60 days that Karolinska Development acquires Rosetta's shares in KDev Investments. The price payable for the KDev Investments shares is the fair market value of the shares, although capped at 10 % of the market capitalization of Karolinska Development at the time of the purchase, Karolinska Development can decide whether to pay the purchase price in cash or in the form of Karolinska Development shares. With the market capitalization of Karolinska Development at the end of the third quarter 2017 being SEK 349 million the price payable for the KDev Investments shares is capped to SEK 34.9 million.

"Net Portfolio Fair Value" is as defined in Note 1.

## Expanded Portfolio Fair Value calculations taking the portfolio valuation and potential distribution to Rosetta Capital in consideration

| SEK 000 | 30 Sep 2017 | 30 Sep 2016 | 31 Dec 2016 |
|---|---|---|---|
| Karolinska Development Portfolio Fair Value (non listed companies) | 378,286 | 137,539 | 143,657 |
| Karolinska Development Portfolio Fair Value (listed companies) | 15,250 | - | - |
| KDev Investments Portfoilio Fair Value | 280,501 | 273,104 | 261,586 |
| **Total Portfoilio Fair Value** | **674,037** | **410,643** | **405,243** |
| Potential distribution to Rosetta Capital of fair value of KDev Investments | 263,851 | 259,663 | 255,837 |
| **Net Portfolio Fair Value** (after potential distribution to Rosetta Capital) | **410,186** | **150,980** | **149,406** |

* SEK 34.7 million repayment of investments in KDev Investments made by Rosetta Capital and SEK 229.2 million distribution of dividends to preference shares and common shares.

## Information on fair value measurement in level 3

The valuation of the company's portfolio is based on the International Private Equity and Venture Capital Valuation Guidelines (IPEV) and IFRS 13 Fair Value Measurement. Based on the valuation criteria provided by these rules, an assessment is made of each company to determine a valuation method. This takes into account whether the companies have recently been financed or involved with a transaction that includes an independent third party and if the companies recently have met significant milestones. If there is no valuation available based a recently refinancing or other third-party valuation and there is no valuation available based on a similar transaction, discounted cash flow models (DCF) may be used.

For detailed description, see the annual report 2016.

# NOTE 3 Convertible loan

Karolinska Development has issued convertible debentures, so called compound financial instruments, in which the holder has right to convert into shares, the number of shares to be issued are not affected by changes in fair value of the shares.

The debt portion of the compound financial instrument is initially recognized at fair value for a similar debt without a conversion right into shares. The equity portion is initially recognized as the difference between the total fair value of compound financial instrument and the fair value of the debt portion. Directly attributable transaction costs are allocated to the debt respectively equity portion based on their initial recognized values.

Post-acquisition the debt portion of the compound financial instrument is valued to amortized costs based on the effective interest method. The equity portion of the compound financial instrument is not revalued post-acquisition, except at conversion or redemption.

Karolinska Development issued convertible debentures with a nominal amount of SEK 387 million on 2 January 2015 which have a nominal interest rate of 8 percent. The nominal amount was reduced to SEK 329 million after the set-off issue in March 2017. The convertible debentures will fall due for payment on 31 December 2019 at the amount of SEK 484 million (as accrued interest is interest bearing), the convertibles grant a right to convert into shares at a conversion rate of 22 SEK per series B share. The value of the debt and equity part (conversion right) was determined on the date of issuance.

