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PRESS RELEASE

## **Karolinska Development to be listed**

**STOCKHOLM – March 27, 2011. The Board of Directors of Karolinska Development AB has decided, with deviation from the existing shareholders' preferential rights, to broaden the shareholder base through a new issue of shares of series B. Furthermore, the Board of Directors of Karolinska Development has applied for a listing of Karolinska Development's shares of series B on NASDAQ OMX Stockholm.**

Karolinska Development develops innovations from world-leading research into products to be sold or licensed with high returns. The company currently has twelve projects in clinical phase, including six in Phase II, with more than 20 compounds deemed to have first in class potential. Over the next few years, the number of companies that will reach a point where it is optimal to exit are expected to increase gradually. Exit and collaboration activities will therefore be further intensified.

The management of Karolinska Development has recently been strengthened and the company intends to focus investments on those projects that are deemed to be best placed to reach commercialization in the next three years. At the same time, several of these projects have succeeded in reaching later and more costly clinical development phases. Karolinska Development is therefore looking for capital for this and also to extend the investment horizon, with the expected investment rate, from beginning of 2012 until end of 2013. The goal is to, in connection with the new issue, also broaden the shareholder base among long-term institutional and private investors.

- The Offering is submitted to the public in Sweden and to certain institutional investors, in and outside of Sweden, to subscribe for shares of series B in the company.
- The subscription price per share is determined through a form of book-building procedure and is expected to be set in the range of SEK 37-42. The subscription price in the offering to the general public will not exceed SEK 42 per share.
- The new share issue comprises of not more than 11,400,000 shares of series B. Subject to the Offering being fully subscribed, the value of the Offering will amount to between SEK 422 million and SEK 479 million, before deduction of issue costs.
- If the demand is high, Karolinska Development may issue a maximum of 3,800,000 additional shares of series B (the "Enlargement option").
- In addition, Karolinska Development will undertake towards SEB Enskilda, irrespective of whether the Enlargement option is exercised, at the request of SEB Enskilda, to expand the new issue to include not more than 1,710,000 additional shares of series B, to cover possible over-allotment in connection with the Offering (the "Over-allotment option").
- Upon full exercise of both the Enlargement option and the Over-allotment option the Offering will comprise not more than 16,910,000 shares of series B, which means that the value of the Offering amounts to between SEK 626 million and SEK 710 million in total, before deduction of issue costs.
- Subscription period for the public is March 30 – April 13, 2011. Expected first day of trading on NASDAQ OMX Stockholm is April 15, 2011.

# KAROLINSKA DEVELOPMENT

## *Profit from Innovation*

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- The prospectus will be published at 8.00 AM, March 28, 2011.

### **Torbjörn Bjerke, CEO, comments:**

For a number of years, I have followed Karolinska Development with great interest. The company has consistently followed its original idea – to create new and unique pharmaceuticals based on cutting edge research from the academic community. With a large number of promising projects, in a range of therapeutic areas where effective treatment is currently lacking, it is evident to me that Karolinska Development is very well-positioned to succeed.

It is now time for us to demonstrate the business model at its full potential by, to an even higher degree, focusing on those projects that currently have the best possibility to reach the market. We are also considering the possibility to consolidate projects within the same therapeutic area. This will make the development process even more efficient and enhance the possibilities of successful deal making.

From my many years in the pharmaceutical industry I have experience of leading and developing a range of companies, from early stage research companies to a publicly listed pharmaceutical company. I have, among other things, been the driving force behind several highly valuable license deals and I have been involved in the registration of two new pharmaceutical products. Based on these experiences, I am highly optimistic that we can create a new, profitable Swedish pharmaceutical company.

From a commercial perspective, Karolinska Development is currently in a very advantageous position. With twelve projects in clinical phase we have now reached a point where we can initiate serious discussions regarding divestment or licensing. Striking new potential partnerships is at the top of my list. We will continuously select new projects that we deem to have medical and commercial potential, and rapidly phase out projects that do not meet our set goals. In doing so, we will continue to build value in Karolinska Development. I look forward to developing Karolinska Development into a profitable listed company.

