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Significant events during the first quarter

Karolinska Development

- Karolinska Development finalized the company's financing through the issue of convertibles by an additional subscription of SEK 39 million and the confirmation of full payment of SEK 100 million from Thai Charoen Pokphand Group (CP Group)
- Jim Van heusden appointed CEO of Karolinska Development
- Karolinska Development sold its stake in Axelar to Östersjöstiftelsen (The Foundation for Baltic and East European Studies)

The Portfolio

- Dilaforette announced co-development agreement with Ergomed
- Dilaforette received Orphan Drug Designation by the U.S. FDA for sevuparin in sickle-cell disease
- Clanotech granted Orphan Drug Designation by the U.S. FDA

Significant events after the first quarter

- Aprea presented preliminary Phase Ib/II results in ovarian cancer with APR-246 at the American Association for Cancer Research (AACR) Annual Meeting
- Karolinska Development announced fair value decrease included in the first quarter results amounting to SEK -225.2 million mainly due to write-offs of three opportunistic portfolio companies

Financial Summary

SEKm	2015 Jan-Mar	2014 Jan-Mar	2014 Full-year
<i>Condensed income statement</i>			
Change in fair value in portfolio companies	-252.7	-6.1	-310.4
Net profit/loss	-275.1	-18.4	-375.8
<i>Condensed balance sheet</i>			
Cash, cash equivalents and short-term investments	440.4	171.0	141.3
<i>Share information</i>			
Earnings per share, weighted average, before and after dilution (SEK)	-5.2	-0.4	-7.7
Net asset value per share (SEK) (Note 1)	27.5	40.3	30.8
Equity per share (SEK) (Note 1)	26.7	40.2	31.0
Share price, last trading day in the reporting period (SEK)	11.5	26.3	13.3
<i>Portfolio information</i>			
Portfolio companies' net cash ¹	67.6	74.6	55.0
Investments in portfolio companies	2.5	15.5	84.0
Of which investments not affecting cash flow	-	-	6.7
Fair value of portfolio holdings	1,277.0	1,738.9	1,502.2

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



Jim Van heusden, CEO

“We are now focusing on the portfolio companies that have the highest potential to generate attractive returns”

CEO's Comment

During my first two months as CEO at Karolinska Development I started to evaluate our portfolio assets in more detail and I continue to be impressed by the high-quality science. That said, I also see some challenges in translating that science into a real investment case for some of our portfolio companies, which is essential to generate superior returns on invested capital. As a consequence, we have taken and will need to take further difficult decisions in order to focus our resources on those companies that have the greatest potential to generate attractive returns to our shareholders.

One of the things I would like to improve is the transparency of the way we work. Together with my team we are fully committed to strengthen our corporate communication which should become evident in the months to come. We will provide more openness into our financial reporting. The valuation of our portfolio companies is a key financial metric in evaluating progress in our portfolio. We are looking into alternatives that are more transparent and less sensitive to incidental variations that have a high impact on valuation. We also need to strengthen our internal organizational structures and team, and are in the process of strengthening our portfolio companies on both the management and board level.

One of the priorities in our investment strategy is to attract new investments from experienced international life sciences investors. As such we are able to share the risks and gain access to other investors' network and expertise. We are currently in discussions with co-investors for a number of our portfolio companies. Besides fundraising, we are also exploring other options such as licensing, M&A or other creative solutions. An example of the latter is the sale of Axelar to Östersjöstiftelsen (The Foundation for Baltic and East European Studies) where the company can continue its development efforts and we retain potential upside via an earn-out agreement without requiring further investments from us. Unfortunately, we also need to let companies go where we don't see any further value despite extensive efforts in relation to financing, licensing and M&A to find a solution for them. This was the case for example for the opportunistic companies Pergamum, Umecrine Mood and NeoDynamics which we recently announced to write-off completely. While such outcomes in our portfolio are not satisfactory, we also realize this is a risk that all investors within this sector are faced with.

We are now focusing on the portfolio companies that have the highest potential to generate attractive returns. We look forward to the continued development in Aprea, as the company presented the first preliminary results from its Phase I/II clinical trial in ovarian cancer in April. Dilaforette is in final preparation to initiate their Phase II trial in sickle-cell disease where patients regularly suffer from painful crises that require intensive-care treatment. We will continue to report progress in our portfolio companies to the market, but need to point out that given the early stage nature of the companies we have invested in, we also need to have patience in order to be able to unlock their full value potential.

