

Karolinska Development AB (publ)

Corporate Identity Number 556707-5048

Interim report January – March 2013

CEO's comment

During the first quarter, Karolinska Development finalized the strategically important deal with Rosetta Capital, in which a minor part of the portfolio was sold at a premium of 23 percent compared to our reported valuation. The revaluation of the portfolio companies included in the deal is also the main reason why the first quarter 2013 is Karolinska Development's best quarter so-far, with a positive result after tax at SEK 389m.

The pace of development in our drug projects remains high. Since the beginning of the year, Pergamum has completed a Phase I/II trial, Dilaforette has initiated a Phase II trial and Axelar has reported the preliminary results of a Phase II trial. The latter trial indicated that the drug candidate AXL1717 is efficacious in 2nd line treatment of patients with lung cancer. Based on these preliminary results, AXL1717 has the potential to be an important part of future treatment alternatives and a valuable asset for Karolinska Development. We look forward to presenting the data to potential partners for further development.

Our reputation as a life science investor and developer of pharmaceutical projects has facilitated a cooperation agreement with a world-leading research center: Mayo Clinic of the US. Karolinska Development will have the opportunity to evaluate and invest in innovations from Mayo Clinic, which increases our access to pioneering life science research and gives us a broader base of potential investment opportunities. Pergamum's strategic agreement with Cadila Pharmaceuticals Ltd of India on the development of a new infection treatment, which was announced in February, is another example of our ability to attract outside partners.

We are working intensely to commercialize our projects. The deal with Rosetta is one concrete validation of the value we are building in our portfolio companies. In the next two years, we expect to reach important milestones which will pave the way for exits in the form of out-licensing or divestments. We have a professional team to develop our projects in the best way, and through the deal with Rosetta we have now gained access to additional expertise in the global pharmaceutical and medical technology industry.

As a result, we were able during the quarter to strengthen all three parts of Karolinska Development's business model: we have created a broader base for **selecting** medical innovations, we have driven the **development** of our project portfolio forward, and we have strengthened our opportunities to **commercialize** our projects.

Torbjörn Bjerke
Chief Executive Officer

Summary of significant events during and after the end of the first quarter

- Pergamum announced the last visit of the last patient in a Phase I/II trial of a potential new treatment for hard-to-heal wounds
- The Nomination Committee proposed Bo Jesper Hansen as the new Chairman of the Board
- Axelar reported that preliminary results of a Phase II trial indicate that AXL1717 is efficacious in 2nd line treatment of patients with lung cancer
- Karolinska Development and Rosetta Capital announced the closing of their strategic SEK 220m deal
- Pergamum entered into a strategic collaboration with Cadila Pharmaceuticals Ltd
- Karolinska Development started a collaboration with the Mayo Clinic
- Dilaforette initiated a Phase II trial with sevuparin for the treatment of severe malaria

| Group | 2013 | 2012 | 2012 |
|-------------------------------------------------------------------------|--------------|--------------|--------------|
| Amounts in SEKm | Jan-Mar | Jan-Mar | Full-year |
| <i>Income statement</i> | | | |
| Revenue | 1.9 | 2.5 | 9.9 |
| Profit/loss after tax | 389.4 | -89.1 | -230.2 |
| <i>Balance sheet</i> | | | |
| Cash and cash equivalents | 419.6 | 171.5 | 117.0 |
| Short-term investments | 0.0 | 362.2 | 174.2 |
| Total cash, cash equivalents and short-term investments (Note 3) | 419.6 | 533.7 | 291.2 |
| <i>Share information</i> | | | |
| Earnings per share before and after dilution (SEK) | 8.2 | -1.7 | -4.4 |
| Net asset value per share (SEK) (Note 1) | 44.2 | 44.1 | 43.9 |
| Share price, last trading day in the reporting period (SEK) | 29.0 | 24.4 | 15.3 |
| <i>Portfolio information</i> | | | |
| Investments in portfolio companies | 15.7 | 78.0 | 231.6 |
| Of which investments not affecting cash flow | 3.8 | 0.0 | 77.8 |
| Valuation of total portfolio holdings (Note 2) | 1,652.0 | 1,581.1 | 1,827.2 |

Significant events during the first quarter

Dilaforette initiated a Phase II trial with sevuparin for the treatment of severe malaria

In January, Dilaforette announced that it had received approval from the regulatory authority in India to start a Phase II trial with sevuparin in patients with moderate to severe malaria. Dilaforette and its collaborator, the Mahidol Oxford Tropical Medicine Research Unit (MORU), plan to enroll 50 patients in India, where severe malaria remains an important problem. The primary objective of the study is to evaluate safety along with 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* has been ongoing in Thailand since 2011.

Karolinska Development started collaboration with Mayo Clinic

Karolinska Development AB (publ) and Mayo Clinic entered into an agreement with the aim of identifying commercialization opportunities in Mayo Clinic's life science innovations. The agreement gives Karolinska Development the opportunity to evaluate and invest in innovations from Mayo Clinic. Investments in commercially viable innovations can then be made by both parties, jointly or individually. Mayo Clinic is a globally recognized center of excellence in life science research and new treatment methods, similar to the Karolinska Institutet and other institutions with which Karolinska Development has cooperation agreements.

Pergamum entered into strategic collaboration with Cadila Pharmaceuticals Ltd

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 and including clinical Phase II and global rights will be shared by the companies. Infections caused by resistant microorganisms often fail to respond to conventional treatment, resulting in prolonged illness and greater risk of severe consequences, including death. Consequently, there is a significant need for new products that are safe and effective to treat infections.

Karolinska Development and Rosetta Capital announced the closing of their strategic SEK 220m transaction

Karolinska Development and life science investor Rosetta Capital Limited (Rosetta) announced in March that Rosetta Capital IV LP had acquired a minority share in Karolinska Development's holdings in 13 of 25 Karolinska Development portfolio companies for SEK 220m, in line with the previous announcement on December 21, 2012. In February 2013, Karolinska Development transferred 13 of its portfolio company holdings to a new private holding company, KDev Investments AB. Rosetta acquired 7.33% of the common shares in KDev Investments for SEK 110m and preference shares in the same companies for an additional SEK 110m, giving Rosetta 13.66% of the votes in KDev Investments AB. The terms of the preference shares provide for gradually reducing returns for Rosetta. The consideration for the common shares implies a total value of the KDev Investment portfolio of SEK 1,501m, about two times Karolinska Development's investment in the same portfolio and a 23% premium to the reported valuation of these portfolio holdings before the deal's announcement.

Significant events after the reporting period

Axelar reported that the preliminary results of a Phase II trial indicate that AXL1717 is efficacious in 2nd line treatment of patients with lung cancer

Axelar AB announced in April that the preliminary results of the Phase II trial AXL-003, indicated that AXL1717 is effective in treating patients with non-small cell lung cancer (NSCLC). The company assesses that it has sufficient data to guide further development of the drug, and is therefore able to finalize the study with fewer patients than initially planned. AXL1717 has the potential to become a new treatment that could extend the lifespan and decrease the suffering of patients with NSCLC. Positive results were also seen with the drug candidate in the Phase I/II study reported in September 2011.

