ANNUAL REPORT

2021

KAROLINSKA DEVELOPMENT

KAROLINSKA
DEVELOPMENT

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About Karolinska Development

Karolinska Development (Nasdaq Stockholm: KDEV) is an investment company which offers a unique opportunity to participate in the value creation of a number of Nordic life sciences companies with substantial commercial potential. All of the portfolio companies are developing potentially ground-breaking treatments for medical conditions with a substantial need for improved therapies, including prolonged labour, hepatic encephalopathy, bone defects, septic chock, heart failure and serious viral infections. To date, two of the companies have launched their first products.

www.karolinskadevelopment.com
Twitter: @Karolinska_Dev
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OUR STARTING POINT FOR 2022

- **Karolinska Development's** strong financial position enables ongoing investments in the existing portfolio companies and generates even greater opportunities for investments in new companies.
- **Dilafor** is continuing its clinical evaluation of tafoxiparin in two indications: induction of labour and preeclampsia.
- **Umecrine Cognition** is preparing the launch of a study in patients with primary biliary cholangitis.
- **Modus Therapeutics** is expected to present phase 1b results for sevuparin and begin a phase 2 study in the area of sepsis/septic shock.
- The medtech companies, **OssDsign** and **Promimic** are continuing their efforts to establish their respective products on the global market, with a focus on the USA.
- **AnaCardio** is preparing to initiate a phase 1b/2a study of their candidate drug in patients with congestive heart failure.
- **Svenska Vaccinfabriken's** work on preparing a vaccine product to treat HBV/HDV for clinical studies is expected to reach completion during the year.
- **Aprea Therapeutics** is expected to present phase 2 results for eprene-tapopt in transplant patients with myelodysplastic syndrome and acute myeloid leukaemia.
- **Biosergen** is continuing to develop its candidate drug for systemic fungal infections and is planning to initiate a phase 1 study in 2022.

FINANCIAL SUMMARY

SEKm	2021	2020
Net profit/loss	170.8	-207.5
Cash, cash equivalents and short-term investments	92.4	75.9
Earnings per share (SEK)	1.0	-1.2
Net asset value per share (SEK)	5.6	4.6
Equity per share (SEK)	5.5	4.6
Share price at year end (SEK)	5.3	1.8
Investments in portfolio companies	69.2	40.0
Total portfolio fair value	**1,293.1**	**933.2**
Net portfolio fair value	**950.2**	**770.3**

The progress made by Karolinska Development and our portfolio companies in 2021 gives us a strong starting point for ongoing value creation. Our new rights issue in early 2022 has secured the resources necessary to provide more vigorous support for the existing portfolio companies and, at the same time, to take advantage of opportunities to invest in new life science projects, with the aim of improving the treatment of medical conditions where there is a substantial need for new therapies. Activity levels in our nine portfolio companies remain high and work is continuing towards future value-creating milestones.

After the positive phase 2b results for **Dilafors**' candidate drug, tafoxiparin, in the area of labour induction, the company is now also evaluating the effects of lower doses. The development programme has, furthermore, been expanded to include an additional indication, namely preeclampsia, which occurs in between 5 and 8 per cent of all pregnant women and is associated with serious complications for mother and child alike. The condition is one of the most common causes of maternal fatalities in both high- and low-income countries.

Umecrine Cognition is preparing the launch of a phase 2 study of patients with primary biliary cholangitis (PBC), a chronic autoimmune disease that attacks the bile ducts and can result in liver cirrhosis. Planning is also proceeding for a phase 2b study in hepatic encephalopathy. There are currently around 190,000 patients with PBC living in the seven largest geographical pharmaceutical markets, and no curative treatment currently exists. Due to PBC being a relatively rare disease, it has been designated as an orphan disease by the US Food and Drug Administration (FDA).

