KAROLINSKA DEVELOPMENT

Profit from Innovation

Karolinska Development AB (publ) — Interim report January - June 2013

STOCKHOLM – August 22, 2013. Karolinska Development AB (publ) announces publication of its Interim report January-June, 2013. A conference call will be held today at 15.00 CET. Participant access numbers: SE: +46 (0) 8 506 307 79, UK: +44 (0) 1452 555 131, or US: +1 866 682 8490. The full report and a link to the webcast are available on the company's website.

Torbjörn Bjerke, CEO, comments: ”The progress in Karolinska Development’s active company portfolio remains strong. Since the first quarter 2013, positive clinical data have been presented for four projects. Our focus on business development continues to produce results. During the second quarter, Athera Biotechnologies signed an option agreement with Boehringer Ingelheim on the innovative preclinical antibody program PC-mAb for prevention of secondary events in patients with acute coronary syndrome, where Athera has granted Boehringer Ingelheim an exclusive option to acquire the entire program. Combined with the EU grant Athera received during the second quarter, the project is now fully financed through Phase I trials and thus to the point where Boehringer Ingelheim’s option can be exercised. Moreover, we have launched new academic collaborations with Ospedale San Raffaele in Italy and the Medical University of Graz in Austria, aiming to further improve our access to interesting projects.

Among the positive clinical advances in our development projects during the second quarter were Axelar’s preliminary Phase II study results, which showed that the lead compound, AXL1717, may be effective in second line treatment of patients with non-small cell lung cancer (NSCLC). Thus, the company assesses that it has sufficient data to support further development of AXL1717 and will therefore finalize the current study with fewer patients than initially planned. Furthermore, Umecrine Mood announced that dosing has been initiated in a Phase I/II study of a treatment for patients with premenstrual dysphoric disorder (PMDD), a severe and disabling form of PMS. The current treatment options consist primarily of antidepressant drugs, which are not always effective and often associated with side effects. There is a definite unmet medical need for an effective and safe treatment.

After the end of the second quarter, Pergamum reported positive follow-up data from a Phase II clinical trial for prevention of post-surgical adhesions after hand surgery, a major medical problem. Given Pergamum’s results, we are optimistic that the treatment has the potential to become the first drug approved for this indication. Pergamum also reported positive preliminary efficacy results from a Phase I/II study in patients with venous leg ulcers, an area in great need of new treatment methods. Pergamum’s proprietary gel has the potential to be an important treatment in this area. OssDsign (formerly Oss-Q) initiated the first clinical study of its bioceramic skull implant, OssDsign Cranio PSI, for patients with severe skull injuries where previous treatments have failed. In addition, Pharmanest met both primary and secondary efficacy endpoints in its Phase II study where its lead product named SHACT was tested as pain management in connection with intrauterine device (IUD) insertion. No difference in adverse events between treated group and placebo were reported. These positive data clearly show that SHACT has the potential to become the first safe and effective pain relief product for millions of women during IUD insertion.

In total, it was another quarter in which we began to see the results of our long-term investments and the strength of our business model: to create a broader base for selecting medical innovations through university collaborations, drive the development in the project portfolio and find external funding and commercial partners for our portfolio companies.”

Summary of significant events during and after the second quarter 2013

- Preliminary Phase II data indicates that Axelar’s AXL1717 is efficacious in 2nd line treatment of patients with lung cancer
- Bo Jesper Hansen was elected as new Director at the AGM 2013 and will take over as Chairman of the Board on October 1, 2013
- The first patient was dosed in the Phase I/II study of Umecrine Mood’s candidate drug for PMDD, a severe form of PMS
- The EU decided to grant EUR 6m for the development of Athera’s novel antibody therapy PC-mAb for acute coronary syndrome patients and Athera entered an option agreement with Boehringer Ingelheim on the same antibody program
- Karolinska Development finalized an initial investment in Forendo Pharma Oy, which is developing a treatment for endometriosis
- Karolinska Development initiated collaborations with Ospedale San Raffaele and Medical University of Graz with the objective to gain access to more life science innovations
- Pergamum reported positive follow-up data from a Phase II clinical trial of PXL-01 showing a significant improvement in functional hand recovery after hand surgery compared with placebo
- Pergamum met the primary safety and tolerability endpoint and reported positive preliminary efficacy results from a Phase I/II study of LL-37 in patients with venous leg ulcers showing a significant improved healing rate compared with placebo
- Karolinska Development increased its holdings in OssDsign from 16% to 26% in a share issue and OssDsign started a clinical study
- Pharmanest reported positive Phase II data with SHACT showing a significant reduction in pain in connection with IUD insertion

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Financial Summary

Group *Amounts in SEKm*	***2013*** *Apr-Jun*	***2012*** *Apr-Jun*	***2013*** *Jan-Jun*	***2012*** *Jan-Jun*
Income statement				
Revenue	2.6	3.1	4.6	5.5
Profit/loss after tax	2.5	-100.1	391.9	-189.2
Balance sheet				
Cash and cash equivalents			173.0	170.3
Short-term investments			91.3	291.1
Total cash, cash equivalents and short-term investments (Note 3)			**264.3**	**461.4**
Share information				
Earnings per share before and after dilution (SEK)	0.08	-1.83	8.23	-3.52
Net asset value per share (SEK) (Note 1)			44.8	42.5
Share price, last trading day in the reporting period (SEK)			27.2	19.5
Portfolio information				
Investments in portfolio companies	158.8	37.7	174.4	115.7
Of which investments not affecting cash flow	0.0	0.0	3.8	0.0
Valuation of total portfolio holdings (Note 2)			1,845.9	1,564.4

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TO THE EDITORS

About Karolinska Development AB
Karolinska Development aims to create value for patients, researchers, and investors by developing innovations from world class science into products that can be sold or out-licensed with high returns. The business model is to: SELECT the most commercially attractive medical innovations; DEVELOP innovations to the stage where the greatest return on investment can be achieved; and COMMERCIALIZE the innovations through the sale of companies or out-licensing of products. An exclusive deal flow agreement with Karolinska Institutet Innovations AB, along with other cooperation agreements with leading universities, delivers a continuous flow of innovations. Today, the portfolio consists of 35 projects, of which 16 are in clinical development. For more information, please visit www.karolinskadevelopment.com.

Karolinska Development is listed on NASDAQ OMX. Karolinska Development may be required to disclose the information provided herein pursuant to the Securities Markets Act.