The Nomination Committee proposed Bo Jesper Hansen as the new Chairman of the Board

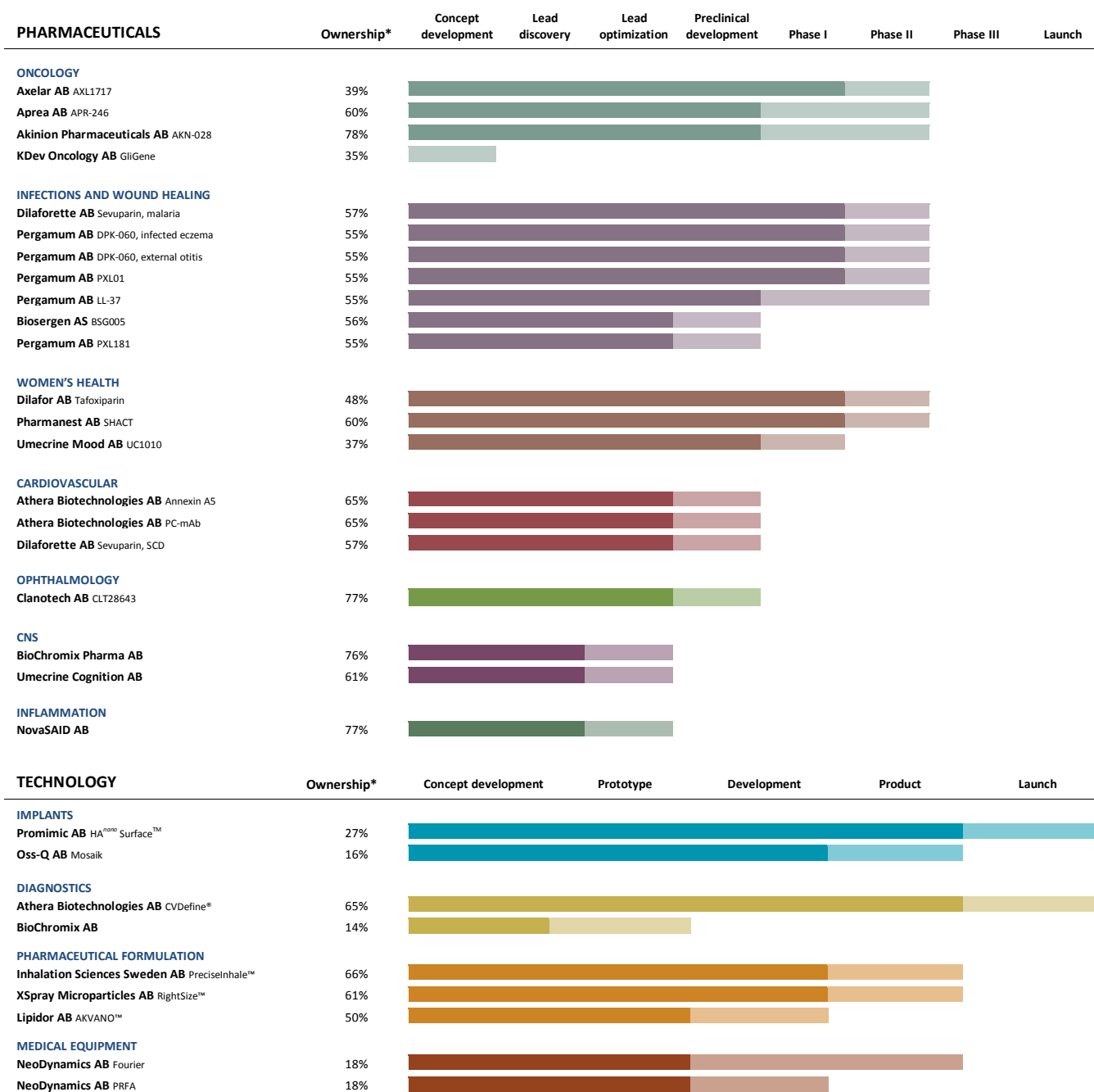
In April, the company's Nomination Committee announced its proposal to name Bo Jesper Hansen as Chairman-elect. The Nomination Committee proposes the election of Bo Jesper Hansen as a Board member of Karolinska Development at the Annual General Meeting on May 14, 2013 and that he should succeed Hans Wigzell as the Chairman of the Board as of October 1, 2013 and that Hans Wigzell remain as a Board member from the same date. The Nominating Committee believes that the transition period will give Bo Jesper Hansen the opportunity to understand the company's operations, which will benefit the Board, the company and its shareholders, and that at the same time the current Chairman Hans Wigzell's sound knowledge and long experience will be available to the Board in the best way.

Pergamum announced the last visit of the last patient in a Phase I/II trial of a potential new treatment for hard-to-heal wounds

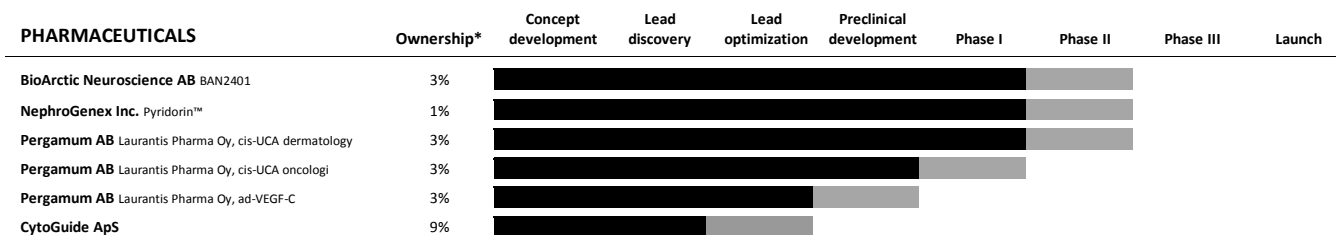
Pergamum AB announced in April that the company has reached last-patient-last-visit (LPLV) in a randomized Phase I/II trial of LL-37 for the treatment of hard-to-heal venous leg ulcers. Non-healing wounds are a very significant burden for the individual patient and for the health care system. Today, there are more than 15 million patients with such wounds globally, but virtually no medical progress has been made over the last few decades in regard to pharmacological treatments. LL-37 is a therapeutic peptide which is intended to contribute to enhanced healing of chronic wounds through its biological role in the human host defense system. In a double blind multicenter study, 34 patients with venous leg ulcers have been randomized to receive either a placebo or one of three different doses of LL-37. The primary objective of the trial is to assess the safety and tolerability of Pergamum's proprietary formulation of the therapeutic peptide LL-37. The trial will be concluded in 2013.