The convertible debentures are presented in the balance sheet as shown in the below table.

| SEK 000 | 30 Sep 2017 | 30 Sep 2016 | 31 Dec 2016 |
|---|---|---|---|
| Nominal amount of convertible debentures issued on 2 January 2015 | 386,859 | 386,859 | 386,859 |
| Issue costs | -28,171 | -28,171 | -28,171 |
| Equity portion | -49,528 | -49,528 | -49,528 |
| **Debt at issuance date 2 January 2015** | **309,160** | **309,160** | **309,160** |
| Accrued interest costs | 85,278 | 62,662 | 85,278 |
| **TOTAL** | **394,438** | **371,822** | **394,438** |
| **Set-off share issue 2017** | | | |
| Converted nominal amount | -57,522 | - | - |
| Converted part of issue costs | 4,189 | - | - |
| Converted part of equity portion | 7,364 | - | - |
| Converted part of accrued interest costs | -12,680 | - | - |
| **Debt prior this years interest** | **335,789** | **371,822** | **394,438** |
| Accrued interes costs 2017 | 32,622 | - | - |
| **Total** | **368,411** | **371,822** | **394,438** |

# NOT 4 Voluntary change of accounting principle

For the Parent company a voluntary change of accounting principle regarding investments in portfolio companies (subsidiaries, joint ventures, associated companies and other long-term securities holdings) and other financial assets and liabilities has been made. All investments in shares in portfolio companies are now valuated at fair value through profit or loss in the Parent company as well as in the Investment Entity (previously at the lowest of cost of acquisition and fair value). Comparable numbers are restated, see below.

## Presentation of effect of change of accounting principle in profit/loss for comparative figures 2016 for the Parent company.

| SEK 000 | Note | 2016 Jul-Sep as previously reported | Effect of changed principle | 2016 Jul-Sep restated | 2016 Jan-Sep as previously reported | Effect of changed principle | 2016 Jan-Sep restated | 2016 Full-year as previously reported | Effect of changed principle | 2016 Full-year restated |
|---|---|---|---|---|---|---|---|---|---|---|
| Dividend | | 0 | | 0 | 0 | | 0 | 3,333 | | 3,333 |
| Net sales | | 435 | | 435 | 1,650 | | 1,650 | 2,027 | | 2,027 |
| **Revenue** | | **435** | | **435** | **1,650** | | **1,650** | **5,360** | | **5,360** |
| Other expenses | | -2,790 | | -2,790 | -10,215 | | -10,215 | -15,415 | | -15,415 |
| Personal costs | | -5,032 | | -5,032 | -12,587 | | -12,587 | -17,344 | | -17,344 |
| Depreciation of tangible non-current assets | | 0 | | 0 | -106 | | -106 | -106 | | -106 |
| Impairment losses on shares in subsidiaries, joint ventures, associated companies and other long-term securities holdings | | -15,787 | 15,787 | 0 | -140,672 | 140,672 | 0 | -148,440 | 148,440 | 0 |
| Result of change in fair value of shares in portfolio companies | | | 423 | 423 | | -140,723 | -140,723 | | -146,988 | -146,988 |
| Result from sale of shares in portfolio companies | | - | | - | - | - | - | 444 | - | 444 |
| **Operating profit/loss** | | **-23,174** | **16,210** | **-6,964** | **-161,930** | **-51** | **-161,981** | **-175,501** | **1,452** | **-174,049** |
| Financial net | | -10,916 | | -10,916 | -32,480 | 641 | -31,839 | -43,425 | 642 | -42,783 |
| **NET PROFIT/LOSS FOR THE PERIOD** | | **-34,090** | **16,210** | **-17,880** | **-194,410** | **590** | **-193,820** | **-218,926** | **2,094** | **-216,832** |

## Presentation of effects of change of accounting principle on statement of comprehensive income for comparative figures 2016 for the Parent Company.

| SEK 000 | Note | 2016 Jul-Sep as previously reported | Effect of changed principle | 2016 Jul-Sep restated | 2016 Jan-Sep as previously reported | Effect of changed principle | 2016 Jan-Sep restated | 2016 Full-year as previously reported | Effect of changed principle | 2016 Full-year restated |
|---|---|---|---|---|---|---|---|---|---|---|
| Net profit/loss for the period | | -34,090 | 16,210 | -17,880 | -194,410 | 590 | -193,820 | -218,926 | 2,094 | -216,832 |
| **Total comprehensive income/loss for the period** | | **-34,090** | **16,210** | **-17,880** | **-194,410** | **590** | **-193,820** | **-218,926** | **2,094** | **-216,832** |