The results of a phase 1b study of **Modus Therapeutics**' candidate drug, sevuparin, which is being developed for the treatment of sepsis/septic shock – one of the most common causes of death in ICU departments with a mortality rate that usually exceeds 30 per cent – are expected during the year. Sevuparin has been shown to be safe and well-tolerated in previous patient studies. Data from preclinical studies indicates that the candidate drug can protect human blood vessels and prevent the plasma leakage that occurs in conjunction with sepsis/septic shock.

We are also looking forward to continuing to support our medtech portfolio companies, **OssDsign** and **Promimic**, in their efforts to establish their respective products on the global market. OssDsign's bone regeneration products and Promimic's coating for implants are both based on ground-breaking materials science and the two companies are now in the midst of an intensive commercialisation phase where the focus is on the US market.

The most recent addition to the ranks of our portfolio companies, **AnaCardio**, is preparing to initiate a phase 1b/2a study of its candidate drug in patients with congestive heart failure. The company's pharmaceutical concept is designed to restore the heart's normal muscle function and the patient's circulation in a way that is both completely new and potentially safer than existing treatments. An estimated 20 million people suffer from chronic congestive heart failure and over 3 million are hospitalized every year. Sales of drugs to treat congestive heart failure are expected to grow to USD 16.1 billion in the world's seven biggest pharmaceutical markets over the next five years.

Svenska Vaccinfabriken is continuing its efforts on preparing a vaccine product to treat hepatitis B and D for clinical studies, with the goal of beginning a phase 1 study at the end of this year or in early 2023. The availability of preventative vaccines and antiviral treatments notwithstanding, over 250 million people are living with chronic hepatitis B and 1 million people die every year from complications from the infection – usually hepatic cirrhosis and cancer. The closely related hepatitis D virus infects 15-25 million hepatitis B carriers and worsens the progression of their disease. Svenska Vaccinfabriken has also developed a platform to address and prevent covid-19 infections which is expected to provide the opportunity to quickly develop and produce vaccines against both existing and new forms of Coronaviruses. The company submitted a patent application specifically linked to a potential Covid-19 vaccine in 2021.

Aprea Therapeutics is continuing to advance its two candidate drugs that are designed to restore mutations in the tumour suppressor protein p53. Mutations in the p53 gene occur in half of all human tumours and are associated with poor overall survival. Maintenance treatment of patients with myelodysplastic syndrome or acute myeloid leukaemia with the company's highly advanced candidate drug, eprenetapopt, in combination with azacitidine, was shown in a recently reported phase 2 study to result in a relapse-free survival rate of 58 per cent and an overall survival rate of 79 per cent one year after undergoing bone marrow transplantation. In August 2021, the FDA issued a clinical hold on the ongoing study evaluating their highly advanced candidate drug for the treatment of lymphoid malignancies. The FDA revoked its decision in December 2021, and the study has now recommenced.

Finally, **Biosergen** is continuing the development of its candidate drug to treat systemic fungal infection and is planning to initiate a phase 1 study in 2022. Fungal infections kill over 1.5 million people every year and that number is continuing to rise, with patients suffering from compromised immune systems due to cancer or immunosuppressive therapy being a particularly susceptible group. Effective antifungal pharmaceuticals do exist, but their usage is limited by serious side-effects and drug resistance. In preclinical models, Biosergen's candidate drug demonstrated superior efficacy and a better safety profile than the treatments currently in use.

We have seen more and more indications of the strength of our business model, which is described in detail later in this Annual Report, in 2021. The divestment of Forendo Pharma to the global pharmaceutical company, Organon, within the framework of an agreement that could result in revenues of up to USD 945 million for Forendo Pharma's shareholders, is an excellent example of the commercial value in which our professional and sustainable investment strategy can result. We are grateful for the confidence that existing and new investors showed in Karolinska Development by taking part in the new rights issue completed in February 2022. With a solid financial position and a strong investment team, it is now time to further increase the tempo of our value creation.