The Portfolio (as per May 8, 2013)

At the time this report was published, Karolinska Development's portfolio consisted of 36 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

Financial overview – Group

Revenue

Consolidated revenue during the first quarter amounted to SEK 1.9m, compared with SEK 2.5m in the same period in 2012. This revenue reflects services provided to portfolio companies and received grants in portfolio companies.

Results

During the first quarter, the Group's operating profit amounted to SEK 387.5m, compared with a previous year loss of SEK 95.2m, a change of SEK 482.7m year-on-year. The positive change was mainly due to the transaction with Rosetta Capital IV LP, which was finalized on 7 March 2013. The impact on results of the transaction amounted to SEK 404.6m, of which SEK 68.2m relates to a capital gain and the remaining SEK 336.4m to the gain on the revaluation to the effective fair value of the remaining holding, 86.34%, in the KDev Investments Group as represented by the deal consideration. Following the transaction, the KDev Investments Group is classified as a joint venture with changes in fair value recognized through profit or loss (Note 3). The portion of the change in fair value of other holdings affecting results amounted to SEK 22.4m (-62.6m) during the period.

The Group's profit before tax during the first quarter amounted to SEK 386.5m (-91.8m), of which the major items are Parent Company costs of SEK -20.9m (-15.3m), subsidiary costs of SEK -18.6m (-17.3m), fair value changes of SEK 22.4m (-62.6m), result from the transaction with Rosetta Capital IV LP of SEK 404.6m (0), and net financial items of SEK -1.0m (3.4m).

Investments in portfolio companies

The Group's investments during the first quarter amounted to SEK 15.7m (78.0m), of which SEK 11.9m (78.0m) affected cash flow.

The largest investments during the period were in KDev Exploratory AB at SEK 4.0m, XSpray Microparticles AB at SEK 3.8m and Athera Biotechnologies AB at SEK 3.7m.

Financial position*

The Group's equity to total assets ratio was 99% (91%) on 31 March 2013 and equity amounted to SEK 2,068.9m (2,024.2m).

The increase in the value of shares in joint ventures and associated companies is mainly due to the sub-group KDev Investments being classified as a joint venture following the transaction with Rosetta Capital IV LP (Note 3). As a consequence, portfolio companies included in the transaction which previously were consolidated as subsidiaries are now accounted for at fair value.

Cash, cash equivalents and short-term investments in the Group amounted to SEK 419.6m (291.2m), of which SEK 303.0m is provisionally allocated for expected follow-on investments in the KDev Investments Group (Note 3).

Total assets amounted to SEK 2,093.4m (2,215.0m).

* Comparable figures refer to 31 December 2012

Financial overview – Parent Company

Revenue

The Parent Company's revenue during the first quarter amounted to SEK 1.3m (0.8m).

Results

During the first quarter, the Parent Company's operating profit amounted to SEK 102.8m, compared with a previous year loss of SEK 15.3m, a change of SEK 118.1m year-on-year. Operating profit includes a capital gain on the sale of shares in KDev Investments AB of SEK 123.7m as well as impairment losses on the holdings in KDev Exploratory AB (SEK -4.6m), KD Incentive AB (SEK -0.2m), Limone AB (SEK -0.1m), and KCIF Fund Management AB (SEK -0.1m).

The Parent Company's profit after tax during the first quarter amounted to SEK 100.8m (-11.5m).

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, please refer to the annual report 2012.

The CEO hereby certifies that this interim report gives a true and fair view of the operations, financial position and results of operations of the Parent Company and the Group and describes the material risks and uncertainties faced by the Parent Company and the companies included in the Group.

Solna, 10 May 2013

Torbjörn Bjerke

CEO

Dates for publication of financial information

| | |
|-----------------------------------------|------------------|
| Annual General Meeting | 14 May 2013 |
| Interim report January – June 2013 | 22 August 2013 |
| Interim report January – September 2013 | 21 November 2013 |
| Year-end report January – December 2013 | February 2013 |
| Annual report 2013 | April 2014 |

Karolinska Development is required to make public the information in this interim report in accordance with the Securities Market Act. The information was released for publication on 10 May 2013.

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

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This interim report has not been subject to review 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> | 2013 <i>Jan-Mar</i> | 2012 <i>Jan-Mar</i> | 2012 <i>Full-year</i> |
|---------------------------------------------------------------------------|-------------|-------------------------------|-------------------------------|---------------------------------|
| Revenue | | 1,935 | 2,475 | 9,943 |
| Other external expenses | | -23,108 | -20,004 | -108,980 |
| Personnel costs | | -17,385 | -14,076 | -62,818 |
| Depreciation of tangible and intangible non-current assets | | -1,009 | -991 | -5,163 |
| Change in fair value of shares in joint ventures and associated companies | 2 | 18,442 | -62,383 | -87,694 |
| Change in fair value of other long-term securities holdings | 2 | 3,965 | -199 | 902 |
| Result from transaction with Rosetta Capital IV LP | 3 | 404,646 | 0 | 0 |
| Operating profit/loss | | 387,486 | -95,178 | -253,810 |
| Net financial items | | -999 | 3,398 | -22,161 |
| Profit/loss before tax | 2 | 386,487 | -91,780 | -275,971 |
| Deferred taxes | | 2,926 | 2,661 | 45,807 |
| Current taxes | | 0 | 0 | 0 |
| NET PROFIT/LOSS FOR THE PERIOD | | 389,413 | -89,119 | -230,164 |
| Attributable to: | | | | |
| Parent Company's shareholders | | 394,705 | -81,901 | -212,852 |
| Non-controlling interests | | -5,292 | -7,218 | -17,312 |
| TOTAL | | 389,413 | -89,119 | -230,164 |

Earnings per share

| <i>Amounts in SEK 000</i> | <i>Note</i> | 2013 <i>Jan-Mar</i> | 2012 <i>Jan-Mar</i> | 2012 <i>Full-year</i> |
|---------------------------------------------------------------------------------------------------------------|-------------|-------------------------------|-------------------------------|---------------------------------|
| Earnings per share attributable to Parent Company's shareholders, weighted average, before and after dilution | | 8.16 | -1.69 | -4.39 |
| Number of shares, weighted average | | 48,380,817 | 48,531,417 | 48,529,767 |

Consolidated statement of comprehensive income

| <i>Amounts in SEK 000</i> | <i>Note</i> | 2013 <i>Jan-Mar</i> | 2012 <i>Jan-Mar</i> | 2012 <i>Full-year</i> |
|--------------------------------------------------|-------------|-------------------------------|-------------------------------|---------------------------------|
| Net profit/loss for the period | | 389,413 | -89,119 | -230,164 |
| Total comprehensive income for the period | | 389,413 | -89,119 | -230,164 |
| Attributable to: | | | | |
| Parent Company's shareholders | | 394,705 | -81,901 | -212,852 |
| Non-controlling interests | | -5,292 | -7,218 | -17,312 |
| TOTAL | | 389,413 | -89,119 | -230,164 |