## Presentation of effect of change of accounting principle in the balance sheet for comparative figures 2016 for the Parent company.

| SEK 000 | Note | 30 Sep 2016 as previously reported | Effect of changed principle | 30 Sep 2016 restated | 31 Dec 2016 as previously reported | Effect of changed principle | 2016-12-31 restated |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| **Tangible assets** | | 0 | | 0 | 0 | | 0 |
| **Financial assets** | | | | | | | |
| Shares in subsidiaries, joint ventures, associated companies and other long term-securities holdings | | 95,709 | -95,709 | 0 | 107,610 | -107,610 | 0 |
| Shares in portfolio companies at fair value through profit or loss | | | 150,980 | 150,980 | | 149,408 | 149,408 |
| Loans receivable from portfolio companies | | 44,247 | -43,296 | 951 | 28,734 | -27,777 | 957 |
| Other financial assets | | 33,071 | 5,042 | 38,113 | 33,010 | 5,103 | 38,113 |
| **Total non-current assets** | | **173,027** | **17,017** | **190,044** | **169,354** | **19,124** | **188,478** |
| **Current assets** | | | | | | | |
| Receivables from portfolio companies | | 1,154 | | 1,154 | 229 | | 229 |
| Other current receivables | | 1,419 | | 1,419 | 660 | | 660 |
| Prepaid expenses and accrued income | | 2,642 | -2,098 | 544 | 3,448 | -2,642 | 806 |
| Short-term investments at fair value through profit or loss | | 237,706 | | 237,706 | 237,545 | | 237,545 |
| Cash and cash equivalents | | 18,605 | | 18,605 | 10,602 | | 10,602 |
| **Total current assets** | | **261,526** | **-2,098** | **259,428** | **252,484** | **-2,642** | **249,842** |
| **TOTAL ASSETS** | | **434,553** | **14,919** | **449,472** | **421,838** | **16,482** | **438,320** |
| **EQUITY AND LIABILITIES** | | | | | | | |
| **Equity** | | | | | | | |
| ***Restricted equity*** | | | | | | | |
| Share capital | | 26,732 | | 26,732 | 26,732 | | 26,732 |
| ***Unrestricted equity*** | | | | | | | |
| Share premium reserv | | 1,884,310 | | 1,884,310 | 1,884,310 | | 1,884,310 |
| Accumulated losses | | -1,677,760 | 13,395 | -1,664,365 | -1,677,789 | 13,394 | -1,664,395 |
| Net profit/loss for the period | | -194,410 | 590 | -193,820 | -218,926 | 2,094 | -216,832 |
| **Total equity** | | **38,872** | **13,985** | **52,857** | **14,327** | **15,488** | **29,815** |
| **Long-term liabilities** | | | | | | | |
| Convertible loan | 3 | 383,129 | | 383,129 | 394,438 | | 394,438 |
| Pension obligations | | 3,864 | 934 | 4,798 | 3,804 | 994 | 4,798 |
| **Total long-term libilities** | | **386,993** | **934** | **387,927** | **398,242** | **994** | **399,236** |
| **Curret liabilities** | | | | | | | |
| Accounts payable | | 646 | | 646 | 1,461 | -1 | 1,460 |
| Liabilities to portfolio companies | | 494 | | 494 | - | | 0 |
| Other current liabilities | | 723 | | 723 | 959 | 1 | 960 |
| Accrued expenses and prepaid income | | 6,825 | | 6,825 | 6,849 | | 6,849 |
| **Total current liabilities** | | **8,688** | **0** | **8,688** | **9,269** | **0** | **9,269** |
| **Total liabilities** | | **395,681** | **934** | **396,615** | **407,511** | **994** | **408,505** |
| **TOTAL EQUITY AND LIABILITIES** | | **434,553** | **14,919** | **449,472** | **421,838** | **16,482** | **438,320** |