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Significant events during the fourth quarter

Karolinska Development

- Karolinska Development completed a private placement amounting to SEK 63 million to Sino Biopharmaceutical Limited, a member of the Thai Charoen Pokphand Group (CP Group)
- A rights issue of convertible bonds not exceeding approximately SEK 228m and a directed issue of convertible bonds to CP Group not exceeding approximately SEK 173m was decided by the Board of Directors and approved at the Extraordinary General Meeting
- Karolinska Development presented a new strategy at the company's Capital Markets Day
- The preliminary outcome of the rights issue of convertibles was announced
- Bruno Lucidi was appointed CEO of Karolinska Development

The Portfolio

- Forendo Pharma announced the US licensing of fispemifene to Apricus Biosciences and closed a EUR 12 million financing round for the company's endometriosis program
- Clanotech received orphan drug designation in the EU for its product candidate CLT-28643 in glaucoma surgery
- OssDsign's Cranioplug received marketing approval in the US
- Athera initiated Phase I study with cardiovascular antibody PC-mAb and Boehringer Ingelheim decided not to exercise the option rights on the development of PC-mAb

Significant events after the fourth quarter

Karolinska Development

- Following an extension of the subscription period for the rights issue of convertible bonds, Karolinska Development finalized the company's financing through the issue of convertibles, which was subscribed by approximately 94 percent and in total the share issue and the convertible bond issue thereby generated proceeds of approximately SEK 450m.
- Deputy CEO Terje Kalland was appointed Acting CEO after Bruno Lucidi left his role in the company as his contract was terminated

Financial Summary

SEKm	2014 Oct-Dec	2013 Oct-Dec (restated)	2014 Full-year	2013 Full-year (restated)
<i>Condensed income statement</i>				
Change in fair value in portfolio companies	-19.3	-123.4	-310.4	-140.0
Net profit/loss	-39.8	-99.2	-375.8	-157.3
<i>Condensed balance sheet</i>				
Cash, cash equivalents and short-term investments			141.3	200.7
<i>Share information</i>				
Earnings per share, weighted average, before and after dilution (SEK)	-0.80	-2.05	-7.73	-3.25
Net asset value per share (SEK) (Note 1)			31.2	40.7
Equity per share (SEK) (Note 1)			31.0	40.5
Share price, last trading day in the reporting period (SEK)			13.3	30.9
<i>Portfolio information</i>				
Portfolio companies' net cash ¹⁾			55.0	111.6
Investments in portfolio companies	27.5	88.2	84.0	266.2
Of which investments not affecting cash flow	0	64.3	6.7	68.1
Fair value of portfolio holdings			1,502.2	1,729.5

¹⁾ Portfolio companies' net cash is comprised of sum of cash, cash equivalents and short-term investments less external loans in portfolio companies regardless of Karolinska Development's ownership interest



Terje Kalland, Acting CEO

CEO's Comment

After a very eventful period for Karolinska Development, we are happy to announce the completion of the financing that enables the execution of the investment strategy that was presented in October. The financing took place in three steps, a private placement directed to CP Group, a rights issue of convertible bonds and a directed issue of convertible bonds to CP Group. In total, proceeds to Karolinska Development amounted to SEK 450 million before transaction costs. After the subscription period was extended in January to allow for allotment that nearly fully subscribed the rights issue of convertible bonds.

After the reporting period we announced that Karolinska Development's CEO Bruno Lucidi had left the company after his contract was terminated. It is of course unfortunate having to appoint a new CEO after such a short time after the previous appointment, but as the Board of Directors and Bruno Lucidi had differing opinions on the implementation of the company's investment strategy, the Board of Directors concluded that the company's activities would be difficult to execute under these circumstances. As Acting CEO I will work together with the Board of Directors, the company's management and staff to continue on the path we set out at the presentation of the new strategy during the fall, while the recruitment process of a new CEO is ongoing.

In the portfolio, Forendo Pharma announced during the fourth quarter that the company had closed a financing round for the clinical development of Forendo's candidate drug for the treatment of endometriosis. Karolinska Development invests in Forendo alongside a number of distinguished life science investors of which some have associations with large pharma companies. This investment is a good example of Karolinska Development's strategy to syndicate ownership in the portfolio companies with other specialized investors in the sector. This broadens the access to capital and to key executives for the portfolio companies. Together with the license revenues from Forendo's agreement regarding fispemifene and the US pharmaceutical company Apricus Biosciences, the company has now secured financing through to proof-of-concept in endometriosis.

We are now focusing on applying this policy of co-investment across the whole portfolio. In the strategic portfolio we aim to syndicate the upcoming investment with other specialized investors in order to reach the value inflection points in the portfolio companies' projects that enables exits. In the opportunistic portfolio efforts are concentrated to agreements with industrial partners and to find external investors in these companies.

The clinical development in the portfolio is moving forward with an ongoing Phase I/II study in Aprea. The company announced during the first quarter 2015 that its candidate drug APR-246 has been granted orphan drug designation in Europe on the treatment of ovarian cancer. Dilaforette, after the end of 2014, and Clanotech, during the fourth quarter, were also granted European orphan drug designation for its product candidates for the treatment of sickle-cell disease and adjuvant treatment in connection with glaucoma surgery respectively. Dilaforette is now preparing to initiate a Phase II study with sevuparin in sickle-cell disease for the treatment of this life-long and periodically very painful disease.

OssDsign continues to expand its market launch in Europe of Craniomosaic – an implant for severe cranial injuries – that is now also marketed in Spain. During the 2014 fourth quarter we also announced that OssDsign's follow-up product Cranioplug had received marketing approval in the US. Athera initiated a Phase I study of PC-mAb during the fourth quarter for the treatment of cardiovascular disease. Later, Boehringer Ingelheim announced that it will not exercise the option rights to license Athera's candidate drug. Boehringer's announcement does not affect the current clinical trial and the project is co-financed through the EU 7th Framework Program. At the same time Athera is in the process of finding a partner or investor for the further development of PC-mAb.

Terje Kalland

Acting Chief Executive Officer

Karolinska Development invests in medical innovations that addresses unmet medical needs and develop them to the phase when the highest return on investments may be generated by IPO, trade sale of companies or licensing of projects.

Karolinska Development intends to finance its investments through capital injections from its shareholders, proceeds from trade sales of shares in its portfolio companies, and dividends from its portfolio companies.

Karolinska Development holds a number of portfolio companies at varying degrees of ownership in the form of subsidiaries, joint ventures, associates, as well as other long term securities holdings. The holdings are valued at fair value.

Company Overview

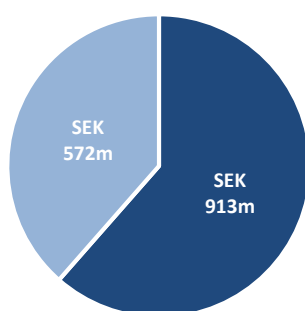
New Strategy

During the fourth quarter, Karolinska Development's Board and management announced a new and more focused strategy to optimize and unlock the value in the existing portfolio. Karolinska Development's Board and management are convinced this new strategy will put Karolinska Development in a stronger position to take advantage of the business opportunities that the portfolio companies offer.

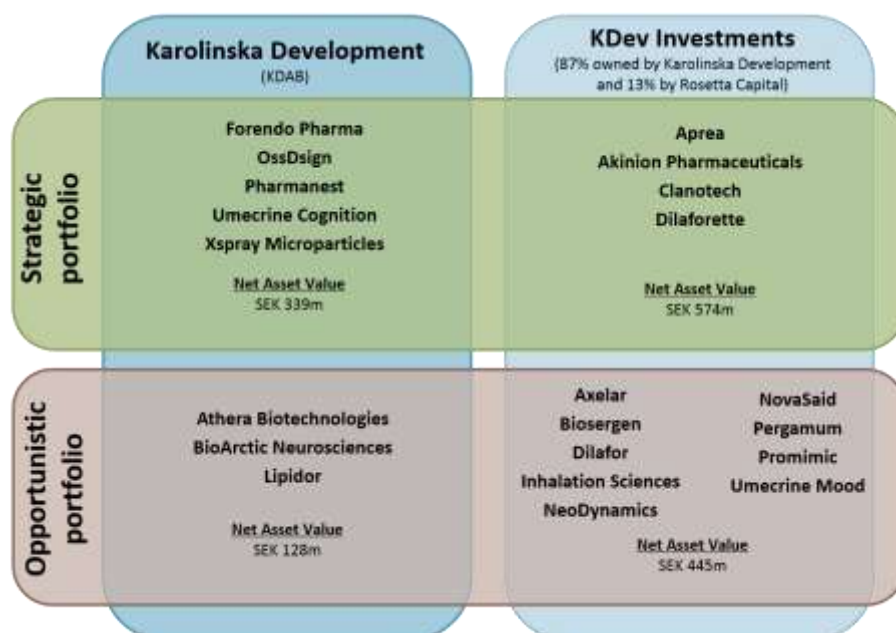
●	Karolinska Development invests in a focused portfolio of scientifically and commercially attractive programs, where well-defined unmet medical need exists, focused on specialty care products and orphan drugs.
●	The Company spurs strong leadership in its portfolio companies with focus on clinical development towards significant value inflection points.
●	Karolinska Development maximizes value creation through a differentiated investment strategy, where the companies in the portfolio are financed based on significant value inflection points in order to reach an exit which is optimal with regard to the unique situation of each portfolio company.
●	Karolinska Development proactively seeks syndication with professional investors within the life science sector in order to further expand the Company's expertise and network.