Condensed consolidated statement of financial position

| <i>Amounts in SEK 000</i> | <i>Note</i> | 31 Mar 2013 | 31 Mar 2012 | 31 Dec 2012 |
|------------------------------------------------------------------------------------------|-------------|--------------------|--------------------|--------------------|
| Assets | | | | |
| Non-current assets | | | | |
| Intangible non-current assets | | 8,816 | 702,749 | 9,864 |
| Tangible non-current assets | | 4,718 | 1,611 | 4,985 |
| Shares in joint ventures and associated companies | 2 | 1,542,880 | 953,164 | 219,173 |
| Other long-term securities holdings | 2 | 30,914 | 24,388 | 26,949 |
| Loans receivable joint ventures and associated companies | | 38,058 | 26,715 | 12,856 |
| Other financial assets | 3 | 38,113 | 0 | 8,907 |
| Total non-current assets | | 1,663,499 | 1,708,627 | 282,734 |
| Current assets | | | | |
| Accounts receivable | | 1,087 | 430 | 513 |
| Other short-term receivables | | 4,530 | 5,264 | 3,955 |
| Prepaid expenses and accrued income | | 4,681 | 4,246 | 4,578 |
| Short-term investments | | 0 | 362,204 | 174,160 |
| Cash and cash equivalents | 3,5 | 419,587 | 171,513 | 117,033 |
| Total current assets | | 429,885 | 543,657 | 300,239 |
| Assets which have been transferred to KDev Investments Group | | - | - | 1,632,025 |
| TOTAL ASSETS | | 2,093,384 | 2,252,284 | 2,214,998 |
| Equity and liabilities | | | | |
| Equity | | | | |
| Share capital | | 24,266 | 24,266 | 24,266 |
| Share premium | | 1,768,179 | 1,768,179 | 1,768,179 |
| Retained earnings including current period result | | 272,747 | 13,692 | -122,547 |
| Equity attributable to Parent Company's shareholders | | 2,065,192 | 1,806,137 | 1,669,898 |
| Non-controlling interests | | 3,696 | 280,290 | 354,294 |
| Total equity | | 2,068,888 | 2,086,427 | 2,024,192 |
| Long-term liabilities | | | | |
| Deferred taxes | | 0 | 140,925 | 0 |
| Interest-bearing liabilities | | 0 | 2,000 | 0 |
| Other financial liabilities | | 9,422 | 0 | 10,889 |
| Total long-term liabilities | | 9,422 | 142,925 | 10,889 |
| Current liabilities | | | | |
| Accounts payable | | 3,207 | 8,015 | 4,215 |
| Other short-term liabilities | | 2,809 | 2,616 | 2,775 |
| Accrued expenses and prepaid income | | 9,058 | 12,301 | 8,166 |
| Total current liabilities | | 15,074 | 22,932 | 15,156 |
| Liabilities attributable to assets which have been transferred to KDev Investments Group | | - | - | 164,761 |
| Total liabilities | | 24,496 | 165,857 | 190,806 |
| TOTAL EQUITY AND LIABILITIES | | 2,093,384 | 2,252,284 | 2,214,998 |

Condensed consolidated statement of changes in equity

| Equity attributable to Parent Company's shareholders | | | | | | | |
|-----------------------------------------------------------------|------|---------------|------------------|---------------------------------------------|------------------|---------------------------|------------------|
| <i>Amounts in SEK 000</i> | Note | Share capital | Share premium | Retained earnings incl. current year result | Total | Non-controlling interests | Total equity |
| Opening equity at 1 Jan 2013 | | 24,266 | 1,768,179 | -122,547 | 1,669,898 | 354,294 | 2,024,192 |
| <i>Net profit for the period</i> | | | | 394,705 | 394,705 | -5,292 | 389,413 |
| Total comprehensive income for the period | | 0 | 0 | 394,705 | 394,705 | -5,292 | 389,413 |
| Change in non-controlling interests | | | | 241 | 241 | 781 | 1,022 |
| Share rights incentive program PSP 2012 | | | | 348 | 348 | | 348 |
| Non-controlling interests transferred to KDev Investments Group | | | | | 0 | -346,087 | -346,087 |
| Closing equity at 31 Mar 2013 | | 24,266 | 1,768,179 | 272,747 | 2,065,192 | 3,696 | 2,068,888 |
| Opening equity at 1 Jan 2012 | | 24,266 | 1,768,179 | 86,442 | 1,878,887 | 295,041 | 2,173,928 |
| <i>Net loss for the period</i> | | | | -81,901 | -81,901 | -7,218 | -89,119 |
| Total comprehensive income for the period | | 0 | 0 | -81,901 | -81,901 | -7,218 | -89,119 |
| Change in non-controlling interests | | | | 9,151 | 9,151 | -7,533 | 1,618 |
| Closing equity at 31 Mar 2012 | | 24,266 | 1,768,179 | 13,692 | 1,806,137 | 280,290 | 2,086,427 |
| Opening equity at 1 Jan 2012 | | 24,266 | 1,768,179 | 86,442 | 1,878,887 | 295,041 | 2,173,928 |
| <i>Net loss for the year</i> | | | | -212,852 | -212,852 | -17,312 | -230,164 |
| Total comprehensive income for the year | | 0 | 0 | -212,852 | -212,852 | -17,312 | -230,164 |
| Acquisition of subsidiary | | | | | 0 | 78,435 | 78,435 |
| Change in non-controlling interests | | | | 6,106 | 6,106 | -1,870 | 4,236 |
| Share repurchase | | | | -2,243 | -2,243 | | -2,243 |
| Closing equity at 31 Dec 2012 | | 24,266 | 1,768,179 | -122,547 | 1,669,898 | 354,294 | 2,024,192 |

