

Karolinska Development implements a more prudent and representative approach to reporting the fair value of its portfolio - divestment of Pharmanest

STOCKHOLM – July 9, 2015. Karolinska Development AB (STO: KDEV) today announces that its Board of Directors and management, in conjunction with its new auditors, have completed a review of the Company's approach to evaluating and reporting the fair value of its portfolio. This has resulted in the decision by the management and the Board of Directors to take a more prudent approach to implementing the International Private Equity and Venture Capital (IPEV) valuation guidelines that are currently being used - reflecting the Company's new strategy to operate as a venture vehicle. The Company believes that by making this change it can provide shareholders with more prudent, consistent and representative fair value estimates for companies in its portfolio. This change in approach also brings Karolinska Development into line with the way the IPEV valuation guidelines are applied by other venture capital firms worldwide.

A key element of the review was to determine the most appropriate valuation method to apply to the companies in the Karolinska Development portfolio, taking into account their stage of development. As a result, Karolinska Development has decided to value its early stage investee companies based on their valuation at the most recent round of investment rather than via the discounted cash flow (DCF) method. The DCF method uses a large number of assumptions and has proved difficult for valuing seed, start-up and early stage companies. The Company has decided only to use the DCF-based method for companies which have products in the later stages of clinical development.

This more prudent approach to valuing the early stage companies has resulted in non-realised reduction of SEK 368 million in the fair value of the Karolinska Development portfolio.

Also today, Karolinska Development announces the divestment of Pharmanest AB. The decision to divest Pharmanest is based on the view that it will benefit from new ownership and investment while Karolinska Development will gain from being able to employ its resources more effectively across a smaller, more-focused portfolio (see separate release).

Importantly, Karolinska Development continues to have an economic interest in Pharmanest via an earn-out arrangement. This divestment and further write-offs, have led to a SEK 352 million reduction in the fair value of the Karolinska Development portfolio.

"We are making good progress in executing our strategy to create a more focused portfolio of companies which we believe have the greatest potential. We are confident that the decisions we have announced today put Karolinska Development in a much stronger position to generate value for its shareholders," commented Karolinska Development CEO, Jim Van heusden.

In line with its review of valuation techniques and its commitment to be more prudent in the fair value estimates it provides, Karolinska Development's management and Board, in consultation with the auditors, have also decided on a revision to the way its deal with Rosetta Capital is taken into consideration when estimating the fair value of Karolinska Development's investments in KDev Investments AB (KDI). Rosetta Capital owns 7.53% of the common shares as well as preference shares in KDI, which has a portfolio of 10 companies as of June 30, 2015.

The structure of the Rosetta deal, and the consequences of the above revisions in valuation techniques, could potentially result in a SEK 359 million reduction in the potential proceeds upon realisations from the companies in which KDI has a stake (as reported earlier in the annual report and Q1 report).

Following all the changes announced today, the reported total fair value of Karolinska Development portfolio as of June 30, 2015 is SEK 679 million.

Taking into account the additional potential impact of the Rosetta deal, the net reported fair value at June 30, 2015 would be SEK 320 million after potential distributions of proceeds from any realisations from the companies in which it holds a stake.

In its Q1 report, dated May 6, 2015, the Company reported that the fair value of its portfolio as at March 31, 2015 was SEK 1,277 million.

Karolinska Development had cash, cash equivalents and short-term investments of SEK 383 million as at June 30, 2015. This level of funding provides sufficient runway to execute the Company's strategy and to unlock the potential value of its portfolio.

These figures will be confirmed in the Company's forthcoming Q2 report which will be issued on August 26, 2015. In order to compare previous periods with the revised reporting structure a retrospective restatement of previous periods will also be made in the Q2 report.

A teleconference and webcast to provide more background on today's announcement will take place at 2.00pm CEST today.

Please dial in at one of the following numbers a few minutes before the start of the conference call:

- From Sweden: +46 (0) 8 505 564 74
- From the US: +1 855 753 22 30
- From the UK: +44 (0) 20 336 453 74

The presentation will also be webcasted and can be accessed from the following web address:

<http://edge.media-server.com/m/p/sj9obnka>

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TO THE EDITORS

About Karolinska Development AB

Karolinska Development aims to create value for patients, researchers, investors and society by developing innovations from world class science into differentiated products that can be partnered. The business model is to: SELECT the most commercially attractive medical innovations that can potentially satisfy unmet medical needs; DEVELOP innovations to the stage where the greatest return on investment can be achieved; and COMMERCIALIZE the innovations through the sale of companies or out-licensing of products. An exclusive deal flow agreement with Karolinska Institutet Innovations AB, along with other cooperation agreements with leading universities, delivers a continuous flow of innovations. For more information, please visit www.karolinskadevelopment.com.

About KDev Investments AB (KDI)

On 21 December 2012, Karolinska Development entered into an agreement with Rosetta Capital IV LP ("Rosetta") regarding the sale of a minority share of Karolinska Development's holdings in 13 of the Company's portfolio companies (the "Rosetta Transaction"). The Rosetta Transaction was completed during the first quarter of 2013. Karolinska Development has transferred the holdings in the 13 concerned portfolio companies to a new investment company; KDI. Karolinska Development is the majority owner and Rosetta is the minority owner of KDI. The shareholders have entered into a shareholder's agreement regarding the management of KDI, and exercises joint control over the Company. KDI group is considered a joint venture for accounting purposes.

Karolinska Development is listed on Nasdaq Stockholm (STO: KDEV). Karolinska Development may be required to disclose the information provided herein pursuant to the Securities Markets Act.