Overview of the investment strategy in the portfolio

Portfolio Net Asset Value



- Strategic Portfolio
- Opportunistic Portfolio



Karolinska Development's financing in brief

During the fourth quarter 2014 and the first quarter 2015, Karolinska Development finalized a financing in three steps that in total generates proceeds of approximately SEK 450 million

Private placement – SEK 63 million

Sino Biopharmaceutical, a company in the CP Group, subscribed shares of series B, amounting to SEK 63 million in a directed share issue. The issue is performed within the scope of the mandate to the Board decided at the company's 2014 Annual General Meeting and thus introduced a new large shareholder into the company.

Convertible loan through a rights issue of convertibles – SEK 214 million

The rights issue of convertibles was subscribed by 32 percent of the then existing shareholders. Additionally, CP Group, guaranteed an undertaking, to subscribe for 44 percent of the rights issue amount or SEK 100 million. During the first quarter 2015, the Board of Directors decided to extend the subscription period of the rights issue of convertibles to allow allotment of convertibles to two new investors, Paradigm Capital Value Fund SICAV och EMF Europäische Marketing und Finanzmanagement AG. Approximately 17 percent or SEK 39 million was subscribed by these two investors. Other subscriptions for convertibles without support of subscription rights corresponded to approximately 1 percent of the rights issue. Altogether, the rights issue with preferential rights for the company's shareholders is preliminary subscribed to approximately 94 percent.

Convertible loan through a directed issue of convertibles – SEK 173 million

During December 2014 a directed issue of convertibles to CP Group was completed under the same terms as the rights issue of convertibles, which generates proceeds to Karolinska Development of SEK 173 million.

Significant events during the fourth quarter

Karolinska Development

Karolinska Development completed a private placement amounting to SEK 63 million

Karolinska Development completed a private placement amounting to SEK 63 million to Sino Biopharmaceutical Limited, a member of the Thai Charoen Pokphand Group (CP Group). The subscription price in the private placement was SEK 13 per share, which was 4.4 percent lower than the share price at the closing of NASDAQ OMX Stockholm on November 4, 2014, the previous trading day, and 10.7 percent higher than the volume weighted average price during the period from October 8 to November 4, 2014. The subscription price was agreed upon after negotiations between Karolinska Development and the subscriber, based on the quoted market value of the share.

Extraordinary General Meeting in Karolinska Development

The Extraordinary General Meeting in Karolinska Development resolved to approve the Board of Director's decision (pending the general meeting's approval) that the company would raise convertible loans through a rights issue of convertible bonds and a directed issue of convertible bonds to CP Group with nominal amounts not exceeding approximately SEK 228m and SEK 173m respectively.

The preliminary outcome of the rights issue of convertibles was announced

Karolinska Development announced that the rights issue with preferential rights for the company's shareholders is preliminary subscribed to approximately 77 percent. The rights issue of convertibles with preferential rights for the company's shareholders was preliminary subscribed for with support of subscription rights to approximately 32 percent. Additionally, CP Group, in accordance with their guarantee undertaking, subscribed for the full guarantee amount of SEK 100 million which corresponds to approximately 44 percent of the rights issue amount. In addition, applications to subscribe for convertibles without support of subscription rights corresponding to approximately 1 percent of the rights issue were received.

Bruno Lucidi was appointed CEO of Karolinska Development

Bruno Lucidi, who previously assumed the role as CEO for KDev Oncology and the portfolio companies Aprea and Akinion Pharmaceutical, was appointed CEO at Karolinska Development.

About Forendo Pharma Oy

Forendo Pharma's development programs are based on research conducted at Turku University, Oulu University and Åbo Akademi. The company is specialized in pharmaceutical development within tissue specific hormone mechanisms.

About Clanotech AB

Clanotech is a Swedish biotech company active in ophthalmology and based on research conducted at Karolinska Institutet. Clanotech's lead candidate is an inhibitor of the $\alpha 5 \beta 1$ -integrin receptor which is present in fibroblast and on vascular endothelial cells. $\alpha 5 \beta 1$ -integrin is strongly up-regulated in fibroblast when switching to the fibrotic state and in scars after glaucoma surgery, which is the company's primary therapeutic focus.

About OssDsign AB

The mission of OssDsign is advancing bone repair based on its innovative bioceramics technology platform. OssDsign has started sales in selected EU countries of lead product OssDsign® Craniomosaic, a next generation patient-specific implant for cranial repair. OssDsign was founded by researchers at the Karolinska University Hospital and Uppsala University.

About Athera Biotechnologies AB

Athera is a pharmaceutical company focused on development of drugs and diagnostics around anti-inflammatory targets. The company's current programs were initiated in 2005 and are based on innovative research at Karolinska Institutet.

The Portfolio

Forendo Pharma announced the US licensing of fispemifene to Apricus Biosciences

Forendo Pharma announced today that it has entered into a definitive agreement to out-license the US development and commercialization rights for fispemifene to Apricus Biosciences Inc. Under the terms of the agreement, Apricus will make a \$5 million upfront cash payment to Forendo, and will transfer approximately 3.6 million Apricus common shares, representing \$7.5 million in value based on the 360-day average market price of the Apricus stock. The agreement includes additional potential clinical and regulatory milestone payments to Forendo for up to \$45 million, including FDA approval, as well as commercial milestone payments totaling up to \$260 million based on achieving specified annual net sales of fispemifene levels up to \$1 billion in the US. Apricus will also pay tiered double-digit royalties based on net sales once the product is commercialized. Apricus will be responsible for the clinical development and costs of the program, as well as all future commercialization in the US. Apricus anticipates to commence a Phase IIb clinical trial during the first half of 2015 to confirm the optimal fispemifene doses to treat men with secondary hypogonadism, and provide proof-of-concept data to evaluate the anti-estrogenic and anti-inflammatory effects on the lower urinary tract and prostate in aging men.

Forendo Pharma closed a EUR 12 million financing round to develop a novel therapy for endometriosis

Forendo Pharma announced the successful closing of a EUR 12 million financing round. Novartis Venture Fund and MS Ventures will participate in the financing round, alongside the current major shareholders Karolinska Development, Novo Seeds and Finnvera.

Clanotech received orphan drug designation in the EU for its product candidate in glaucoma surgery

Clanotech AB received orphan drug designation for its candidate drug CLT-28643 by the European Medicines Agency (EMA) for prevention of scarring post glaucoma filtration surgery. Clanotech's lead substance, an $\alpha 5 \beta 1$ -integrin antagonist, has anti-angiogenic, anti-fibrotic and anti-inflammatory properties that are expected to benefit the wound healing processes following glaucoma surgery. The orphan drug designation will significantly shorten a future market approval process and reinforce market exclusivity for a launched product.

OssDsign's Cranioplug received marketing approval in the US

OssDsign AB today that its bioceramic burr hole plug - Cranioplug - had received 510(k) clearance by the US Food and Drug Administration (FDA). In the 500,000 open brain surgeries carried out annually worldwide, burr holes and circular cuts between the burr holes are made to allow the surgeon to remove a piece of the skull - the bone flap - and thereby access the brain for the intended intervention. The bone flap is then re-anchored to the surrounding skull bone after the procedure is completed. Cranial fixation today uses metal-based devices that anchor the bone flap to the skull. These devices typically leave the burr hole open, to the cosmetic and psychological detriment of patients. Cranioplug, based on bone-like ceramic materials, in contrast to metal-based competitors, has the potential of integrating with surrounding bone.

Athera initiated Phase I study with cardiovascular antibody PC-mAb

Athera Biotechnologies AB announced that first dosing of healthy volunteers has been done in a Phase I study of its fully human antibody PC-mAb. Athera's fully human monoclonal antibody PC-mAb is intended for the treatment of patients with cardiovascular disease, who are at an increased risk of secondary events and death. It is known from previous published studies that low plasma levels of endogenous antibodies against phosphorylcholine (anti-PC) are linked to poor prognosis in acute heart attack patients, as well as in patients with peripheral arterial disease undergoing vein graft surgery. The current Phase I study will include up to 48 healthy volunteers in a single ascending dose protocol with safety outcome measures.