Consolidated statement of cash flows

| <i>Amounts in SEK 000</i> | <i>Note</i> | 2013 | 2012 |
|---------------------------------------------------------------------------------|-------------|----------------|----------------|
| | | <i>Jan-Mar</i> | <i>Jan-Mar</i> |
| Operating activities | | | |
| Operating profit/loss | | 387,486 | -95,178 |
| Adjustments for depreciation, amortization and impairment losses | | 1,009 | 991 |
| Adjustments for changes in fair value | 2 | -22,407 | 62,582 |
| Result from transaction with Rosetta Capital IV LP | 3 | -404,646 | 0 |
| Realized changes in value of short-term investments | | 1,010 | 3,350 |
| Interest paid | | -64 | -12 |
| Interest received | | 402 | 481 |
| Cash flow from operating activities before changes in working capital | | -37,210 | -27,786 |
| Cash flow from changes in working capital | | | |
| Increase (-)/Decrease (+) in operating receivables | | 3,579 | -468 |
| Increase (+)/Decrease (-) in operating liabilities | | 1,918 | -3,413 |
| Cash flow from operating activities | | -31,713 | -31,667 |
| Investing activities | | | |
| Investments in intangible non-current assets | | -627 | -463 |
| Investments in tangible non-current assets | | -174 | -207 |
| Investments in shares in joint ventures and associated companies | | -5,791 | -35,271 |
| Cash and cash equivalents which have been transferred to KDev Investments Group | | -51,723 | 0 |
| Change in short-term investments | | 174,199 | 93,979 |
| Sale of shares in portfolio companies | | 190,793 | 3,217 |
| Loans provided to associated companies | | -31,996 | -23,040 |
| Cash flow from investing activities | | 274,681 | 38,215 |
| Financing activities | | | |
| Share of subsidiary issue for non-controlling shareholders | | 0 | 1 618 |
| Cash flow from financing activities | | 0 | 1,618 |
| Cash flow for the period | | 242,968 | 8,166 |
| Cash and cash equivalents at beginning of period | | 176,619 | 163,347 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 3 | 419,587 | 171,513 |

Condensed income statement for the Parent Company

| <i>Amounts in SEK 000</i> | <i>Note</i> | 2013 | 2012 | 2012 |
|---------------------------------------------------------------------------------------------------------------------------|-------------|----------------|----------------|------------------|
| | | <i>Jan-Mar</i> | <i>Jan-Mar</i> | <i>Full-year</i> |
| Net sales | | 1,252 | 834 | 3,986 |
| Revenue | | 1,252 | 834 | 3,986 |
| Other external expenses | | -7,128 | -7,899 | -28,156 |
| Personnel costs | | -10,017 | -6,306 | -31,650 |
| Depreciation of tangible non-current assets | | -2 | -1 | -6 |
| Impairment losses on shares in subsidiaries, joint ventures, associated companies and other long-term securities holdings | | -4 987 | -1,937 | -120,078 |
| Result from sale of shares in portfolio companies | 6 | 123,678 | 0 | 43,269 |
| Operating profit/loss | | 102,796 | -15,309 | -132,635 |
| Financial net | | -2,006 | 3,853 | -20,076 |
| NET PROFIT/LOSS FOR THE PERIOD | | 100,790 | -11,456 | -152,711 |

Statement of comprehensive income for the Parent Company

| <i>Amounts in SEK 000</i> | <i>Note</i> | 2013 | 2012 | 2012 |
|--------------------------------------------------|-------------|----------------|----------------|------------------|
| | | <i>Jan-Mar</i> | <i>Jan-Mar</i> | <i>Full-year</i> |
| Net profit/loss for the period | | 100,790 | -11,456 | -152,711 |
| Total comprehensive income for the period | | 100,790 | -11,456 | -152,711 |
| Attributable to: | | | | |
| Parent Company's shareholders | | 100,790 | -11,456 | -152,711 |
| TOTAL | | 100,790 | -11,456 | -152,711 |

Condensed statement of financial position for the Parent Company

| <i>Amounts in SEK 000</i> | <i>Note</i> | 31 Mar 2013 | 31 Mar 2012 | 31 Dec 2012 |
|------------------------------------------------------------------------------------------------------|-------------|--------------------|--------------------|--------------------|
| Assets | | | | |
| Non-current assets | | | | |
| Tangible non-current assets | | 6 | 14 | 9 |
| Shares in subsidiaries, joint ventures, associated companies and other long-term securities holdings | | 876,899 | 955,853 | 962,243 |
| Loans receivable joint ventures and associated companies | | 38,058 | 26,715 | 12,856 |
| Other financial assets | 3 | 31,902 | 2,178 | 2,623 |
| Total non-current assets | | 946,865 | 984,760 | 977,731 |
| Current assets | | | | |
| Accounts receivable | | 853 | 184 | 409 |
| Group receivables | | 199 | 296 | 260 |
| Other receivables | | 1,926 | 2,763 | 2,476 |
| Prepaid expenses and accrued income | | 2,422 | 2,846 | 2,463 |
| Short-term investments | | 0 | 339,992 | 174,160 |
| Cash and cash equivalents | 3,5 | 414,048 | 76,701 | 108,680 |
| Total current assets | | 419,448 | 422,782 | 288,448 |
| TOTAL ASSETS | | 1,366,313 | 1,407,542 | 1,266,179 |
| Equity and liabilities | | | | |
| Equity | | | | |
| Restricted equity | | | | |
| Share capital | | 24,266 | 24,266 | 24,266 |
| Unrestricted equity | | | | |
| Share premium reserve | | 1,778,253 | 1,778,253 | 1,778,253 |
| Retained earnings | | -549,632 | -395,026 | -397,269 |
| Net profit/loss for the period | | 100,790 | -11,456 | -152,711 |
| Total equity | | 1,353,677 | 1,396,037 | 1,252,539 |
| Long-term liabilities | | | | |
| Pension obligations | | 2,696 | 2,178 | 2,623 |
| Total long-term liabilities | | 2,696 | 2,178 | 2,623 |
| Current liabilities | | | | |
| Accounts payable | | 1,195 | 2,486 | 2,510 |
| Group liabilities | | 453 | 0 | 474 |
| Other current liabilities | | 1,447 | 961 | 1,512 |
| Accrued expenses and deferred income | | 6,845 | 5,880 | 6,521 |
| Total current liabilities | | 9,940 | 9,327 | 11,017 |
| Total liabilities | | 12,636 | 11,505 | 13,640 |
| TOTAL EQUITY AND LIABILITIES | | 1,366,313 | 1,407,542 | 1,266,179 |

Pledged assets and contingent liabilities

| <i>Amounts in SEK 000</i> | <i>Note</i> | 31 Mar 2013 | 31 Mar 2012 | 31 Dec 2012 |
|---------------------------|-------------|--------------------|--------------------|--------------------|
| Pledged assets | 5 | 77,771 | 2,178 | 2,623 |
| Contingent liabilities | 5 | 1,000 | 200 | 1,200 |
| Total | | 78,771 | 2,378 | 3,823 |