Jim Van heusden
Chief Executive Officer

Significant events during the first quarter

Karolinska Development

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 requests 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. The two companies that applied for subscription were previously not shareholders in the company. In order to allow that allotment, the Board of Directors of Karolinska Development decided to extend the subscription period until January 15, 2015. With the SEK 100 million confirmed payment from CP Group, the rights issue of convertibles was 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.

Jim Van heusden appointed as CEO

Jim Van heusden was appointed CEO of Karolinska Development after Bruno Lucidi left the company. Prior to joining Karolinska Development, Jim founded his own company bioskills in 2013, providing an entrepreneurial approach towards fundraising and strategic advice for biotech companies and life science funds. From 2001 to 2013, he held various positions at Gimv focusing on investments in life sciences, and since 2007 as a partner, Jim has an excellent and proven track record in building successful companies. Prior to joining Gimv, he was working as a senior scientist at the department of Oncology at Janssen Pharmaceutical, a Johnson & Johnson company. Jim is a Belgian citizen and has a PhD in molecular and cellular biology from the University of Maastricht.

Axelar stake sold to Östersjöstiftelsen (The Foundation for Baltic and East European Studies)

As a part of implementing the new strategy with an increased focus on the strategic portfolio the shares in Axelar was sold to Östersjöstiftelsen for an undisclosed up-front payment and earn-out payments. The sale had a marginal positive impact on the last published equity of Karolinska Development. The fair value of Karolinska Development's holding in Axelar was written off in 2014.

The Portfolio

Dilaforette signed co-development agreement with Ergomed for clinical development in sickle-cell disease

Under the terms of the agreement, Ergomed was appointed as the clinical development organization to conduct Dilaforette's multicentre, multinational, randomized Phase II study in sickle-cell disease (SCD) patients suffering from vaso-occlusive crises. The study is scheduled to start in Q2 2015. Ergomed will furthermore co-invest a proportion of its revenues from the clinical and regulatory activities of the trial in return for an equity stake in Dilaforette.

Dilaforette received Orphan Drug Designation by the U.S. FDA for sevuparin in sickle-cell disease

Dilaforette announced that the U.S. Food and Drug Administration (FDA) had granted Orphan Drug Designation for sevuparin for the treatment of patients with SCD. SCD is a disabling and potentially fatal disease with a large unmet medical need in both the developed and developing world. In the US, it is estimated that close to 100,000 patients are diagnosed with this hereditary disease. SCD patients undergo on average one vaso-occlusive crisis per year. This acute complication is caused by sickle blood cells obstructing the blood flow to organs leading to ischemia and often severe pain. Long-term, SCD patients are at risk of organ damage and premature death. The orphan drug designation will significantly shorten future market approval processes and reinforce market exclusivity for a launched product in the U.S. and EU.

About Dilaforette AB

Dilaforette is a Swedish drug development company developing sevuparin, an innovative, proprietary polysaccharide drug, which has potential to restore blood flow and prevent further microvascular obstruction in both sickle cell disease and malaria patients. Sevuparin originates from research at the Karolinska Institute and Uppsala University. The drug development has involved world leading experts in the field of heparin from the Swedish pharmaceutical industry.

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 Aprea AB

Based on prominent research on the tumor suppressor protein p53 at Karolinska Institutet, Aprea was founded in 2003. The discoveries by the founders Professor Klas Wiman, Professor Galina Selivanova, Associate Professor Vladimir Bykov, Professor Staffan Strömblad, Wenjie Bao and Natalia Issaeva regarding the restoration of function of defective p53 led to the identification of the lead drug candidate APR-246 that is now in Phase I/II clinical development.

Clanotech was granted Orphan Drug Designation by the U.S. FDA

Clanotech received orphan drug designation by the U.S. Food and Drug Administration (FDA) for its candidate drug CLT-28643 for the prevention of scarring after glaucoma surgery. The European Medicines Agency (EMA) has previously granted an orphan drug designation pertaining to the EU.