Boehringer Ingelheim decided not to exercise the option rights with Athera Biotechnologies on the development of PC-mAb

Athera announced that Boehringer Ingelheim International GmbH would not exercise the option agreement to license Athera's cardiovascular antibody due to re-evaluation of Boehringer Ingelheim's R&D strategy. The ongoing clinical development program at Athera of the fully human antibody PC-mAb is not affected by the termination of the agreement. Athera's fully human monoclonal antibody PC-mAb is intended for the treatment of patients with cardiovascular disease, who are at an increased risk of secondary events and death. Boehringer Ingelheim's decision to terminate the option agreement was made as a consequence of a re-focus in its corporate R&D strategy. Athera's ongoing Phase I study with PC-mAb continued as planned and the co-financing of future development costs through the EU FP7 program CARDIMMUN was not affected by Boehringer Ingelheim's decision.

Significant events after the fourth quarter

Following an extension of the subscription period Karolinska Development finalized the company's financing through the issue of convertibles

After the end of the subscription period Karolinska Development received applications to subscribe for convertibles without subscription rights to an aggregate amount of SEK 39 million from Paradigm Capital Value Fund SICAV and EMF Europäische Marketing und Finanzmanagement AG, that were to previously not shareholders in the company. In order to allow for allotment, the Board of Directors of Karolinska Development decided to extend the subscription period of the rights issue of convertibles until January 15, 2015. The rights issue of convertibles was therefore subscribed to approximately 94 percent and amounted to nominally approximately SEK 214,0 million before transaction costs. Together with the directed issue of convertibles of the nominal amount of approximately SEK 172,9 million to CP Group, Karolinska Development generated proceeds of approximately SEK 386.9 million before transaction costs.

Deputy CEO Terje Kalland was appointed Acting CEO after Bruno Lucidi left the company

Karolinska Development announced that the company's CEO Bruno Lucidi left the company after the contract was terminated. He was replaced by Deputy CEO Terje Kalland until a new, permanent CEO is appointed. The Board of Directors recognized that the Board and Bruno Lucidi were of different opinions regarding the implementation of the company's strategy, which was the reason for Bruno Lucidi leaving the company. At the same time, Bruno Lucidi also left his roles as CEO for KDev Oncology AB and Karolinska Development's portfolio companies Aprea AB and Akinion Pharmaceuticals AB. It was also announced that the recruitment process for a permanent CEO had been initiated.

2014 in brief

Strategy and business development

- NovaSAID initiated partnership with Cadila Pharmaceuticals to develop innovative treatments in inflammation and pain management
- Dilafor entered into a license and partnership agreement with Lee's Pharmaceutical
- Forendo Pharma announced the US licensing of fispemifene to Apricus Biosciences
- Karolinska Development presented an updated strategy
- Forendo Pharma closed a EUR 12 million financing round to develop a novel therapy for endometriosis

Board of Directors and management

- Christian Tange was appointed new Chief Financial Officer
- The Annual General Meeting appointed Robert Holland, Henrijette Richter and Carl Johan Sundberg as new members of the Karolinska Development Board of Directors.
- CEO Torbjörn Bjerke left Karolinska Development and Board member Klaus Wilgenbus is appointed acting CEO
- Bruno Lucidi was appointed as new CEO of Karolinska Development

Portfolio development

- New trial data suggested that SHACT could benefit women undergoing hysteroscopies
- Dosing initiated in Phase I/II clinical trial of APR-246 in ovarian cancer
- XSpray Announced Positive Phase I Data for HyNap™ Nilotinib
- Dilaforette presented results from exploratory Phase I/II clinical trial in uncomplicated malaria
- Umecrine Mood announced results from an exploratory Phase I/II study with UC1010 in premenstrual dysphoric disorder (PMDD)
- Clanotech received orphan drug designation in the EU for its product candidate in glaucoma surgery
- OssDsign's Cranioplug received marketing approval in the US
- Athera initiated Phase I study with cardiovascular antibody PC-mAb
- Boehringer Ingelheim decided not to exercise the option rights with Athera Biotechnologies on the development of PC-mAb

Investments and financing

- Karolinska Development completed a private placement amounting to SEK 63 million to Sino Biopharmaceutical Limited, a member of the Thai Charoen Pokphand Group (CP Group).
- The Extraordinary General Meeting in Karolinska Development resolved to approve the Board of Directors decision (pending the general meeting's approval) that the company would raise convertible loans through a rights issue of convertible bonds and a directed issue of convertible bonds to CP Group with nominal amounts not exceeding approximately SEK 228m and SEK 173m respectively.
- The preliminary outcome of the rights issue of convertibles was announced

Portfolio overview

Ongoing clinical studies

- Dose escalation is ongoing in Aprea's Phase I/II study with APR-246 in combination with chemotherapy in patients with ovarian cancer.
- Dose escalation is also ongoing in Athera Biotechnologies' Phase I study of PC-mAb
- Akinion Pharmaceuticals plans to restart its Phase I study in acute myeloid leukemia during the first quarter 2015 with a new formulation of the company's candidate drug AKN-028

Planned clinical studies

- Dilaforette is planning a start a Phase II study of sevuparin in patients with sickle-cell disease around the turn of the first and second quarter.
- Dilafor and its partner Lee's Pharmaceutical are planning to initiate a Phase IIb study with tafoxiparin during 2015
- Forendo Pharma is expected to start clinical studies of the company's two drug candidates during 2015 – with fispemifene for the treatment of hypogonadism in a Phase IIb study together with the US partner Apricus Biosciences during the spring, and during fall with the endometriosis treatment FP-5677 in a Phase I study
- Clanotech and Umecrine Cognition are planning to initiate the first clinical studies of the companies' candidate drugs during the latter part of the year

Progress in the Technology portfolio

- OssDsign keeps expanding the market for the company's cranial implant. The company announces that the first implant is now sold in Spain, with the aim to introduce the product in several other European countries.

STRATEGIC PORTFOLIO

	Preclinical	Clinical Development			Approved/ Marketed
		Phase I	Phase II/ Proof-of-concept	Phase III/ Pivotal trial/ Registration	
Pharmaceuticals	Clanotech Glaucoma surgery Forendo Pharma Endometriosis Umeocrine Cognition Hepatic encephalopathy	Aprea Ovarian cancer Akinion Pharmaceuticals Acute myeloid leukemia Dilaforette Sickle-cell disease Pharmanest Pain at hysteroscopies	Pharmanest Pain at IUD insertions		
	Concept		Development	Product	Marketed
Technology				OssDsign Burr hole implant XSpray Microparticles Formulation technology	OssDsign Cranial implants

OPPORTUNISTIC PORTFOLIO

	Preclinical	Clinical Development			Approved/ Marketed
		Phase I	Phase II/ Proof-of-concept	Phase III/ Pivotal trial/ Registration	
Pharmaceuticals	Biosergen Systemic fungal infections NovaSAID Inflammatory pain Pergamum Skin infection	Athera Biotechnologies Acute coronary syndrome	Axelar Non-small cell lung cancer BioArctic Neuroscience Alzheimer's Dilafor Prolonged labor Dilaforette Malaria Forendo Pharma Hypogonadism Pergamum Infected eczema, external otitis, surgical adhesions, venous leg ulcers Umeocrine Mood PMDD and severe PMS		
	Concept		Development	Product	Marketed
Technology			NeoDynamics Tumor ablation	Lipidor Topical drug delivery NeoDynamics Fine needle biopsy	Promimic Implant surface Athera Biotechnologies Cardiovascular diagnostics Inhalation Sciences Respiratory precision dosing

Financial development – Investment Entity*

Revenue

During year 2014, the effect of the change in fair value of portfolio investments amounted to SEK -310.4m (SEK -140.0m).

During the fourth quarter, the effect of the change in fair value of portfolio investments amounted to SEK -19.3m (SEK -123.4m).

Value development year 2014

During the year period, the Investment Entity's operating loss amounted to SEK -372.2m (SEK -198.7m), a change of SEK -173.5m compared with the same period in 2013.

During the year, several projects in the portfolio met development milestones, which had a positive effect on the fair values of these portfolio companies. At the same time a number of projects in the portfolio developed at a slower rate than previously projected, which resulted in negative changes in fair values. Operating loss during the year was affected by a change in fair value of the holdings by KDev Investments in Axelar AB amounting to SEK -220.7m due to the partnering progress not reaching expectations. The fair value change in Biosergen AS affected the operating loss by SEK -28.3m, due to lack of financing for future development. During the year, the fair value was affected positively by adjustments of the discount rates (WACC) (see 'Information on fair value measurement in level 3' in note 2).

Other expenses have decreased by SEK 8.8m year-over-year. Expenses for legal services, consultants and travel have decreased year-over-year, and the comparative period's operating result was charged with one-off expenses of SEK 3.5m related to the Rosetta transaction. During the period, personnel costs were charged with severance provisions for the former CEO, Torbjörn Bjerke, of SEK 7.2m, including pension and social security expenses and bonus reserve for management of SEK 8.5m including social security expenses.