### **Background and reasons**

Karolinska Development's business concept is to create value for investors, patients, and researchers by developing innovations from world-leading research into products that can be sold or licensed with high returns. The company currently has twelve projects in clinical phase, including six in Phase II, with more than 20 compounds deemed to have first in class potential.

Over the next few years, the number of companies that will reach a point where it is optimal to exit are expected to increase gradually. Exit and collaboration activities will therefore be further intensified. The management of Karolinska Development has recently been strengthened and the company intends to focus investments on those projects that are deemed to be best placed to reach commercialization in the next three years. At the same time, several of these projects have succeeded in reaching later and more costly clinical development phases. Karolinska Development is therefore looking for capital for this and also to extend the investment horizon, with the expected investment rate, from beginning of 2012 until end of 2013. The goal is to, in connection with the new issue, also broaden the shareholder base among long-term institutional and private investors.

As of December 31, 2010, Karolinska Development's cash and short-term investments amounted to SEK 210 million in the parent company. In the opinion of Karolinska Development, the current working capital is sufficient to cover the company's operation for the forthcoming twelve months. The company estimates that the total annual investments and operating costs over the next few years will be in the range of SEK 200–250 million. Karolinska Development's target is to achieve positive cashflow in 2013. Regarding the investments for 2011, Karolinska Development's current estimates are that the oncology area will account for approximately 40

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percent, dermatology and wound healing for approximately 15 percent, CNS for approximately 15 percent and the remaining part will be used for other areas and operating cost.

### **Karolinska Development in brief**

Karolinska Development, through its portfolio companies, develops and commercializes innovative pharmaceuticals with great market potential for the treatment of diseases where treatment is currently lacking or where there is a need for more effective methods. Through an agreement with Karolinska Institutet Innovations AB (“KIAB”), Karolinska Development has a preferential right to invest in a large flow of pharmaceutical innovations. The agreement with KIAB, along with other cooperation agreements with leading Nordic universities are expected to provide Karolinska Development with a greater flow of commercial start-up possibilities within the pharmaceutical area compared to any other Nordic market player.

Since its inception in 2003, Karolinska Development has, through KIAB, evaluated over 1,200 early-stage development projects from Karolinska Institutet and other leading Nordic universities, which has resulted in a company portfolio including approximately 40 projects. Karolinska Development’s portfolio is strong within the areas of cancer, dermatology and wound healing, inflammation, cardiovascular diseases, women’s health and diseases that affect the central nervous system. The portfolio currently includes twelve projects in clinical phase – including six in Phase II – with more than 20 compounds deemed to have first in class potential.

Karolinska Development intends to focus on the projects that the company currently deems most likely to reach commercialization in the next three years.

### **Vision and business concept**

Karolinska Development’s vision is to create the next generation pharmaceutical company. The business concept is to create value for investors, patients, and researchers by developing innovations from world-leading research into products that can be sold or licensed with high returns.

### **Business model**

Karolinska Development’s business model comprises three main steps:

- Select – the most commercially attractive innovations are selected through a well-structured screening process
- Develop – products are cost efficiently developed to the point where the highest return on investment can be realized
- Commercialize – products are commercialized through the sale of companies or out-licensing of projects, resulting in cash payments, milestone payments and royalty income.

### **The portfolio**

Karolinska Development’s portfolio of investments currently comprises approximately 40 projects. Among the pharmaceutical development projects, 28 projects have reached lead-optimization phase or further. Twelve projects are in clinical phase, including six that have reached Phase II. In addition to the pharmaceutical development projects, the portfolio also includes nine technology platforms or medical devices. Karolinska Development owns 29 portfolio companies, of which 24 are active investments in which Karolinska Development has an active ownership role. The other five are considered to be passive financial investments.