Significant events after the first quarter

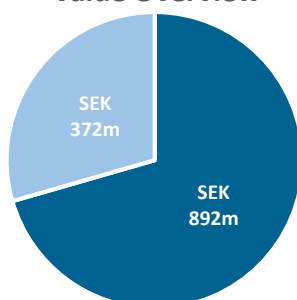
Aprea presented preliminary Phase Ib/II results in ovarian cancer with APR-246 at the American Association for Cancer Research (AACR) Annual Meeting

Aprea's Phase Ib/II PiSARRO trial investigates the safety and efficacy of APR-246 in combination with carboplatin and doxorubicin in patients with high grade serous ovarian cancer that have relapsed from primary treatment. The poster presented at the AACR Annual Meeting contained preliminary results for the first dosing cohort with three patients in the Phase Ib part of the study. The data on these patients indicated that APR-246 can be used in the intended combination regimen for the patient group and no new safety concerns were seen. Also, early indications of activity was observed with partial RECIST responses from all three patients.

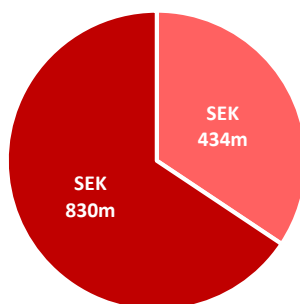
Karolinska Development announced write-offs in the fair value of three opportunistic portfolio companies

Karolinska Development announced fair value decrease included in the first quarter results amounting to SEK -225.2 million mainly due to write-offs of three opportunistic portfolio companies. Pergamum value is written off with the amount of SEK 120.2 million, Umecrine Mood with the amount of SEK 58.9 million and NeoDynamics AB with the amount of SEK 9.7 million – all compared to the year-end 2014 valuations. Additional adjustments of fair value of the portfolio amount to SEK -36.4 million. The net change in portfolio fair value during the first quarter amounted to SEK -225.2 million.

Portfolio Fair
Value Overview¹

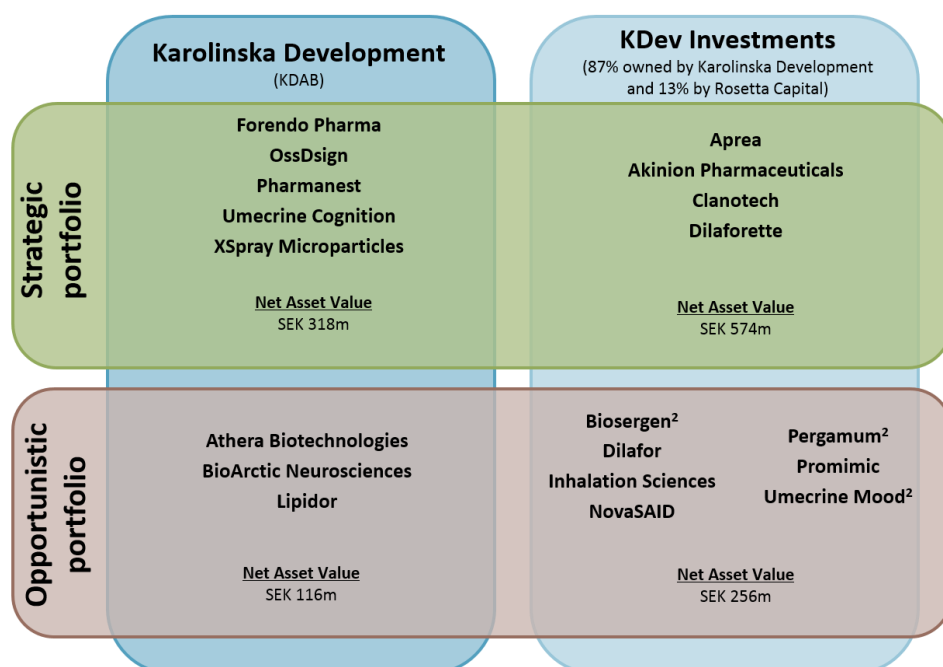


- Strategic portfolio
- Opportunistic portfolio



- Holdings in Karolinska Development AB
- Holdings in KDev Investment AB

Portfolio overview



¹ The reported fair value of portfolio holdings includes financial assets to the amount of SEK 13.0, mainly constituting cash in holding companies. In the figures above this amount is not included.