The portion of the change in fair value affecting income related to portfolio holdings amounted to SEK -310.4m (SEK -140.0m) during the year.

Value development fourth quarter 2014

During the fourth quarter, the Investment Entity's operating loss amounted to SEK -40.3m (SEK -138.7m), a change of SEK 98.4m compared with the same period in 2013.

The portion of change in fair value affecting income related to portfolio holdings amounted to SEK -19.3m (SEK -123.4m) during the fourth quarter. During the quarter, personnel costs were charged with bonus reserve for management of SEK 8.5m including social security expenses.

Results

The Investment Entity's loss before tax during the year amounted to SEK -375.8m (SEK -157.3m).

The Investment Entity's loss before tax during the fourth quarter amounted to SEK -39.8m (SEK -99.2m).

Investments in portfolio companies year 2014

Investments in portfolio companies during the year amounted to SEK 84.0m (SEK 266.2m).

During the year investments were made in KDev Investments' portfolio at SEK 47.2m (Dilaforette Holding AB, SEK 18.0m; Aprea AB SEK 6.4m; Dilafor AB, SEK 6.0m, Umecrine Mood AB, SEK 5.8m; NeoDynamics AB SEK 3.6m; Clanotech AB, SEK 2.9m; Pergamum AB, SEK 1.8m; Promimic AB, SEK 1.8m; and Inhalation Sciences Sweden AB, SEK 0.9m) as well as in Umecrine Cognition AB, SEK 15.0m; Pharmanest AB, SEK 7.7m; XSpray Microparticles AB, SEK 6.7m; KCIF Co-Investment Fund KB, SEK 3.8m; and Forendo Pharma Oy SEK 3.6m.

Investments in portfolio companies fourth quarter 2014

Investments in portfolio companies during the fourth quarter amounted to SEK 27.5m (SEK 88.2m).

During the fourth quarter investments were made in KDev Investments' portfolio at SEK 13.8m (Dilaforette Holding AB SEK 7.3m; NeoDynamics AB SEK 3.6m; Aprea AB, SEK 1.8m and Umecrine Mood AB, SEK 1.1m) as well as in Pharmanest AB SEK 3.6m; Forendo Pharma Oy SEK 3.6m; Umecrine Cognition AB, SEK 3.2m; XSpray Microparticles AB SEK 1.8m; and KCIF Co-Investment Fund KB SEK 1.5m.

* The Investment Entity refers to the Parent Company, Karolinska Development AB, and all subsidiaries, joint ventures, associated companies and other long-term securities holdings which are all recognized at fair value.

Financial position

The Investment Entity's equity to total assets ratio was 96% (99%) on 31 December 2014 and equity amounted to SEK 1,645.5m (SEK 1,957.6m).

Cash, cash equivalents and short-term investments in the Investment Entity amounted to SEK 141.3m (SEK 200.7m), of which SEK 124.2m is provisionally allocated for anticipated follow-on investments in the KDev Investments portfolio. Total assets amounted to SEK 1,710.4m (SEK 1,979.6m).

Change in accounting policy to Investment Entity

Karolinska Development is an Investment Entity in accordance with IFRS 10 Consolidated Financial Statements. Karolinska Development has retroactively changed its accounting policy in accordance with IFRS 10 and IAS 8. Note 3 shows effects of the change in accounting policy for the comparative periods.

Financial development – Parent Company

During 2014, the Parent Company's operating loss amounted to SEK -76.8m (SEK 47.3m), a change of SEK -124.1m compared with the same period in 2013. Operating profit for the comparative period includes a capital gain of SEK 123.7m on the sale of shares in KDev Investments AB to Rosetta. The operating result for the year was charged with write-downs of shares in portfolio companies of SEK -14.9m. Other expenses have decreased by SEK 8.9m year-over-year. Expenses for legal services, consultants and travel have decreased year-over-year, and the comparative period's operating result was charged with one-off expenses of SEK 3.5m related to the Rosetta transaction. During the period, personnel costs were charged with severance provisions for the former CEO, Torbjörn Bjerke, of SEK 7.2m, including pension and social security expenses and bonus reserve for management of SEK 8.5m including social security expenses.

During the fourth quarter, the Parent Company's operating loss amounted to SEK -21.4m (SEK -17.4m), a change of SEK -4.0m compared with the same period in 2013. The operating result for the quarter was charged with write-downs of shares in portfolio companies of SEK -0.4m and personnel costs were charged with bonus reserve for the management of SEK 8.5m including social security.

The Parent Company's net loss during the year amounted to SEK -78.1m (SEK 47.3m).

The Parent Company's net loss during the fourth quarter amounted to SEK -20.6m (SEK -16.2m).

Dividend

The Board of Directors proposes that no dividend be paid to the shareholders for the financial year 2014.

Information on risks and uncertainties

Parent Company and Investment Entity

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 development risks are high. Due to the uncertainty and subjectivity in these assessments, the estimated value of the portfolio may deviate substantially from future generated value. This is largely due to sensitivities in the valuation calculations to movement of expected milestone or exit dates, costs of trials and similar assumptions, which are not necessarily accounted for in arriving at an actual deal value in negotiations with partners. Decisions about investment strategies may also have an impact on the valuations.

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 uncertainty in terms of results.

Financial risks

Financial risks consist of investments in equity and loan instruments in portfolio companies as well as risks in the management of liquid assets.

Future financing needs

Karolinska Development invests in companies deemed to generate considerable returns. Development of the portfolio companies' research projects will require capital contributions by their investors in order to capitalize on the value potential. The portfolio companies have no guarantees that required capital will be obtained to finance their projects on favourable terms, or that such capital may be obtained at all.

Long term financing of the portfolio companies capital requirements is provided by Karolinska Development investing alone or in syndication with other investors. Karolinska Development maintains a strategy to continuously invest in the portfolio companies in syndicate with other investors. However, Karolinska Development may deviate from investing its pro rata share in portfolio companies, which may have an impact on the valuations of portfolio companies. If portfolio companies are not successful in attracting other investors, Karolinska Development may choose to invest alone, which may also have an impact on the valuations of portfolio companies.

Priorities must be made to optimize returns. Portfolio companies may fail to achieve milestones or meet development milestones according to plan. In such case, Karolinska Development may decide to discontinue investing in a project. If so, the portfolio companies may have to limit their operations. Karolinska Development's shareholdings may also be diluted by other investors, and other investors may refrain from co-investing on equal terms. In the event that any of the above risks take place, it may have a negative impact on the portfolio companies' operations and on the valuations of the portfolio companies. There is also a risk that Karolinska Development decides not to invest in the opportunistic portfolio. If projects lack co-investors which validate the valuations of the portfolio companies it may also have a negative impact on valuations.

Investments in portfolio companies during 2015 are expected to increase compared to the previous year as a consequence of several companies in the strategic portfolio currently undergoing value-critical activities, or intend to initiate such activities during the year. Several companies are expected to enter licence agreements with partners, receive non-dilutive grants such as EU contributions, and third party investments are expected to increase. In both the strategic and the opportunistic portfolio, the strategy to seek a higher degree of co-investors which may contribute to higher prospects of success.

Other than the above, no new risk areas have been identified since 31 December 2013. For a detailed description of risks and uncertainties, see the annual report 2013.

The CEO hereby certifies that this year-end report gives a true and fair view of the operations, financial position and results of operations of the Parent Company and the Investment Entity and describes the material risks and uncertainties faced by the company.

Solna, 18 February 2015

Terje Kalland
CEO

Dates for publication of financial information

Annual report 2014	10 April 2015
Interim report January-March 2015	6 May 2015
Annual General Meeting	20 May 2015
Interim report January-June 2015	26 August 2015
Interim report January-September 2015	25 November 2015

Karolinska Development is required by law to publish the information in this interim report. The information was published on 18 February 2015.

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

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

Note: This report is a translation of the Swedish year-end report. In case of any discrepancies, the Swedish version shall prevail.