Solna 22 March 2022

Viktor Drvota
Chief Executive Officer

Long-term investments in potentially ground-breaking innovations

KAROLINSKA DEVELOPMENT is a listed investment company that handpicks most of its investments from the flood of medical innovations in various stages of their development from the Karolinska Institute and other highly respected universities in the Nordic region. The company invests in pharmaceutical projects and medtech products that have the potential to revolutionise the treatment of diseases and where there is a substantial need for new therapies. Investments are made in partnership with other, usually international, specialist investors in order to increase the portfolio companies' long-term financing opportunities and their access to commercial and scientific expertise.

DEVELOPING A NEW PHARMACEUTICAL or medtech product takes a long time and requires substantial investments. There is a substantial risk of an individual project failing to make it to market, but the enormous potential for growth in value in those companies that achieve success means that there is, nonetheless, considerable interest in investing in small to medium-sized life science companies. Karolinska Development has a well-developed methodology for optimising the commercial potential of the portfolio companies' life science projects and for, wherever possible, reducing the inherent biological project risk – all research and development is, after all, conducted specifically because the results are not known in advance.

ONE WAY OF REDUCING THE RISKS is to implement broad development programmes with multiple potential spheres of use for a candidate drug or medtech product. A candidate drug that proves to be ineffective for one particular medical indication may very well be successful in another. The portfolio companies receive professional support during the process of optimising the design of clinical studies, and the potential for spreading the risks by expanding the indication areas is evaluated continuously. The development strategy for the individual projects is formulated in close cooperation with world-leading scientific and clinical experts.

ANOTHER WAY OF OPTIMISING THE VALUE CREATION is to prepare an exit strategy when the investment is first made. Karolinska Development works purposefully on optimising the portfolio companies' preconditions for commercialising their projects. In recent years, the portfolio companies have been strengthened through the addition of people with a documented ability to conduct international business transactions in the life science sector.

ANOTHER FACTOR FOR SUCCESS involves continuously adjusting the composition of Karolinska Development's portfolio in order to maintain an acceptable total risk level.

THE MOST IMPORTANT ASSET of an investment company is the people who are responsible for selecting and developing the investments. Karolinska Development's company management comprises individuals with in-depth experience of investment activities, research and development, and enterprise. The management also has an extensive international network in both the scientific world and the global life science sector.

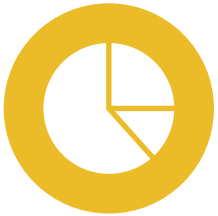
KAROLINSKA DEVELOPMENT'S INVOLVEMENT in its portfolio companies is a long-term one. Companies operating in the pharmaceutical development sector are followed until proof of concept is demonstrated in phase 2 studies. The reasoning here is that this is an attractive time to do business. Only then is it possible to demonstrate that a candidate drug has the anticipated biological effect, thereby substantially reducing the ongoing development risk and significantly increasing the value of the project. The holdings in portfolio companies operating in the medtech sector are divested at an even later stage, when the companies have launched their first product and become cash flow positive. Opportunities for entering into cashflow-generating licensing agreements, conducting stock market flotations, or divesting projects, are evaluated continuously throughout the companies' development processes.

Five reasons to invest in Karolinska Development

EVALUATING THE QUALITY and level of innovation of a research project is difficult and time-consuming for investors without in-depth knowledge of the life science sector. An investment in Karolinska Development offers a unique and straightforward opportunity to share in the growth in value of a number of carefully selected, highly innovative Nordic life science companies with substantial commercial potential.

Access to both public and unlisted companies

As a private individual, one's opportunities to invest in companies that are not traded on an exchange are often limited, and in those instances where one could manage to invest in one, divesting the holding at short notice is much, much more difficult. Karolinska Development's extensive network in the Nordic life science sector offers ongoing opportunities to invest, even in unlisted companies.