² Biosergen, Pergamum and Umecrine Mood are operating portfolio companies although the reported fair value of these holdings have been written off.

Status update briefs on portfolio companies

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. The company presented preliminary results from the first dosing cohort with three patients at the American Association for Cancer Research (AACR) Annual Meeting. The data indicated that APR-246 can be used in the intended combination regimen for this patient group and no new safety concerns were seen. Also, early indications of activity was observed with partial RECIST responses from all three patients.
- 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 part of 2015 with a new formulation of the company's candidate drug AKN-028.

Planned clinical studies

- Dilaforette is planning to start a Phase II study of sevuparin in patients with sickle-cell disease during the 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 is in market validation phase for the company's cranial implant. Previously the company announced that the first implant is now sold in Spain, with the aim to introduce the product in several other European countries. A facial product has been launched and tested at Karolinska Hospital and is planned to be expanded into other markets during 2015. OssDsign is continuing exploring the opportunity of using its technology for other areas.
- Promimic has entered into the commercial phase during 2014 and the numbers of customers in both, the Dental and Orthopedics industry, are now steadily growing. Promimic is also in collaboration with strategic partners bringing new implant materials to the market and is supporting these companies with an osteoconductive implant surface that accelerates and improves the integration with bone. The company is currently planning for an US expansion and the first implant with the HA^{nano} Surface will be launched in January 2016.

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 Umecrine 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	Biosergen¹ Systemic fungal infections NovaSAID Inflammatory pain Pergamum¹ Skin infection	Athera Biotechnologies Acute coronary syndrome	BioArctic Neuroscience Alzheimer's Dilafor Prolonged labor Dilaforette Malaria Forendo Pharma Hypogonadism Pergamum¹ Infected eczema, external otitis, surgical adhesions, venous leg ulcers Umecrine Mood¹ PMDD and severe PMS		
	Concept		Development	Product	Marketed
Technology				Lipidor Topical drug delivery	Promimic Implant surface Athera Biotechnologies Cardiovascular diagnostics Inhalation Sciences Respiratory precision dosing

¹ Biosergen, Pergamum and Umecrine Mood are operating portfolio companies although the reported fair value of these holdings have been written off.

Financial development – Investment Entity*

Revenue

During the first quarter 2015, the effect of the change in fair value of portfolio investments amounted to SEK -252.7m (SEK -6.1m).

Value development first quarter 2015

During the first quarter 2015, the Investment Entity's operating loss amounted to SEK -266.0m (SEK -18.6m), a change of SEK -247.4m compared with the same period in 2014.

Following decisions to discontinue further investment in the opportunistic portfolio companies Pergamum AB, Umecrine Mood AB and NeoDynamics AB and after exploring several options, Karolinska Development has decided to fully write off these companies. Pergamum value is written off with the amount of SEK 120.2m, Umecrine Mood with the amount of SEK 58.9m and NeoDynamics AB with the amount of SEK 9.7m – all compared to the year-end 2014 valuations. Additional adjustments of fair value of the portfolio amount to SEK -36.4m.

Results

The Investment Entity's loss before tax during the first quarter 2015 amounted to SEK -275.1m (SEK -18.4m).

Investments in portfolio companies first quarter 2015

Investments in portfolio companies during the first quarter 2015 amounted to SEK 27.5m (SEK 15.5m).

During the first quarter 2015 investments were made in KDev Investments' portfolio at SEK 27.5m (Aprea AB SEK 17.0m; Dilaforette Holding AB, SEK 8.7 as well as in Promimic AB, SEK 1.8m).

Financial position (comparative figures refer to 31 December 2014)

The Investment Entity's equity to total assets ratio was 79% (96%) on 31 March 2015 and equity amounted to SEK 1,416.4m (SEK 1,645.5m).

Cash, cash equivalents and short-term investments in the Investment Entity amounted to SEK 440.4m (SEK 141.3m), of which SEK 100.3m is provisionally allocated for anticipated follow-on investments in the KDev Investments portfolio. Total assets amounted to SEK 1,797.2m (SEK 1,710.4m).