Financial statements

Condensed income statement for the Investment Entity

SEK 000	Note	2014 Oct-Dec	2013 Oct-Dec (restated)	2014 Full-year	2013 Full-year (restated)
Revenue		1,580	945	5,030	4 948
Other expenses		-4,768	-5,474	-16,447	-25 292
Personnel costs		-17,782	-10,653	-51,933	-38 290
Depreciation of tangible non-current assets		-53	-107	-212	-114
Change in fair value of shares in portfolio companies	2	-19 301	-123,377	-310,399	-139,996
Result from sale of shares in portfolio companies		9	-	1,745	-
Operating profit/loss		-40,315	-138,666	-372,216	-198,744
Financial net		514	39,476	-3,599	41,429
Profit/loss before tax		-39,801	-99,190	-375,815	-157,315
Deferred taxes		-	-	-	-
Current taxes		-	-	-	-
NET PROFIT/LOSS FOR THE PERIOD		-39,801	-99,190	-375,815	-157,315

Earnings per share for the Investment Entity

SEK	Note	2014 Oct-Dec	2013 Oct-Dec (restated)	2014 Full-year	2013 Full-year (restated)
Earnings per share, weighted average, before and after dilution		-0.80	-2.05	-7.73	-3.25
Number of shares, weighted average		49,553,169	48,287,132	48,606,243	48,350,016

Condensed statement of comprehensive income for the Investment Entity

SEK 000	Note	2014 Oct-Dec	2013 Oct-Dec (restated)	2014 Full-year	2013 Full-year (restated)
Net/profit loss for the period		-39,801	-99,190	-375,815	-157,315
Total comprehensive income for the period		-39,801	-99,190	-375,815	-157,315

Condensed balance sheet for the Investment Entity

SEK 000	Note	31 Dec 2014	31 Dec 2013 (restated)	31 Dec 2012 (restated)
ASSETS				
Non-current assets				
Tangible non-current assets		317	529	9
Shares in portfolio companies at fair value through profit or loss	2	1,502,186	1,729,465	1,827,190
Loans receivable from portfolio companies		12,062	5,894	12,856
Other financial assets	2	38,113	38,113	8,907
Total non-current assets		1,552,678	1,774,001	1,848,962
Current assets				
Accounts receivable		-	3	106
Receivables from portfolio companies		895	254	563
Other short-term receivables		3,103	3,225	2,476
Prepaid expenses and accrued income		12,364	1,477	2,463
Short-term investments, at fair value through profit or loss		128,443	165,334	174,160
Cash and cash equivalents		12,885	35,323	108,680
Total current assets		157,690	205,616	288,448
TOTAL ASSETS		1,710,368	1,979,617	2,137,410
EQUITY AND LIABILITIES				
Equity				
Share capital		26,692	24,266	24,266
Share premium		1,828,844	1,768,179	1,768,179
Retained earnings		-209,992	165,159	323,060
Total equity		1,645,544	1,957,604	2,115,505
Long-term liabilities				
Convertible loan	6	22,858	-	-
Other financial liabilities	2	11,686	9,438	10,889
Total long-term liabilities		34,544	9,438	10,889
Current liabilities				
Accounts payable		4,668	2,426	2,510
Liabilities to portfolio companies		442	442	473
Other current assets		1,023	1,593	1,512
Accrued expenses and prepaid income		24,147	8,114	6,521
Total current liabilities		30,280	12,575	11,016
Total liabilities		64,824	22,013	21,905
TOTAL EQUITY AND LIABILITIES		1,710,368	1,979,617	2,137,410

Condensed statement of changes in the Investment Entity's equity

SEK 000	Note	Equity attributable to Parent Company's shareholders				
		Share capital	Share premium	Retained earnings	Total	Non-controlling interest
Opening equity at 1 Jan 2014		24,266	1,768,179	165,159	1,957,604	1,957,604
Net profit/loss for the year				-375,815	-375,815	-375,815
Total comprehensive income for the year				-375,815	-375,815	-375,815
Share issue		2,426	60,665		63,091	63,091
Effect of incentive programs				664	664	664
Closing equity at 31 Dec 2014		26,692	1,828,844	-209,992	1,645,544	1,645,544
Opening equity at 1 Jan 2013		24,266	1,768,179	323,060	2,115,505	2,115,505
Net profit/loss for the year				-157,315	-157,315	-157,315
Total comprehensive income for the year				-157,315	-157,315	-157,315
Effect of incentive programs				1,897	1,897	1,897
Share repurchase				-2,483	-2,483	-2,483
Closing equity at 31 Dec 2013 (restated)		24,266	1,768,179	165,159	1,957,604	1,957,604
Openings equity at 1 Jan 2012		24,266	1,768,179	-122,547	1,669,898	354,294
Effect of change of accounting policy to Investment Entity	3			404,640	404,640	-354,294
Adjusted opening equity at 1 Jan 2012		24,266	1,768,179	282,093	2,074,538	-
Net profit/loss for the year				43,210	43,210	43,210
Total comprehensive income for the year				43,210	43,210	43,210
Share repurchase				-2,243	-2,243	-2,243
Closing equity at 31 Jan 2012 (restated)		24,266	1,768,179	323,060	2,115,505	-

Shares

The number of shares as of 31 December 2014, amounts to 53,384,558, of which 1,503,098 are series A shares and 51,881,460 are series B shares. Series A shares carry ten votes per share and series B shares carry one vote per share. All shares have an equal right to the Company's assets in the case of liquidation and regarding profit distributions. All series B shares have been listed for trading on the main list of NASDAQ OMX since 15 April 2011.

The Group and the Parent Company are holding 244,285 treasury shares. This represents a total of SEK 122,143 of the share capital, and the consideration paid amounts to SEK 4,726,904.

Share issue

During year 2014 a new share issue was made to Sino Biopharmaceutical Limited amounting to 4,853,141 shares of series B at the subscription price of SEK 13 per share.

Under 2014 har en riktad nyemission genomförts till Sino Biopharmaceutical Limited uppgående till 4 853 141 aktier av serie B till teckningspriset 13 SEK per aktie.

Condensed statement of cash flows for the Investment Entity

SEK 000	Note	2014 Full-year	2013 Full-year (restated)
Operating activities			
Operating profit/loss		-372 216	-198 744
Adjustments for items not affecting cash flow			
Depreciation		212	114
Change in fair value	2	310 399	139 996
Result from sale of shares in portfolio companies		-1 745	-
Other items		17 253 ¹	2 171
Proceeds from short-term investments		1 478	1 062
Interest paid/received		356	5 312
Cash flow from operating activities before changes in working capital and operating investments		-44 263	-50 089
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in operating receivables		-12 175	1 116
Increase (+)/Decrease (-) in operating liabilities		1 117	2 575
Operating investments			
Proceeds from sale of shares in portfolio companies		1 923	194 924
Acquisitions of share in portfolio companies		-77 326	-198 120
Loans provided to portfolio companies		-15 712	-27 750
Proceeds from sale of short-term investments ¹		38 049	7 105
Investments in tangible non-current-assets		-	-635
Cash flow from operating activities		-108 387	-70 874
Financing activities			
Repurchased shares		-	-2 483
Share issue		63 091	-
Convertible debentures issue		22 858	-
Cash flow from financing activities		85 949	-2 483
Cash flow for the year		-22 438	-73 357
Cash and cash equivalents at the beginning of the year		35 323	108 680
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		12 885	35 323

¹ Adjustments for not cash flow affecting items related to severance pay, bonus to managent and cost for incentive programs

Supplemental disclosure¹

CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12 885	35 323
Short-term investments, market value at closing date	128 443	165 334
CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS AT THE END OF THE YEAR	141 328	200 657

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 statements of cash flows from operating activities. The supplemental disclosure is presented to provide a total overview of the investment entity's available funds including cash, cash equivalents and short-term investments described here.

Condensed income statement for the Parent Company

SEK 000	Note	2014 Oct-Dec	2013 Oct-Dec	2014 Full-year	2013 Full-year
Net sales		1,580	1,567	5,030	4,948
Revenue		1,580	1,567	5,030	4,948
Other expenses		-4,768	-5,570	-16,447	-25,293
Personnel costs		-17,782	-8,230	-51,933	-38,290
Depreciation of tangible non-current assets		-53	-2	-212	-114
Impairment losses on shares in subsidiaries, joint ventures, associated companies and other long-term securities holdings		-388	-5,131	-14,911	-24,701
Result from sale of shares in portfolio companies		8	-	1,693	90,909
Operating profit/loss		-21,403	-17,366	-76,780	7,459
Financial net		828	1,179	-1,350	39,855
NET PROFIT/LOSS FOR THE PERIOD		-20,575	-16,187	-78,130	47,314

Condensed statement of comprehensive income for the Parent Company

SEK 000	Note	2014 Oct-Dec	2013 Oct-Dec	2014 Full-year	2013 Full-year
Net profit/loss for the period		-20,575	-16,187	-78,130	47,314
Total comprehensive income for the period		-20,575	-16,187	-78,130	47,314

Condensed balance sheet for the Parent Company

SEK 000	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Non-current assets			
Tangible non-current assets		317	529
Shares in subsidiaries, joint ventures, associated companies and other long term-securities holdings		1,138,754	1,070,597
Loans receivable from portfolio companies		12,062	5,894
Other financial assets		33,493	32,522
Total non-current assets		1,184,626	1,109,542
Current assets			
Accounts receivable		-	202
Receivables from subsidiaries		895	55
Other receivables		3,103	3,225
Prepaid expenses and accrued income		12,364	1,477
Short-term investments		128,443	165,334
Cash and cash equivalents		12,885	35,323
Total current assets		157,690	205,616
TOTAL ASSETS		1,342,316	1,315,158
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital		26,692	24,266
<i>Unrestricted equity</i>			
Share premium reserve		1,838,918	1,778,253
Accumulated losses		-502,588	-550,566
Net profit/loss for the year		-78,130	47,314
Total equity		1,284,892	1,299,267
Long-term liabilities			
Convertible loan	6	22,858	-
Pension obligations		4,286	3,315
Total long-term liabilities		27,144	3,315
Current liabilities			
Accounts payable		4,668	2,426
Liabilities to subsidiaries		442	442
Other current liabilities		1,023	1,594
Accrued expenses and prepaid income		24,147	8,114
Total current liabilities		30,280	12,576
Total liabilities		57,424	15,891
TOTAL EQUITY AND LIABILITIES		1,342,316	1,315,158