Good risk spread

Investments in small and medium-sized life science companies entail significant risks, in that the outcome of project development is often binary. A good risk spread requires a broad and well-composed portfolio, but building up and then continuously monitoring this kind of portfolio can be difficult and time-consuming. A holding in Karolinska Development gives you the opportunity to share in the growth in value of a well put together portfolio of innovative, Nordic life science companies.

Professional assessment of biological risk

The ability to assess the likelihood of the biological concept behind a life science project leading to a finished product requires extensive expertise and experience. Karolinska Development's investments are always based on professional assessments of the level of innovation and viability of the scientific hypothesis upon which each individual project rests.

Professional assessment of commercial risk

Even if a life science project develops well from a purely medical perspective, it doesn't necessarily mean that it will be possible to capitalise on the scientific advances. Karolinska Development conducts a detailed analysis of a potential new portfolio company's commercial potential, i.e. the probability that its projects can be out-licensed, sold, or launched in-house, before every investment.

Continuous and detailed monitoring of the holdings

Karolinska Development's investment managers continuously monitor the portfolio companies' development, make any additional investments that look attractive, and divest holdings at the times that they calculate will result in the best return for shareholders.

Forendo Pharma – USD 945 million for new endometriosis treatment

An estimated 176 million women worldwide suffer from endometriosis – a severe and painful, chronic inflammation – with existing treatments associated with a number of side effects, including osteoporosis. In November last year, the global pharmaceutical company, Organon, acquired Karolinska Development's portfolio company, Forendo Pharma, which is developing a new treatment for endometriosis, for a total purchase price of USD 945 million, provided that all milestones are reached. This is how Karolinska Development helped enable one of the biggest single transactions ever in the Nordic biotech sector.

Karolinska Development's broad network in the Nordic life sciences sector meant we had our eyes on Forendo Pharma at an early stage in their development, and we invested in the company as long ago as 2013. Karolinska Development has been heavily involved in the work of Forendo Pharma's Board of Directors ever since, helping to develop the company up to the point of last year's sale. Viktor Drvota, Chief Executive Officer at Karolinska Development, says that he and his colleagues have been instrumental in encouraging Forendo Pharma, along with the other portfolio companies, to show off their company and business case, both at scientific conferences and at more financially orientated meeting places.

ABOUT ENDOMETRIOSIS

Endometriosis is an oestrogen-dependent disease that effects approximately 10 per cent of all fertile women – an estimated total of 176 million people worldwide – and is caused by cells that normally grow inside the uterus spreading outside it. This results in chronic inflammation in the surrounding tissue. The disease manifests in numerous different ways and often causes very painful menstrual periods and chronic abdominal pain. Existing pharmaceutical treatments alleviate the symptoms by inhibiting the body's oestrogen synthesis, and one obvious disadvantage of this type of treatment is that it disrupts the systemic oestrogen balance, which can give rise to osteoporosis and other serious side effects that complicate long-term medication-based treatment. Forendo's oral drug is designed to reduce local oestrogen production in the tissue affected by the disease. This targeted effect constitutes an important difference between Forendo Pharma's treatment and competing treatments for endometriosis.

Case Study: Forendo Pharma

“If smaller life science companies are to successfully attract global pharmaceutical companies and interest them in their projects, they must be a constant presence on the international stage and must present their assets in an attractive way. We have helped adapt Forendo Pharma’s development programme in line with what the market needs and have also helped the company to sharpen its communication with potential stakeholders,” says Viktor Drvota.

The transaction was completed in November last year and Forendo Pharma’s shareholders not only received an initial payment of USD 75 million, but are also entitled to conditional future payments totalling USD 870 million, linked to milestones in the development, registration, and commercialisation of the company’s candidate drugs.