Financial development – Parent Company

During the first quarter 2015, the Parent Company's operating loss amounted to SEK -37.9m (SEK -12.6m), a change of SEK -25.3m compared with the same period in 2014. During the first quarter 2015, impairment losses were recognized on the holdings in Lipidor AB SEK -11.1m, KDev Investments AB SEK -5.7m, Umecrine AB SEK -4.7m, share of result in KCIF Co-Investment Fund KB SEK -2.7, KDev Oncology AB SEK -0.2m, KCIF Fund Management AB SEK -0.2m and KD Incentive AB SEK -0.1m. Impairment losses during the first quarter 2015 totaled SEK -24.7m (SEK -0.7m).

The Parent Company's net loss during the first quarter 2015 amounted to SEK -165.4m (SEK -11.9m).

* 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. Amounts in parenthesis refer to corresponding period in the prior year unless otherwise stated.

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 Developments 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 2014. For a detailed description of risks and uncertainties, see the annual report 2014.

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 Investment Entity and describes the material risks and uncertainties faced by the company.

Solna, 6 May 2015

Jim Van heusden
CEO

Dates for publication of financial information

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 6 May 2015.

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 reviewed 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 statements

Condensed income statement for the Investment Entity

SEK 000	Note	2015 Jan-Mar	2014 Jan-Mar	2014 Full-year
Revenue		992	1,249	5,030
Other expenses		-4,499	-3,668	-16,447
Personnel costs		-9,658	-10,410	-51,933
Depreciation of tangible non-current assets		-53	-53	-212
Change in fair value of shares in portfolio companies	2	-252,736	-6,088	-310,399
Result from sale of shares in portfolio companies		-	347	1,745
Operating profit/loss		-265,954	-18,623	-372,216
Financial net*	3	-9,123	253	-3,599
Profit/loss before tax		-275,077	-18,370	-375,815
Deferred taxes		-	-	-
Current taxes		-	-	-
NET PROFIT/LOSS FOR THE PERIOD		-275,077	-18,370	-375,815

*Interest on convertible loans at 8 percent nominal interest rate.

Earnings per share for the Investment Entity

SEK	Note	2015 Jan-Mar	2014 Jan-Mar	2014 Full-year
Earnings per share, weighted average, before and after dilution		-5.18	-0.38	-7.73
Number of shares, weighted average		53,140,273	48,287,132	48,606,243

Condensed statement of comprehensive income for the Investment Entity

SEK 000	Note	2015 Jan-Mar	2014 Jan-Mar	2014 Full-year
Net/profit loss for the period		-275,077	-18,370	-375,815
Total comprehensive income for the period		-275,077	-18,370	-375,815

Condensed balance sheet for the Investment Entity

SEK 000	Note	31 Mar 2015	31 Mar 2014	31 Dec 2014
ASSETS				
Non-current assets				
Tangible non-current assets		265	476	317
Shares in portfolio companies at fair value through profit or loss		1,276,974	1,738,878	1,502,186
Loans receivable from portfolio companies		36,097	6,823	12,062
Other financial assets		38,113	38,113	38,113
Total non-current assets		1,351,449	1,784,290	1,552,678
Current assets				
Receivables from portfolio companies		1,042	564	895
Other short-term receivables		1,999	2,160	3,103
Prepaid expenses and accrued income		2,241	2,016	12,364
Short-term investments, at fair value through profit or loss		308,639	153,703	128,443
Cash and cash equivalents		131,803	17,310	12,885
Total current assets		445,724	175,753	157,690
TOTAL ASSETS		1,797,173	1,960,043	1,710,368
EQUITY AND LIABILITIES				
Equity				
Share capital		26,692	24,266	26,692
Share premium		1,874,236	1,768,179	1,828,844
Retained earnings		-484,546	147,540	-209,992
Total equity		1,416,382	1,939,985	1,645,544
Long-term liabilities				
Convertible loan		309,160	-	22,858
Other financial liabilities		11,686	9,895	11,686
Total long-term liabilities		320,846	9,895	34,544
Current liabilities				
Accounts payable		24,439	1,354	4,668
Liabilities to portfolio companies		392	442	442
Other current assets		1,116	1,378	1,023
Accrued expenses and prepaid income		33,998	6,989	24,147
Total current liabilities		59,945	10,163	30,280
Total liabilities		380,791	20,058	64,824
TOTAL EQUITY AND LIABILITIES		1,797,173	1,960,043	1,710,368