Condensed statement of changes in equity for the Parent Company

| | Restricted equity | | Unrestricted equity | | | Total equity |
|-----------------------------------------|-------------------|---------------|-----------------------|-------------------|--------------------------------|------------------|
| | Note | Share capital | Share premium reserve | Retained earnings | Net profit/loss for the period | |
| <i>Amounts in SEK 000</i> | | | | | | |
| Opening equity at 1 Jan 2013 | | 24,266 | 1,778,253 | -397,269 | -152,711 | 1,252,539 |
| Appropriation of loss | | | | -152,711 | 152,711 | 0 |
| Net profit for the period | | | | | 100,790 | 100,790 |
| Total | | 24,266 | 1,778,253 | -549,980 | 100,790 | 1,353,329 |
| Share rights incentive program PSP 2012 | | | | 348 | | 348 |
| Closing equity at 31 Mar 2013 | | 24,266 | 1,778,253 | -549,632 | 100,790 | 1,353,677 |
| Opening equity at 1 Jan 2012 | | 24,266 | 1,778,253 | -207,281 | -187,745 | 1,407,493 |
| Appropriation of loss | | | | -187,745 | 187,745 | 0 |
| Net loss for the period | | | | | -11,456 | -11,456 |
| Closing equity at 31 Mar 2012 | | 24,266 | 1,778,253 | -395,026 | -11,456 | 1,396,037 |
| Opening equity at 1 Jan 2012 | | 24,266 | 1,778,253 | -207,281 | -187,745 | 1,407,493 |
| Appropriation of loss | | | | -187,745 | 187,745 | 0 |
| Net loss for the year | | | | | -152,711 | -152,711 |
| Total | | 24,266 | 1,778,253 | -395,026 | -152,711 | 1,254,782 |
| Share repurchase | | | | -2,243 | | -2,243 |
| Closing equity at 31 Dec 2012 | | 24,266 | 1,778,253 | -397,269 | -152,711 | 1,252,539 |

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 2013

The Group applies IFRS 13 Fair Value Measurement as of 1 January 2013. The purpose of the standard is to make fair value measurements more consistent and less complex by providing an exact definition and common source in IFRS for fair value measurements and related disclosures. The standard provides guidance on fair value measurements for all types of assets and liabilities, financial and non-financial. The requirements do not expand the area of application for fair value, but provide guidance on how it is applied when other IFRS already require or allow fair value measurements. The new standard has not had any significant effects on the valuation of assets and liabilities valued at fair value but affects disclosures, since it contains more extensive requirements on disclosures of fair value measurements, particularly for fair values on level 3 in the fair value hierarchy.

Other 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. Accordingly, 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 determine the allocation of resources to investments in portfolio companies and to the Parent Company. The Board of Directors monitors each investment at the project level as well as the Parent Company's results and financial position.

Karolinska Development's investments are primarily steered to companies that yield the best returns. Regardless of a project's maturity, therapeutic area and whether the company is active within pharmaceuticals or medical technology, each company's projects are evaluated by Karolinska Development in the same manner, because of which Karolinska Development has aggregated all the portfolio companies into a single reportable segment.

Karolinska Development's measure of profit is the aggregate change in the fair value of its shares in the portfolio companies, including those consolidated as subsidiaries. The Board of Directors and management monitor the investments based on changes in their fair value independently of the company's level of influence. Consequently, the Board of Directors and management monitor subsidiaries, associated companies, joint ventures and other holdings based on changes in their fair value and not on their historical acquisition costs as subsidiaries recognized in the consolidated financial statements. The accounting principles applied in the internal reporting otherwise correspond to the Group's accounting principles as described in Note 1.

Profit/loss per segment and reconciliation between aggregate result from change in fair value of portfolio companies and consolidated loss before tax

| | Profit/loss from change in fair value of portfolio companies | | |
|-------------------------------------------------------------------------|--------------------------------------------------------------|-----------------|-------------------|
| | 2013 Jan-Mar | 2012 Jan-Mar | 2012 Full-year |
| <i>Amounts in SEK 000</i> | | | |
| Subsidiaries | | | |
| Change in fair value | -8,270 | 18,891 | 208,201 |
| Joint ventures and associated companies | | | |
| Change in fair value | 18,442 | -62,383 | 18,847 |
| Impairment losses ¹ | 0 | 0 | -106,541 |
| Other long-term securities holdings | | | |
| Change in fair value | 3,965 | -199 | 902 |
| Change in fair value of total portfolio holdings | 14,137 | -43,691 | 121,409 |
| Group eliminations | | | |
| Less change in fair value of subsidiaries | 8,270 | -18,891 | -208,201 |
| Recognized gain/loss on changes in fair value | 22,407 | -62,582 | -86,792 |
| Capital gain from Rosetta transaction (Note 3) | 68,232 | - | - |
| Revaluation increase from Rosetta transaction (Note 3) | 336,414 | - | - |
| Other consolidated revenue and other expenses (including financial net) | -40,566 | -29,198 | -189,179 |
| Consolidated profit/loss before tax | 386,487 | -91,780 | -275,971 |

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

The aggregate gain on changes in fair value of the portfolio companies amounted to SEK 14.1m (-43.7) during the first quarter, which includes a negative change in the fair value of subsidiaries of SEK -8.3m (18.9). 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 not measured at fair value. The Group's recognized gain on changes in the fair value of joint ventures, associated companies and other long-term securities holdings amounted to SEK 22.4m (-62.6).

Assets per segment

| <i>Amounts in SEK 000</i> | Fair value portfolio companies | | |
|------------------------------------------------------------------------------------------------------------------|--------------------------------|------------------|------------------|
| | 31 Mar 2013 | 31 Mar 2012 | 31 Dec 2012 |
| <i>Fair value of total portfolio holdings</i> | | | |
| Subsidiaries | 78,216 | 603,592 | 1,010,663 |
| Joint ventures and associated companies | 1,542,880 | 953,164 | 789,578 |
| Other long-term securities holdings | 30,914 | 24,388 | 26,949 |
| Fair value of total portfolio holdings | 1,652,010 | 1,581,144 | 1,827,190 |
| Less fair value of subsidiaries | -78,216 | -603,592 | -1,010,663 |
| Less fair value of joint ventures and associated companies which have been transferred to KDev Investments Group | - | - | -570,405 |
| Group | 1,573,794 | 977,552 | 246,122 |

Shares in portfolio companies at fair value

| <i>Amounts in SEK 000</i> | Subsidiaries | Joint ventures & associated companies | Other long-term securities | Total portfolio holdings |
|---------------------------------------------|------------------|---------------------------------------|----------------------------|--------------------------|
| | | | | |
| Opening balance at 1 Jan 2012 | 542,001 | 980,276 | 24,587 | 1,546,864 |
| Investments | 42,700 | 35,271 | 0 | 77,971 |
| Changes in fair value and impairment losses | 18,891 | -62,383 | -199 | -43,691 |
| Closing balance at 31 Mar 2012 | 603,592 | 953,164 | 24,388 | 1,581,144 |
| Opening balance at 1 Jan 2012 | 542,001 | 980,276 | 24,587 | 1,546,864 |
| Investments | 81,949 | 148,189 | 1,460 | 231,598 |
| Reclassifications | 178,512 | -178,512 | 0 | 0 |
| Sale of shares | 0 | -72,681 | 0 | -72,681 |
| Changes in fair value and impairment losses | 208,201 | -87,694 | 902 | 121,409 |
| Closing balance at 31 Dec 2012 | 1,010,663 | 789,578 | 26,949 | 1,827,190 |
| Opening balance at 1 Jan 2013 | 1,010,663 | 789,578 | 26,949 | 1,827,190 |
| Investments | 6,100 | 9,576 | 0 | 15,676 |
| Reclassifications ¹ | -930,277 | 930,277 | 0 | 0 |
| Sale of shares | 0 | -204,993 | 0 | -204,993 |
| Changes in fair value and impairment losses | -8,270 | 18,442 | 3,965 | 14,137 |
| Closing balance at 31 Mar 2013 | 78,216 | 1,542,880 | 30,914 | 1,652,010 |

¹The reclassification relates to KDev Investments Group, which after the transaction with Rosetta IV LP is recognized as a joint venture with changes in fair value recognized through profit or loss.