Pledged assets and contingent liabilities

SEK 000	Note	31 Dec 2014	31 Dec 2013
Pledged assets		4,286	3,315
Total		4,286	3,315

Condensed statement of changes in equity for the Parent Company

SEK 000	Note	Unrestricted equity			
		Restricted equity			
		Share capital	Share premium reserve	Accumulated losses	Net profit/loss for the period
Opening equity at 1 Jan 2014		24,266	1,778,253	-550,566	47,314
Appropriation of profit				47,314	-47,314
Net profit/loss for the year					-78,130
Total		24,266	1,778,253	-503,252	-78,130
Share issue		2,426	60,665		
Issue costs			-10,148		
Effect of incentive programs				664	
Closing equity at 31 Dec 2014		24,266	1,828,770	-502,588	-78,130
Opening equity at Jan 1 2013		24,266	1,778,253	-397,269	-152,711
Appropriation of loss				-152,711	152,711
Net profit/loss for the year					47,314
Total		24,266	1,778,253	-549,980	47,314
Effect of incentive programs				1,897	
Share repurchase				-2,483	
Closing equity at 31 Dec 2013		24,266	1,778,253	-550,566	47,314

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), Corporate identity Number 556707-5048, is a limited liability company with its registered office in Solna, Sweden. Karolinska Development AB aims to create value for investors, patients and researchers 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. At the end year 2014 the portfolio consisted of 21 portfolio companies, in which 15 pharmaceutical projects are in clinical development.

New and revised accounting principles 2014

Karolinska Development AB ("Karolinska Development" or the "Company"), together with its subsidiaries, is an investment entity according to IFRS 10 Consolidated Financial Statements, which took effect for financial years beginning on 1 January 2014, with early adoption permitted. Pursuant to the rules for investment entities, Karolinska Development does not consolidate its wholly owned subsidiaries. Separate financial statements are instead prepared for Karolinska Development AB and its subsidiaries (the "Investment Entity" or the "Group"), where subsidiaries, joint ventures, associated companies and other financial investments are measured at fair value in the statement of financial position with changes in value in profit or loss in accordance with IAS 39 Financial Instruments: Recognition and Measurement. According to the Swedish Financial Reporting Board, these separate financial statements meet the requirements for consolidated financial statements according to the Annual Accounts Act. Karolinska Development has also adopted the other new and amended consolidation standards in the "package of five" as of 1 January 2014: IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12, *Disclosure of Interests in Other Entities*, IAS 27 *Separate Financial Statements*, and IAS 28 *Investments in Associates and Joint Ventures*. Karolinska Development has implemented the amended accounting policies retroactively in accordance with the transition rules of IFRS 10 Consolidated Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Note 3 shows the effects of the changed accounting principle on the comparative figures for 2013.

Other new or revised IFRS standards and interpretations by IFRIC have had no impact on the Investment Entity or, to the extent that these recommendations are applied to legal entities, on the Parent Company's income or financial position.

Definitions

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 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 entity, nor do they affect cash flows

Fair value is estimated according to the International Private Equity and Venture Capital Valuation Guidelines and adheres to the guidance of 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. 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. In one other case, the valuation at the time of the last capital contribution is used.

Net asset value per share: Estimated fair value of the total portfolio, loans receivable from portfolio companies, short-term investments, cash and cash equivalents, and financial assets less interest-bearing liabilities in relation to the number of shares outstanding on the closing date.

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

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

Reporting period: Current quarter.

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

The carrying amounts of financial assets and liabilities recorded at amortized cost approximate their fair value.

Fair value as of 31 December 2014

SEK 000	Level 1	Level 2	Level 3	Total
Financial assets				
Shares in portfolio companies, at fair value through profit or loss	-	-	1,502,186	1,502,186
Loans receivable from portfolio companies	-	12,062	-	12,062
Other financial assets	-	-	38,113	38,113
Receivables from portfolio companies	-	895	-	895
Short-term investments, at fair value through profit or loss	128,443	-	-	128,443
Cash and cash equivalents	12,885	-	-	12,885
Total	141 328	12,957	1,540,299	1,694,584
Financial liabilities				
Convertible loan	-	22,858	-	22,858
Other financial liabilities	-	-	11,686	11,686
Accounts payable	-	4,668	-	4,668
Liabilities to portfolio companies	-	442	-	442
Total	-	27,968	11,686	39,654

Fair value as of 31 December 2013

KSEK	Nivå 1	Nivå 2	Nivå 3	Totalt
Finansiella tillgångar				
Andelar i portföljbolag, till verkligt värde via resultaträkningen	-	-	1,729,465	1,729,465
Lånefordringar portföljbolag	-	5,894	-	5,894
Övriga finansiella fordringar	-	-	38,113	38,113
Kundfordringar	-	3	-	3
Fordringar på portföljbolag	-	254	-	254
Kortfristiga placeringar, till verkligt värde via resultaträkningen	165,334	-	-	165,334
Likvida medel	35,323	-	-	35 323
Summa	200,657	6,151	1,767,578	1,974,386
Finansiella skulder				
Övriga finansiella skulder	-	-	9,438	9,438
Leverantörsskulder	-	2,426	-	2,426
Skulder till portföljbolag	-	442	-	442
Summa	-	2,868	9,438	12,306

Fair value (level 3) as of 31 December 2014

SEK 000	Shares in portfolio companies	Other financial assets	Other financial liabilities
At beginning of the year	1,729,465	38,113	9,438
Transfers to and from level 3	-	-	-
Acquisitions	83,984	-	-
Disposals	-864	-	-
Gains and losses recognized through profit or loss	-310,399	-	2,248
Closing balance 31 December 2014	1,502,186	38,113	11,686
Total unrealized gains and losses for the year in profit or loss	-310,399	-	-2,248
Gains and losses in profit or loss for the year for assets and liabilities included in the closing balance	-310,399	-	-2,248

There were no transfers between level 1 and 2 during year 2014.

Fair value (level 3) as of 31 December 2013

SEK 000	Shares in portfolio companies	Other financial assets	Other financial liabilities
At beginning of the year	1,827,190	8,907	10,889
Transfers to and from level 3	-	-	-
Acquisitions	266,173	29,206	-
Disposals	-223,902	-	-
Gains and losses recognized through profit or loss	-139,996	-	-1,451
Closing balance 31 December 2013	1,729,465	38,113	9,438
Total unrealized gains and losses for the year in profit or loss	-139,996	-	1,451
Gains and losses in profit or loss for the year for assets and liabilities included in the closing balance	-139,996	-	1,451

There were no transfers between level 1 and 2 during year 2013.

The Group recognizes transfers between levels in the fair value hierarchy on the date when an event or changes occur that give rise to 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 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. 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 revenue, 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, Europe and the Japanese market. These markets represent approximately 70% of global pharmaceutical sales in 2012 (according to IMS Health).
- 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 (weighted average cost of capital, or "WACC") are calculated 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, a supplement to the market risk premium which represents the risk supplement for project companies with illiquid shares. The premium is collected from companies with a market capitalization 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 Decemb 2014, the Biotechnology WACC was 11.02% (11.90%) and the Pharma WACC was 7.32% (8.20%). The adjustments of the WACC made for the second quarter portfolio valuation was due to changes in the risk-free interest of -0.48% and the market risk premium of -0.4% compared to the previous WACC adjustment on 30 June 2013.

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

SEKm	WACC adjustment -1%		31 December 2014 Biotech WACC: 11.90% Pharma WACC: 8.20%	WACC adjustment +1%	
	Fair value	Change	Fair value	Fair value	Change
Fair value difference for shares in portfolio companies	1,672.1	169.9	1,502.2	1,356.7	-145.5

- 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 portfolio company holdings required for the financial reporting according to IPEV, including Level 3 fair values. All valuations in Level 3 are based on assumptions and judgments that management considers reasonable under current circumstances. This team reports directly to the Chief Financial Officer. 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 (i) net asset value or (ii) for early-stage development projects; the amount invested by Karolinska Development.

NOTE 3 Transition to investment entity

Karolinska Development has adopted IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interests In Other Entities, IAS 27 (revised 2011), Separate Financial Statements and IAS 28, Investments in Associates and Joint Ventures, and has applied the transition guidance amendments to IFRS 10, 11 and 12, all effective 1 January 2013. Karolinska Development has early adopted the investment entity amendments to IFRS 10, IFRS 12 and IAS 27 (the "Amendments"), which are effective 1 January 2014, with early adoption permitted.