Condensed statement of changes in the Investment Entity's equity

SEK 000	Note	Equity attributable to Parent Company's shareholders			Total
		Share capital	Share premium	Retained earnings	
Opening equity at 1 Jan 2015		26,692	1,828,844	-209,992	1,645,544
Net profit/loss for the period				-275,077	-275,077
Total comprehensive income for the period				-275,077	-275,077
Convertible loan - equity part			49,528		49,528
Issue costs			-4,136		-4,136
Effect of incentive programs				523	523
Closing equity at 31 Mar 2015		26,692	1,874,236	-484,546	1,416,382
Openings equity at 1 Jan 2014		24,266	1,768,179	165,159	1,957,604
Net profit/loss for the period				-18,370	-18,370
Total comprehensive income for the period				-18,370	-18,370
Share repurchase				751	751
Closing equity at 31 Mar 2014		24,266	1,768,179	147,540	1,939,985
Opening equity at 1 Jan 2014		24,266	1,768,179	165,159	1,957,604
Net profit/loss for the year				-375,815	-375,815
Total comprehensive income for the year				-375,815	-375,815
Share issue		2,426	60,665		63,091
Effect of incentive programs				664	664
Closing equity at 31 Dec 2014		26,692	1,828,844	-209,992	1,645,544

Condensed statement of cash flows for the Investment Entity

SEK 000	Note	2015 Jan-Mar	2014 Jan-Mar
Operating activities			
Operating profit/loss		-265,954	-18,623
Adjustments for items not affecting cash flow			
Depreciation		53	53
Change in fair value	2	252,736	6,088
Result from sale of shares in portfolio companies		-	-347
Other items		2,407	-
Proceeds from short-term investments		168	252
Interest paid/received		4	27
Cash flow from operating activities before changes in working capital and operating investments		-10,586	-12,550
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in operating receivables		1,510	262
Increase (+)/Decrease (-) in operating liabilities		29,663	-2,413
Operating investments			
Proceeds from sale of shares in portfolio companies		-	347
Acquisitions of share in portfolio companies		-27,525	-15,509
Loans provided to portfolio companies		-26,058	-929
Proceeds from sale of short-term investments ¹		-	12,779
Investments in tangible non-current-assets		-179,780	-
Cash flow from operating activities		-212,776	-18,013
Financing activities			
Convertible debentures issue		364,001	-
Issue costs		-32,307	-
Cash flow from financing activities		331,694	-
Cash flow for the period		118,918	-18,013
Cash and cash equivalents at the beginning of the year		12,885	35,323
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		131,803	17,310

Supplemental disclosure¹

CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	131,803	17,310
Short-term investments, market value at closing date	308,639	153,703
CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS AT THE END OF THE PERIOD	440,442	171,013

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	2015 Jan-Mar	2014 Jan-Mar	2014 Full-year
Net sales		992	1,249	5,030
Revenue		992	1,249	5,030
Other expenses		-4,499	-3,668	-16,447
Personnel costs		-9,658	-10,410	-51,933
Depreciation of tangible non-current assets		-53	-53	-212
Impairment losses on shares in subsidiaries, joint ventures, associated companies and other long-term securities holdings		-24,684	-69	-14,911
Result from sale of shares in portfolio companies		-	347	1,693
Operating profit/loss		-37,902	-12,604	-76,780
Financial net*	3	-9,123	711	-1,350
NET PROFIT/LOSS FOR THE PERIOD		-47,025	-11,893	-78,130

* Interest on convertible loans at 8 percent nominal interest rate.

Condensed statement of comprehensive income for the Parent Company

SEK 000	Note	2015 Jan-Mar	2014 Jan-Mar	2014 Full-year
Net profit/loss for the period		-47,025	-11,893	-78,130
Total comprehensive income for the period		-47,025	-11,893	-78,130