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### **The offer in brief**

In order to secure the resources necessary for Karolinska Development's continued development, the Board of Directors of Karolinska Development has decided to broaden the shareholder base through a new issue of shares of series B with deviation from the existing shareholders' preferential rights. Furthermore, the Board of Directors of Karolinska Development has applied for a listing of Karolinska Development's shares of series B on NASDAQ OMX Stockholm. The subscription price per share is determined through a form of book-building procedure and is expected to be set in the range of SEK 37–42. The subscription price in the offering to the general public will not exceed SEK 42 per share of series B. The final subscription price will be announced on or around April 15, 2011.

The Board of Directors of Karolinska Development has thus decided to submit this offering to the public in Sweden and to certain institutional investors, in and outside of Sweden, to subscribe for shares of series B in the company (the "Offering"). The Board of Directors intends to carry out the Offering by resolving on a new issue of not more than 11,400,000 shares of series B, by virtue of authorization from the extraordinary shareholders' meeting on December 21, 2010. Subject to the Offering being fully subscribed, the Offering will amount to between SEK 422 million and SEK 479 million, before deduction of issue costs.

Karolinska Development may, if the demand is high, issue a maximum of 3,800,000 additional shares of series B (the "Enlargement option"). The Offering would therefore, if the Enlargement option is fully exercised, comprise a maximum of 15,200,000 shares of series B. In the event that the Enlargement option is fully exercised, but not the Over-allotment option, the Offering will provide Karolinska Development with additional capital of not more than SEK 160 million.

In addition, Karolinska Development will undertake towards SEB Enskilda, irrespective of whether the Enlargement option is exercised, at the request of SEB Enskilda, to expand the Offering with not more than 1,710,000 additional shares of series B, to cover possible over-allotment in connection with the Offering (the "Over-allotment option"). In the event that the Over-allotment option is fully exercised, but not the Enlargement option, the Offering comprises a maximum of 13,110,000 shares of series B. In the event that the Over-allotment option is fully exercised, but not the Enlargement option, the Offering will provide Karolinska Development with additional capital of not more than SEK 72 million. In the event that both the Enlargement option and the Over-allotment option are fully exercised the Offering comprises a maximum of 16,910,000 shares of series B and the total value of the Offering amounts to between SEK 626 million and SEK 710 million, before deduction of issue costs.

Karolinska Development's major shareholder, as of February 4, 2011, is Karolinska Institutet Holding AB ("KIHAB") which holds 1,503,098 shares of series A with ten votes each and 2,453,933 shares of series B with one vote each, which corresponds to approximately 11.87 percent of the share capital and approximately 37.31 percent of the votes in the company. Other major shareholders include The Third Swedish National Pension Fund (10.82 percent of the share capital), Östersjöstiftelsen (9.29 percent of the share capital) and Näsudden Investeringar (5.19 percent of the share capital).

Karolinska Development's financial advisors in connection with the Offering are SEB Enskilda ("lead manager"), DnB NOR Markets ("co-lead manager"), EFG Bank ("co-lead manager"), Kempen ("co-lead manager") and Singer Capital Markets ("co-lead manager").

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## **Prospectus**

Prospectus and application form can be obtained from any of SEB's and EFG's offices and from Karolinska Development. Prospectus and application form are also available on Karolinska Development's website ([www.karolinskadevelopment.com](http://www.karolinskadevelopment.com)) and SEB's website ([www.seb.se/prospekt](http://www.seb.se/prospekt)).

## **Time plan**

Publication of prospectus:	8.00 AM, March 28, 2011
Subscription period for the public:	March 30-April 13, 2011
Announcement of subscription price:	April 15, 2011
Expected first day of trading in the share:	April 15, 2011

## **For further information, please contact:**

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- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity meeting two or more of the following criteria: (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than € 43 million and (3) an annual net turnover of more than € 50 million, as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances, not requiring the Company to publish a prospectus as provide under Article 3(2) of the Prospectus Directive.

For the purposes hereof, the expression an “offer to the public of Securities” in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase any Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

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