IFRS 10 Consolidated Financial Statements, including the Amendments, establish principles for the presentation and preparation of consolidated financial statements. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements. The amendments to IFRS 10 define an investment entity and introduce an exemption from the consolidation requirements for investment entities.

On adoption, Karolinska Development has determined that it meets the definition of an investment entity. As a result, Karolinska Development has amended its accounting policies with respect to its investments in subsidiaries. The subsidiaries, which were previously consolidated, are now measured at fair value through profit or loss. This change in accounting policy has been applied retroactively in accordance with the transition provisions of IFRS 10 and the Amendments to IFRS 10. The transition provisions require retroactive

application in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. However, they specify that an entity needs only to present the quantitative information required by paragraph 28(f) of IAS 8 for the annual period immediately preceding the date of initial application.

IFRS 12, Disclosure of Interests in Other Entities and the amendments to it require entities to disclose significant judgments and assumptions made in determining whether the entity controls, jointly controls, significantly influences or has some other interests in other entities. Entities will also be required to provide more disclosures around certain 'structured entities'. The Amendments also introduce new disclosure requirements related to investment entities. Adoption of the standard has impacted the Karolinska Development's level of disclosures in certain of the above noted areas.

IAS 27 (revised 2011), Consolidated and Separate Financial Statements, including the Amendments, prescribe the accounting and disclosure requirements when an entity prepares separate financial statements. The Amendments require an investment entity as defined in IFRS 10 to present separate financial statements as its only financial statements in cases where it measures all of its subsidiaries at fair value through profit or loss and to disclose that fact.

IFRS 11, Joint Arrangements and IAS 28 (revised 2011), Associates and Joint Ventures and related amendments have also been adopted early, although these standards have had no impact on Karolinska Development's financial statements.

Investment Entity

Karolinska Development has multiple unrelated investors and indirectly holds multiple investments.

Karolinska Development has been deemed to meet the definition of an investment entity as per IFRS 10 as the following conditions exist:

- Karolinska Development AB obtains funds from investors/shareholders in connection with the issuance or sale of equity instruments/shares.
- Karolinska Development's business purpose, which was communicated directly to investors, is investing these funds in medical innovations solely to generate returns from capital appreciation and investment income.
- The performance of investments made through Karolinska Development are measured and evaluated on a fair value basis.

Amended accounting policy for shares in portfolio companies

Shares in portfolio companies are categorized as financial assets/liabilities at fair value in the condensed balance sheet for the Investment Entity. These assets and liabilities are

recognized at estimated fair value on each closing date, while changes in fair value are recognized in the condensed income statement. Transaction costs are recognized through profit or loss in the condensed income statement.

Summary of effects of change in accounting policy to investment entity

The largest effects of the change in accounting policy are that:

- Investment entities do not consolidate subsidiaries that they control. This means that the individual income statement, balance sheet and cash flow line items of previously consolidated subsidiaries are not included in the Investment Entity's financial statements

- Deferred tax liabilities related to surplus values from subsidiary acquisitions are no longer recognized
- Non-controlling interests are no longer recognized

The effects of the change in accounting policies on the Group's financial position, comprehensive income and cash flow for the three- and nine-month periods ended 30 September 2013 are reported in the following tables (see also the annual report 2013).

Effects of change in accounting policy on income statement for comparative figures 2013

SEK 000	2013 Oct-Dec (as previously reported)	Change in accounting policy	2013 Oct-Dec (restated)	2013 Full-year (as previously reported)	Change in accounting policy	2013 Full-year (restated)
Revenue	2,604	-1,659	945	9,940	-4,992	4,948
Other external expenses	-10,325	4,851	-5,474	-53,772	28,480	-25,292
Personnel costs	-13,238	2,585	-10,653	-58,745	20,455	-38,290
Depreciation and amortization of tangible and intangible non-current assets	-299	192	-107	-2,627	2,513	-114
Change in fair value of shares in portfolio companies	-	-123,377	-123,377	-	-139,996	-139,996
Change in fair value of shares in joint ventures and associated companies	-128,684	128,684	-	-153,711	153,711	-
Change in fair value of other long-term securities holdings	-3,387	3,387	-	-2,289	2,289	-
Result from sale of subsidiaries	834	-834	-	834	-834	-
Result from transaction with Rosetta Capital IV LP	-	-	-	404,646	-404,646	-
Operating profit/loss	-152,495	13,829	-138,666	144,276	-343,020	-198,744
Financial net	39,394	82	39,476	40,890	539	41,429
Profit/loss before tax	-113,101	13,911	-99,190	185,166	-342,481	-157,315
Deferred taxes	-	-	-	2,926	-2,926	-
Current taxes	-	-	-	-	-	-
NET PROFIT/LOSS FOR THE PERIOD	-113,101	13,911	-99,190	188,092	-345,407	-157,315
Attributable to:						
Parent Company's shareholders	-111,519	12,329	-99,190	197,163	-354,478	-157,315
Non-controlling interest	-1,582	1,582	-	-9,071	9,071	-
TOTAL	-113,101	13,911	-99,190	188,092	-345,407	-157,315

Effects of change in accounting policy on earnings per share for comparative figures 2013

SEK	2013 Oct-Dec (as previously reported)	Change in accounting policy	2013 Oct-Dec (restated)	2013 Full-year (as previously reported)	Change in accounting policy	2013 Full-year (restated)
Earnings per share attributable to Parent Company's shareholders, weighted average, before and after dilution	-2.31	0.26	-2.05	4.08	-7.33	-3.25
Number of shares, weighted average	48,287,132		48,287,132	48,350,016		48,350,016

Effects of change in accounting policy on statement of comprehensive income for comparative figures 2013

SEK 000	2013 Oct-Dec (as previously reported)	Change in accounting policy	2013 Oct-Dec (restated)	2013 Full-year (as previously reported)	Change in accounting policy	2013 Full-year (restated)
Net profit/loss for the period	-113,101	13,911	-99,190	188,092	-345,407	-157,315
Total comprehensive income for the period	-113,101	13,911	-99,190	188,092	-345,407	-157,315
Attributable to:						
Parent Company's shareholders	-111,519	12,329	-99,190	197,163	-354,478	-157,315
Non-controlling interest	-1,582	1,582	-	-9,071	9,071	-
TOTAL	-113,101	13,911	-99,190	188,092	-345,407	-157,315

Effects of change in accounting policy on consolidated balance sheet for comparative figures 2013

SEK 000	31 Dec 2013 (as previously reported)	Change in accounting policy	31 Dec 2013 (restated)	31 Dec 2012 (as previously reported)	Change in accounting policy	31 Dec 2012 (restated)
ASSETS						
Non-current assets						
Intangible non-current assets	8 340	-8 340	-	9 864	-9 864	-
Tangible non-current assets	529	-	529	4 985	-4 976	9
Shares in joint ventures and associated companies	1 605 469	-1 605 469	-	219 173	-219 173	-
Other long-term securities holdings	24 568	-24 568	-	26 949	-26 949	-
Shares in portfolio companies, at fair value through profit or loss	-	1 729 465	1 729 465	-	1 827 190	1 827 190
Loans receivable from portfolio companies	5 894	-	5 894	12 856	-	12 856
Other financial assets	38 113	-	38 113	8 907	-	8 907
Total non-current assets	1 682 913	91 088	1 774 001	282 734	1 566 228	1 848 962
Current assets						
Accounts receivable	258	-255	3	513	-407	106
Receivables from portfolio companies	-	254	254	-	563	563
Other short-term receivables	3 803	-578	3 225	3 955	-1 479	2 476
Prepaid expenses and accrued income	1 767	-290	1 477	4 578	-2 115	2 463
Short-term investments, at fair value through profit or loss	165 334	-	165 334	174 160	-	174 160
Cash and cash equivalents	41 639	-6 316	35 323	117 033	-8 353	108 680
Total current assets	212 801	-7 185	205 616	300 239	-11 791	288 448
Assets which have been transferred to KDev Investments Group				1 632 025	-1 632 025	-
TOTAL ASSETS	1 895 714	83 903	1 979 617	2 214 998	-77 588	2 137 410
EQUITY AND LIABILITIES						
Equity						
Share capital	24 266	-	24 266	24 266	-	24 266
Share premium	1 768 179	-	1 768 179	1 768 179	-	1 768 179
Retained earnings	74 380	90 779	165 159	-122 547	445 607	323 060
Equity attributable to Parent Company's shareholders	1 866 825	90 779	1 957 604	1 669 898	445 607	2 115 505
Non-controlling interest	3 514	-3 514	-	354 294	-354 294	-
Total equity	1 870 339	87 265	1 957 604	2 024 192	91 313	2 115 505
Long-term liabilities						
Other financial liabilities	9 438	-	9 438	10 889	-	10 889
Total long-term liabilities	9 438	-	9 438	10 889	-	10 889
Current liabilities						
Accounts payable	3 779	-1 353	2 426	4 215	-1 705	2 510
Liabilities to portfolio companies	-	442	442	-	473	473
Other current liabilities	2 636	-1 043	1 593	2 775	-1 263	1 512
Accrued expenses and prepaid income	9 522	-1 408	8 114	8 166	-1 645	6 521
Total current liabilities	15 937	-3 362	12 575	15 156	-4 140	11 016
Liabilities attributable to assets which have been transferred to KDev Investments Group				164 761	-164 761	-
Total liabilities	25 375	-3 362	22 013	190 806	-168 901	21 905
TOTAL EQUITY AND LIABILITIES	1 895 714	83 903	1 979 617	2 214 998	-77 588	2 137 410