Condensed balance sheet for the Parent Company

SEK 000	Note	31 Mar 2015	31 Mar 2014	31 Dec 2014
ASSETS				
Non-current assets				
Tangible non-current assets		265	476	317
Shares in subsidiaries, joint ventures, associated companies and other long term-securities holdings		1,141,595	1,086,030	1,138,754
Loans receivable from portfolio companies		36,097	6,823	12,062
Other financial assets		33,771	32,596	33,493
Total non-current assets		1,211,728	1,125,925	1,184,626
Current assets				
Receivables from subsidiaries		1,042	564	895
Other receivables		1,999	2,160	3,103
Prepaid expenses and accrued income		2,241	2,016	12,364
Short-term investments		308,639	153,703	128,443
Cash and cash equivalents		131,803	17,310	12,885
Total current assets		445,724	175,753	157,690
TOTAL ASSETS		1,657,452	1,301,678	1,342,316
EQUITY AND LIABILITIES				
Equity				
<i>Restricted equity</i>				
Share capital		26,692	24,266	26,692
<i>Unrestricted equity</i>				
Share premium reserve		1,884,310	1,778,253	1,838,918
Accumulated losses		-580,195	-502,501	-502,588
Net profit/loss for the period		-47,025	-11,893	-78,130
Total equity		1,283,782	1,288,125	1,284,892
Long-term liabilities				
Convertible loan		309,160	-	22,858
Pension obligations		4,565	3,390	4,286
Total long-term liabilities		313,725	3,390	27,144
Current liabilities				
Accounts payable		24,439	1,354	4,668
Liabilities to subsidiaries		392	442	442
Other current liabilities		1,116	1,378	1,023
Accrued expenses and prepaid income		33,998	6,989	24,147
Total current liabilities		59,945	10,163	30,280
Total liabilities		373,670	13,553	57,424
TOTAL EQUITY AND LIABILITIES		1,657,452	1,301,678	1,342,316

Pledged assets and contingent liabilities

SEK 000	Note	31 Mar 2015	31 Mar 2014	31 Dec 2014
Pledged assets		4,565	3,390	4,286
Credit commitment to portfolio company ¹		8,000	-	-
Total		12,565	3,390	4,286

¹Non-executed loan agreement with portfolio company, off-set in the balance sheet

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	Total equity
Opening equity at Jan 1 2015		26,692	1,838,918	-502,588	-78,130	1,284,892
Appropriation of loss				-78,130	78,130	
Net profit/loss for the period					-47,025	-47,025
Total		26,692	1,838,918	-580,718	-47,025	1 237 867
Convertible loan - equity part			49,528			49,528
Issue costs			-4,136			-4,136
Effect of incentive programs				523		523
Closing equity at 31 Mar 2015		26,692	1,884,310	-580,195	-47,025	1,283,782
Opening equity at Jan 1 2014		24,266	1,778,253	-550,566	47,314	1,299,267
Appropriation of loss				47,314	-47,314	
Net profit/loss for the period					-11,893	-11,893
Total		24,266	1,778,253	-503,252	-11,893	1,287,374
Effect of incentive programs				751		751
Closing equity at 31 Mar 2014		24,266	1,778,253	-502,501	-11,893	1,288,125
Opening equity at 1 Jan 2014		24,266	1,778,253	-550,566	47,314	1,299,267
Appropriation of profit				47,314	-47,314	
Net profit/loss for the year					-78,130	-78,130
Total		24,266	1,778,253	-503,252	-78,130	1,221,137
Share issue		2,426	60,665			63,091
Effect of incentive programs				664		664
Closing equity at 31 Dec 2014		26,692	1,838,918	-502,588	-78,130	1,284,892

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 2015

No 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 March 2015

SEK 000	Level 1	Level 2	Level 3	Total
Financial assets				
Shares in portfolio companies, at fair value through profit or loss	-	-	1,276,974	1,276,974
Loans receivable from portfolio companies	-	36,097	-	36,097
Other financial assets	-	-	38,113	38,113
Receivables from portfolio companies	-	1,042	-	1,042
Short-term investments, at fair value through profit or loss	308,639	-	-	308,639
Cash and cash equivalents	131,803	-	-	131,803
Total	440,442	37,139	1,315,087	1,792,668
Financial liabilities				
Convertible loan	-	309,160	-	309,160
Other financial liabilities	-	-	11,686	11,686
Accounts payable	-	24,439	-	24,439
Liabilities to portfolio companies	-	392	-	392
Total	-	333,991	11,686	345,677