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

| <i>Amounts in SEK 000</i> | 31 Mar 2013 | 31 Mar 2012 | 31 Dec 2012 |
|--------------------------------------------------|------------------|------------------|------------------|
| Aggregate fair value of total portfolio holdings | 1,652,010 | 1,581,144 | 1,827,190 |
| Less fair value of subsidiaries | -78,216 | -603,592 | -1,010,663 |
| Other consolidated assets | 519,590 | 1,274,732 | 1,398,471 |
| Consolidated total assets | 2,093,384 | 2,252,284 | 2,214,998 |

Note 3 Capital gain on sale of shares in KDev Investments AB

About the transaction

During the period, Karolinska Development transferred 13 of its portfolio company holdings to the subsidiary KDev Investments AB. On 7 March 2013, Rosetta Capital IV LP acquired a 13.66% share in KDev Investments Group for a total purchase price of SEK 220m. Of the total 1,073,300 shares outstanding in KDev Investments AB, 1,000,000 are common shares and 73,300 are preference shares. Rosetta Capital IV LP acquired 73,300 common shares and 73,300 preference shares in KDev Investments AB.

Portfolio companies in the transaction

KDev Investments Group comprises 13 companies representing development projects in various phases and various areas. Seven of the companies develop drugs and have projects in clinical trials: Akinion Pharmaceuticals AB, Aprea AB and Axelar AB, which are active in oncology; Dilafor AB and Umechrine Mood, which develop treatments in the area of women's health; Dilaforette Holding AB Group, which develops sevuparin for use against malaria and sickle cell anemia; and Pergamum AB, which develops Karolinska Development's wound healing and dermatology portfolio. Three companies have development projects in or entering preclinical development: Biosergen AS (systemic fungal infections), Clanotech AB (eye diseases) and NovaSAID AB (inflammatory diseases). Three companies are involved in the development of technology products: Inhalation Sciences n Sweden AB, NeoDynamics AB and Promimic AB.

Consequences for financial reporting

Following the transaction, the sub-group KDev Investments is classified as a joint venture, as Karolinska Development and Rosetta Capital IV LP have joint control of KDev Investments, and is recognized at fair value with changes in value recognized through profit or loss.

Earnings impact

The earnings impact in the quarter attributable to the transaction amounted to SEK 404.6m, of which SEK 68.2m relates to a capital gain and the remaining SEK 336.4m to the gain on the revaluation to fair value of Karolinska Development's remaining holding (86.34%) in KDev Investments Group.

Recognized gain in connection with structural transaction involving KDev Investments AB

| | Group |
|----------------------------------------------------------------------------------|----------------------|
| | 2013 |
| | Jan-Mar |
| <i>Amounts in SEK 000</i> | |
| Purchase price 13.66% of KDev Investments AB | 220,000 ¹ |
| Fair value of remaining holding | 1,295,689 |
| Total | 1,515,689 |
| Less assets recognized prospectively in the joint venture KDev Investments Group | -1,111,043 |
| Recognized gain | 404,646 |

¹Of which the first tranche of SEK 190.8m was received at closing and the remaining SEK 29.2m is recognized in other financial assets

Distribution of recognized gain between capital gain on sale and revaluation of remaining holding at fair value

| | Group |
|-------------------------------------------------------|----------------|
| | 2013 |
| | Jan-Mar |
| <i>Amounts in SEK 000</i> | |
| Purchase price 13.66% of KDev Investments AB | 220,000 |
| Less 86.34% of net assets | -151,768 |
| Capital gain on sale | 68,232 |
| Fair value of remaining holding | 1,295,689 |
| Less 86.34% of net assets | -959,275 |
| Revaluation at fair value of remaining holding | 336,414 |

Management of KDev Investments AB

Karolinska Development owns 86.34% of the shares in KDev Investments AB. Management of the company is governed by a shareholders' agreement. The parties have joint control of KDev Investments AB. Karolinska Development and Rosetta intend to invest in the portfolio companies in accordance with Karolinska Development's plans prior to the transaction.

Terms for the preference shares

Rosetta's preference shares will have preference to profit distributions as explained below, after which allocations will be made between holders of common shares.

(i) 100% of total future returns up to SEK 220m after Karolinska Development has received the remainder of the purchase price amounting to SEK 29.2m

(ii) 30% of total future returns between SEK 220m and SEK 880m

(iii) 18.33% of total future returns between SEK 880m and SEK 1,320m

(iv) 0% of total future returns over SEK 1,320m

Put option

According to the transfer agreement, Karolinska Development is obligated, under certain conditions, to redeem Rosetta's shares in KDev Investments AB on or after 7 March 2018. According to the terms, Rosetta has the right to request a redemption if Rosetta has not received a return equivalent to 2.5 times the capital it invested to acquire the shares in KDev Investments AB. The value of the put option is based on the fair value of the shares in KDev Investments which Rosetta owns at the time of redemption. The obligation is limited to a value corresponding to ten percent of the shares outstanding in Karolinska Development and can be fulfilled through the issuance of shares or is payable in cash. Karolinska Development has the right to choose the form of payment. Karolinska Development estimates the fair value of the put option at the end of the reporting period to nil.

Cash and cash equivalents provisionally allocated for expected follow-on investments

According to the transfer agreement, Karolinska Development has provisionally allocated cash and cash equivalents for expected follow-on investments, according to investment plans as at the end of the reporting period, in KDev Investment's portfolio companies amounting to SEK 303m. This amount includes bank deposits of SEK 75,1m, which relate to remaining guarantees that apply to the transfer of the portfolio company holdings to KDev Investments AB. These guarantees are in the process of being released during May 2013 (Note 5).