Effects of change in accounting policy on consolidated balance sheet for comparative figures 2012

SEK 000	31 Dec 2012 (as previously reported)	Change in accounting	31 Dec 2012 (restated)
ASSETS			
Non-current assets			
Intangible non-current assets	9,864	-9,864	-
Tangible non-current assets	4,985	-4,976	9
Shares in joint ventures and associated companies	219,173	-219,173	-
Other long-term securities holdings	26,949	-26,949	-
Shares in portfolio companies	-	1,827,190	1,827,190
Loans receivable from portfolio companies	12,856	-	12,856
Other financial assets	8,907	-	8,907
Total non-current assets	282,734	1,566,228	1,848,962
Current assets			
Accounts receivable	513	-407	106
Receivables from portfolio companies	-	563	563
Other short-term receivables	3,955	-1,479	2,476
Prepaid expenses and accrued income	4,578	-2,115	2,463
Short-term investments	174,160	-	174,160
Cash and cash equivalents	117,033	-8,353	108,680
Total current assets	300,239	-11,791	288,448
Assets transferred to KDev Investments Group	1,632,025	-1,632,025	-
TOTAL ASSETS	2,214,998	-77,588	2,137,410
EQUITY AND LIABILITIES			
Equity			
Share capital	24,266	-	24,266
Share premium	1,768,179	-	1,768,179
Retained earnings	-122,547	445,607	323,060
Equity attributable to Parent Company's shareholders	1,669,898	445,607	2,115,505
Non-controlling interests	354,294	-354,294	-
Total equity	2,024,192	91,313	2,115,505
Long-term liabilities			
Other financial liabilities	10,889	-	10,889
Total long-term liabilities	10,889	-	10,889
Current liabilities			
Accounts payable	4,215	-1,705	2,510
Liabilities to portfolio companies	-	473	473
Other current liabilities	2,775	-1,263	1,512
Accrued expenses and prepaid income	8,166	-1,645	6,521
Total current liabilities	15,156	-4,140	11,016
Liabilities attributable to assets transferred to KDev Investments Group	164,761	-164,761	-
Total liabilities	190,806	-168,901	21,905
TOTAL EQUITY AND LIABILITIES	2,214,998	-77,588	2,137,410

Effects of change in accounting policy on statement of cash flows for comparative figures 2013

SEK 000	2013 Full-year (as previously reported)	Change in accounting policy	2013 Full-year (restated)
Operating activities			
Operating profit/loss	144,276	-343,020	-198,744
<i>Adjustment for non-cash items</i>			
Adjustment for depreciation of amortization	2,627	-2 513	114
Adjustment for changes in fair value	156,000	-16,004	139,996
Result from transaction with Rosetta Capital IV LP	-404,646	404,646	-
Other non-cash items	2,171	-	2,171
Realized changes in value of short-term investments	1,062	-	1,062
Interest paid	-70	65	-5
Interest received	5,353	-36	5,317
Cash flow from operating activities before changes in working capital and operating investments	-93,227	43,138	-50,089
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in operating receivables	8,421	-7,305	1,116
Increase (+)/Decrease (-) in operating liabilities	2,779	-204	2,575
Operating investments			
Investments in intangible non-current assets	-879	879	-
Investments in tangible non-current assets	-1,018	383	-635
Sale of tangible non-current assets	4,000	-4,000	-
Sale of subsidiaries	4,031	-4,031	-
Acquired/divested cash and cash equivalents in subsidiaries	-2 548	2,548	-
Investments in shares in portfolio companies	-	-198,120	-198,120
Investments in shares in joint ventures and associated companies	-176 330	176,330	-
Investments in other long-term securities holdings	-8	8	-
Cash and cash equivalents which have been transferred to KDev Investments Group	-51 723	51 723	-
Change in short-term investments	7,105	-	7,105
Sale of share in portfolio companies	190,893	4,031	194,924
Loans provided to portfolio companies	-27,750	-	-27,750
Cash flow from operating activities	-136,254	65,380	-70,874
Financing activities			
Share of subsidiary issue for non-controlling interest	3,757	-3,757	-
Share repurchase	-2,483	-	-2,483
Cash flow from financing activities	1,274	-3,757	-2,483
Cash flow for the year	-134,980	61,623	-73 357
Cash and cash equivalents at beginning of the year	176,619	-67,939	108 680
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	41 639	-6,316	35,323

NOTE 4 Unconsolidated subsidiaries

Karolinska Development is an investment entity according to IFRS 10. Subsidiaries are not consolidated in the Investment Entity's financial statements. The table below indicates all unconsolidated subsidiaries. Ownership interests include indirect ownership through portfolio companies. The ownership interest corresponds to formal voting rights through participating interests.

Name	Registered office	Total holding		
		31 Dec 2014	31 Dec 2013	31 Dec 2012
Avaris AB (dormant)	Huddinge	94,87%	94,87%	94,87%
HBV Theranostica AB (liquidated)	Stockholm	-	100,00%	100,00%
KCIF Fund Management AB	Solna	37,50%	37,50%	37,50%
KD Incentive AB	Solna	100,00%	100,00%	100,00%
KDev Oncology AB	Solna	100,00%	100,00%	100,00%
Gligen AB (liquidated)	Solna	-	100,00%	34,65%
Limone AB (liquidated)	Solna	-	100,00%	100,00%
Pharmanest AB	Solna	62,66%	62,99%	60,24%

Influence over the portfolio companies

In addition to the above named subsidiaries, Karolinska Development holds majority interests, though not controlling interests, in KDev Investments AB, Athera Biotechnologies AB, Lipidor AB, Umeocrine Cognition AB and XSpray Microparticles AB.

Karolinska Development's ownership interests in these portfolio companies ranges from 50% up to nearly 90%. Karolinska Development has entered into shareholder agreements with other shareholders regarding these companies. The shareholder agreements ensure other investors or founders influence. Therefore, Karolinska Development is not considered to have controlling interest, even if its ownership interest formally exceeds 50%. Karolinska Development has concluded that in these situations the holdings should be accounted for as investments in associated companies or joint ventures, depending on the degree of influence.

NOTE 5 Performance based share incentive program 2014 (PSP 2014)

On 14 May 2014, the Annual General Meeting adopted a new performance based share incentive program for employees where participants acquire shares ("Savings Shares") on the open market. Under certain conditions participants may receive, free of charge, a maximum of five Performance Shares and one Matching Share Right from the company for each Savings Share they purchase. Matching Share Rights and Performance Shares are allotted after three years. The maximum number of Performance Shares and Matching Share Rights is 761,350. The program comprises a maximum of fourteen participants.

Although there are no performance conditions for the Matching Share Rights, each participant must remain an employee during the vesting period. The Performance Shares have a target related to Karolinska Development's share price performance and a comparison between the so-called Start Price and End Price. The Start Price, measured as an average over ten trading days from 18 May 2014 through 28 May 2014, is SEK 24.45. The End Price is measured as the average over

ten trading days beginning on 2 May 2017. For an allotment, the share price must rise by a total of 30% above the Start Price. For a maximum allotment (five Performance Shares per Savings Share), the share price must rise by 75% above the Start Price. Within this band, allotments are made proportionately. Allotments are capped at 35 times the Start Price, after which the number of allotted Performance Shares is reduced. Participants will be compensated in cash for dividends paid during the period.

The company intends to cover social security contributions related to the program by acquiring and transferring a maximum of 182,000 of its own shares. As of 31 December 2014, 41 200 Savings Shares had been acquired. Repurchase of the company's own shares will not take place. The performance based share incentive program has not had any effect on the results or financial position of the Parent Company or the Investment Entity as of 31 December 2014.

Performance based share incentive program 2014 II (PSP 2014 II)

Performance based share incentive program PSP 2014 II has not been implemented.

NOTE 6 Convertible loan

Issued convertibles have a nominal interest rate of 8% during the period January 1, 2015 – December 31 2019. Convertibles grant a right to convert into shares at a share price of 22 SEK.

NOTE 7 Related party transactions

No significant related party transactions have occurred since 31 December 2013. For a detailed description of related party transactions, see the 2013 annual report.