Fair value as of 31 March 2014

SEK 000	Level 1	Level 2	Level 3	Total
Financial assets				
Shares in portfolio companies, at fair value through profit or loss	-	-	1,738,878	1,738,878
Loans receivable from portfolio companies	-	6,823	-	6,823
Other financial assets	-	-	38,113	38,113
Receivables from portfolio companies	-	564	-	564
Short-term investments, at fair value through profit or loss	153,703	-	-	153,703
Cash and cash equivalents	17,310	-	-	17,310
Total	171,013	7,387	1,776,991	1,955,391
Financial liabilities				
Other financial liabilities	-	-	9,895	9,895
Accounts payable	-	1,354	-	1,354
Liabilities to portfolio companies	-	442	-	442
Total	-	1,796	9,895	11,691

Fair value (level 3) as of 31 March 2015

SEK 000	Shares in portfolio companies	Other financial assets	Other financial liabilities
At beginning of the year	1,502,186	38,113	11,686
Transfers to and from level 3	-	-	-
Acquisitions	27,524	-	-
Disposals	-	-	-
Gains and losses recognized through profit or loss	-252,736	-	-
Closing balance 31 March 2015	1,276,974	38,113	11,686
Total unrealized gains and losses for the period in profit or loss	-252,736	-	-
Gains and losses in profit or loss for the period for assets and liabilities included in the closing balance	-252,736	-	-

There were no transfers between level 1 and 2 during the first quarter year 2015.

Fair value (level 3) as of 31 March 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	15,509	-	-
Disposals	-8	-	-
Gains and losses recognized through profit or loss	-6,088	-	458
Closing balance 31 March 2015	1,738,878	38,113	9,896
Total unrealized gains and losses for the period in profit or loss	-6,088	-	-458
Gains and losses in profit or loss for the period for assets and liabilities included in the closing balance	-6,088	-	-458

There were no transfers between level 1 and 2 during the first quarter 2015.

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

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 March 31 2014, the Biotechnology WACC was 11.02% (11.90%) and the Pharma WACC was 7.32% (8.20%).

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%		March 31, 2015 Biotech WACC: 11.90% Pharma WACC: 8.20%	WACC adjustment +1%	
SEKm	Fair value	Change	Fair value	Fair value	Change
Fair value difference for shares in portfolio companies	1,373.9	96.9	1,277.0	1,192.4	-84.5

- 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 Investment Entity's results.

The Investment Entity 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 the Investment Entity.

NOTE 3 Convertible loan

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

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

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

The Investment Entity issued convertible debentures with a nominal amount of 386 859 KSEK on 2 January 2015 which have a nominal interest rate of 8 percent. The convertible debentures will fall due for payment on 31 December 2019 at the nominal amount of 586 423 KSEK (provided that accrued interest is interest bearing), the convertibles grant a right to convert into shares at a conversion rate of 22 SEK per series B share. The value of the debt and equity part (conversion right) was determined on the date of issuance.

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

KSEK	31 Mar 2015	31 Mar 2014
Nominal amount of convertible debentures issued on 2 January 2015	386,859	-
Issue costs	-28,171	-
Equity portion	-49,528	-
Debt at issuance date 2 January 2015	309,160	-
Accrued interest costs	10,011	-
Paid interest	-	-
TOTAL	319,171	-

Due to the short time span since the issue the market interest rate is substantially unchanged and therefore the fair value can be approximated as the book value.

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 Mar 2015	31 Mar 2014	31 Dec 2014
Avaris AB (dormant)	Huddinge	94,87%	94,87%	94,87%
HBV Theranostica AB (liquidated)	Stockholm	-	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%
Gligene AB (liquidated)	Solna	-	100,00%	-
Limone AB (liquidated)	Solna	-	100,00%	-
Pharmanest AB	Solna	62,66%	62,99%	62,66%

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, Umecrine 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 Related party transactions

Karolinska Development AB has entered into an agreement with a company related to the Chairman of the Board, OrfaCare Consulting GmbH, regarding consultations by the Chairman of the Board, Bo Jesper Hansen. The consultancy agreement is unrelated to his position as Chairman of the company. The agreement is valid from 1 March 2015 until the date of the Company's Annual General Meeting 2016. The consultancy fee is marked based and amounted to 88 KSEK during the first quarter 2015.