Note 4 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 valuation models based on observable data for the asset or liability other than quoted prices included in Level 1

Level 3- Fair value determined based on valuation models where significant inputs are based on non-observable data

Fair value as of 31 March 2013

| Amounts in SEK 000 | Level 1 | Level 2 | Level 3 | Total |
|---------------------------------------------------|----------------|----------|------------------|------------------|
| Financial assets | | | | |
| Shares in joint ventures and associated companies | 0 | 0 | 1,542,880 | 1,542,880 |
| Other long-term securities holdings | 0 | 0 | 30,914 | 30,914 |
| Other financial receivables | 0 | 0 | 38,113 | 38,113 |
| Cash and cash equivalents | 419,587 | 0 | 0 | 419,587 |
| Total | 419,587 | 0 | 1,611,907 | 2,031,494 |
| Financial liabilities | | | | |
| Other financial liabilities | 0 | 0 | -9,422 | -9,422 |
| Total | 0 | 0 | -9,422 | -9,422 |

Fair value measurement when using data not based on observable market data (level 3)

| Amounts in SEK 000 | Shares in joint ventures/ associated companies | Other long-term securities holdings | Other financial assets | Other financial liabilities |
|-----------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|-------------------------------------|------------------------|-----------------------------|
| At beginning of the year | 789,578 | 26,949 | 8,907 | -10,889 |
| Transfers to and from level 3 | - | - | - | - |
| Acquisitions | 9,576 | 0 | 29,206 | 0 |
| Reclassifications from subsidiaries | 930,277 | 0 | 0 | 0 |
| Disposals | -204,993 | 0 | 0 | 0 |
| Gains and losses recognized through profit or loss | 18,442 | 3,965 | 0 | 1,467 |
| Closing balance at 31 Mar 2013 | 1,542,880 | 30,914 | 38,113 | -9,422 |
| Total unrealized gains and losses for the period included in profit/loss for assets held at the end of the reporting period | 18,442 | 3,965 | 0 | 1,467 |
| Gains and losses in profit/loss for the year for assets included in the closing balance | 18,442 | 3,965 | 0 | 1,467 |

There have not been any changes in the valuation method during the reporting period.

The Group recognizes transfers between levels in the fair value hierarchy on the date of an event or changes that require the transfer.

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. Based on the valuation criteria provided by these rules, an evaluation 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. Present value calculations are made with discounted cash flows which comprise:

- Estimated revenues, which generally consist of one-time milestone payments and royalty payments on sales. The estimated contract value (including royalties) is based on an estimate of sales potential and the buyer's development, manufacturing and marketing costs for the particular project. Contract value is based on a value allocation principle in which the seller's portion of the total value increases with the maturation of the project. In the model, the portfolio company receives approximately 40% of the total rNPV after Phase II.
- Sales forecasts are made by estimating the total patient population, target patient population, prevalence and treatable patients, market penetration and treatment costs in the US, the EU and the Japanese market. These markets represented approximately 80% of global pharmaceutical sales in 2010 (IMS). Estimates are made regarding product launch year and time of exit based on development plans. Drug licensing is usually assumed to be carried out after Phase II. For medical technology companies, an exit is usually assumed after launch of the product. Sales are then based on these estimated times together with the product's expected patent expiry, after which sales are assumed to decrease sharply.
- Estimates are made of the cost of each phase of development based either on the companies' forecasts or according to industry standards.
- Revenue and expenses are probability adjusted for each phase of development according to accepted statistics.
- Two different discount rates (WACC) are calculated with which to discount net cash flow from each project: a "Biotechnology WACC" for the in-house development period and a lower discount rate from the time the project is expected to be licensed to global pharmaceutical companies, a "Pharma WACC". The components of the discount rates are (i) the risk-free interest, represented by the Swedish Riksbank's 10-year government bond, (ii) the market risk premium, defined as the difference between the expected annuity quote and risk-free interest on the NASDAQ OMX stock exchange, and (iii) the premium supplement for private/small cap companies, which is a supplement to the market risk premium which represents the risk supplement for project companies with illiquid shares. The premium is collected from an average of companies with a market value under SEK 100m on the NASDAQ OMX stock exchange. The premium supplement for private/small cap companies constitutes the difference between the Biotechnology WACC and Pharma WACC.

On 31 March 2013 the Biotechnology WACC was 11.68% (11.63%) and the Pharma WACC was 7.78% (7.83%).

To estimate the effect of changes in the discount rate on the portfolio valuation, WACC has been adjusted by -1 percent and +1 percent.

| Sensitivity analysis WACC | WACC adjustment -1% | | 31 March 2013 Biotech WACC: 11.68% Pharma WACC: 7.78% | WACC adjustment +1% | |
|---------------------------------------------------------|---------------------|--------|-------------------------------------------------------------|---------------------|--------|
| | Fair value | Change | Fair value | Fair value | Change |
| Amounts in SEKm | | | | | |
| Fair value difference for shares in portfolio companies | 1,669.1 | 17.1 | 1,652.0 | 1,637.1 | -14.9 |

- Current tax rates are used and exchange rates calculated according to historical averages.

A change in any of these assumptions affects the valuation and may if significant have a material effect on the Group's results.

The Group has a team responsible for the fair value measurements of the valuation of portfolio company holdings required for the financial reporting according to IPEV, including fair values according to Level 3. All valuations in Level 3 are based on assumptions and judgments that management considers reasonable under current circumstances. This team reports directly to the CFO. Significant events that have occurred since the above-mentioned time of measurement have been taken into account in the measurement to the extent they would have affected the value on the closing date. Companies that have not been valued after transactions that have included third parties or present value calculations have been valued either at net asset value or, for early-stage development projects, the amount invested by Karolinska Development.

Note 5 Pledged assets and contingent liabilities

Agreements on additional financing commitments in portfolio companies relate to Axelar AB, where an investment commitment of SEK 26.7m has been entered into relating to the third tranche of that company's last financing round, and Athera Biotechnologies AB, where Karolinska Development AB has signed a capital financing guarantee of EUR 3.0m. Other investment commitments are indicated in the table below.

| <i>Amounts in SEK 000</i> | Parent Company | | |
|-------------------------------------|----------------|--------------|--------------|
| | 31 Mar 2013 | 31 Mar 2012 | 31 Dec 2012 |
| Pledged assets | | | |
| Guarantee deposits (Note 3) | 75,075 | 0 | 0 |
| Endowment insurance | 2,696 | 2,178 | 2,623 |
| Total pledged assets | 77,771 | 2,178 | 2,623 |
| Investment commitments | | | |
| Biocelex | 1,000 | 0 | 1,000 |
| Uminova | 0 | 200 | 200 |
| Total contingent liabilities | 1,000 | 200 | 1,200 |
| Total | 78,771 | 2,378 | 3,823 |

Note 6 Result on sale of shares in portfolio companies

| <i>Amounts in SEK 000</i> | Parent Company | | |
|-------------------------------------------------|-----------------|-----------------|-------------------|
| | 2013 Jan-Mar | 2012 Jan-Mar | 2012 Full-year |
| Capital gain/loss | | | |
| KDev Investments AB | 123,678 | 0 | 0 |
| Oncopeptides AB | 0 | 0 | 49,722 |
| ProNoxis AB | 0 | 0 | -6,500 |
| Independent Pharmaceutica AB | 0 | 0 | 47 |
| Gain/loss on sale of portfolio companies | 123,678 | 0 | 43,269 |

The capital gain related to KDev Investments AB resulted from the sale of 13.66% to Rosetta Capital IV LP.