Research by leading Finnish endocrinology experts lies behind the acquisition of the former portfolio company. Forendo Pharma was founded in 2013 in Turku, Finland and has built a scientific platform based on the HSD17B enzyme, which plays an important part in the progression of numerous diseases. The focus is on developing candidate drugs that affect different families of this enzyme. The company’s most advanced candidate drug, FOR-6219, is an HSD17B1 blocker that reduces local oestrogen production in the tissue affected by endometriosis. An HSD17B5 blocker for the treatment of polycystic ovarian syndrome (PCOS) is also being developed, and an additional pharmaceutical project for the treatment of chronic liver disease is, furthermore, being conducted within the framework of a partnership with Novartis.

In 2020, Forendo Pharma completed a successful phase 1 study demonstrating that the FOR-6219 candidate drug has a good safety and tolerability profile, and that its pharmacokinetics enable a once daily oral dose. In March last year, based on these results, a decision was taken to initiate preparations for a phase 2 study that will be conducted in the USA.

During the negotiations between Organon and Forendo Pharma’s Boards of Directors, which took virtually the whole of 2021, a negotiations committee worked with the ongoing interactions, while Viktor Drvota and other Board Members took decisions based on the committee’s reports.

”It was a very exciting time during which we took decisions based on a variety of bids and proposals. I’m very pleased with the way the transaction was eventually structured, both for Karolinska Development and for Forendo Pharma,” says Viktor Drvota.

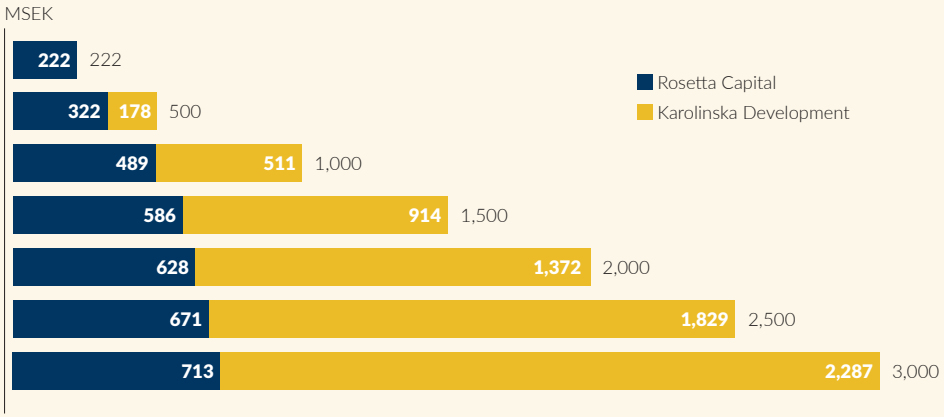
At the time of Organon’s acquisition of Forendo Pharma, Karolinska Developments’ combined ownership, including indirect holdings via the KCIF Co-Investment Fund, was 9.7 per cent.

KDev Investments and the agreement with Rosetta Capital

In December 2012, Karolinska Development entered into partnership with the international specialist investor, **Rosetta Capital**, which invested SEK 220 million in a number of portfolio companies in return for a share of the future profits from these companies. The shareholdings in the portfolio companies comprised by the agreement with Rosetta are invested in the jointly owned company, **KDev Investments AB**, which today comprises five companies: Aprea Therapeutics, Modus Therapeutics, Dilafor, Promimic and Biosergen. The return, including Rosetta Capital's investment of SEK 44 million in the portfolio companies, will be distributed in accordance with a "waterfall structure", as illustrated in the graph below. With its current shareholding, Karolinska Development's proportion of dividends will be 0 per cent for accumulated dividends up to SEK 220 million, 65 per cent for accumulated dividends between SEK 220 million and SEK 880 million, 75 per cent for accumulated dividends between SEK 880 million and SEK 1,320 million, and 92 per cent for accumulated dividends above SEK 1,320 million.

KDev Investments has so far paid SEK 42 million in dividends to Rosetta Capital.

Distribution of dividends under waterfall-structure*



Accumulated exit value of all KDev Investments portfolio companies payable as dividends (SEKm)

*When calculating distribution of dividends, any dividends previous distributed will be taken into account, accumulated paid dividend amounts to 42 MSEK.

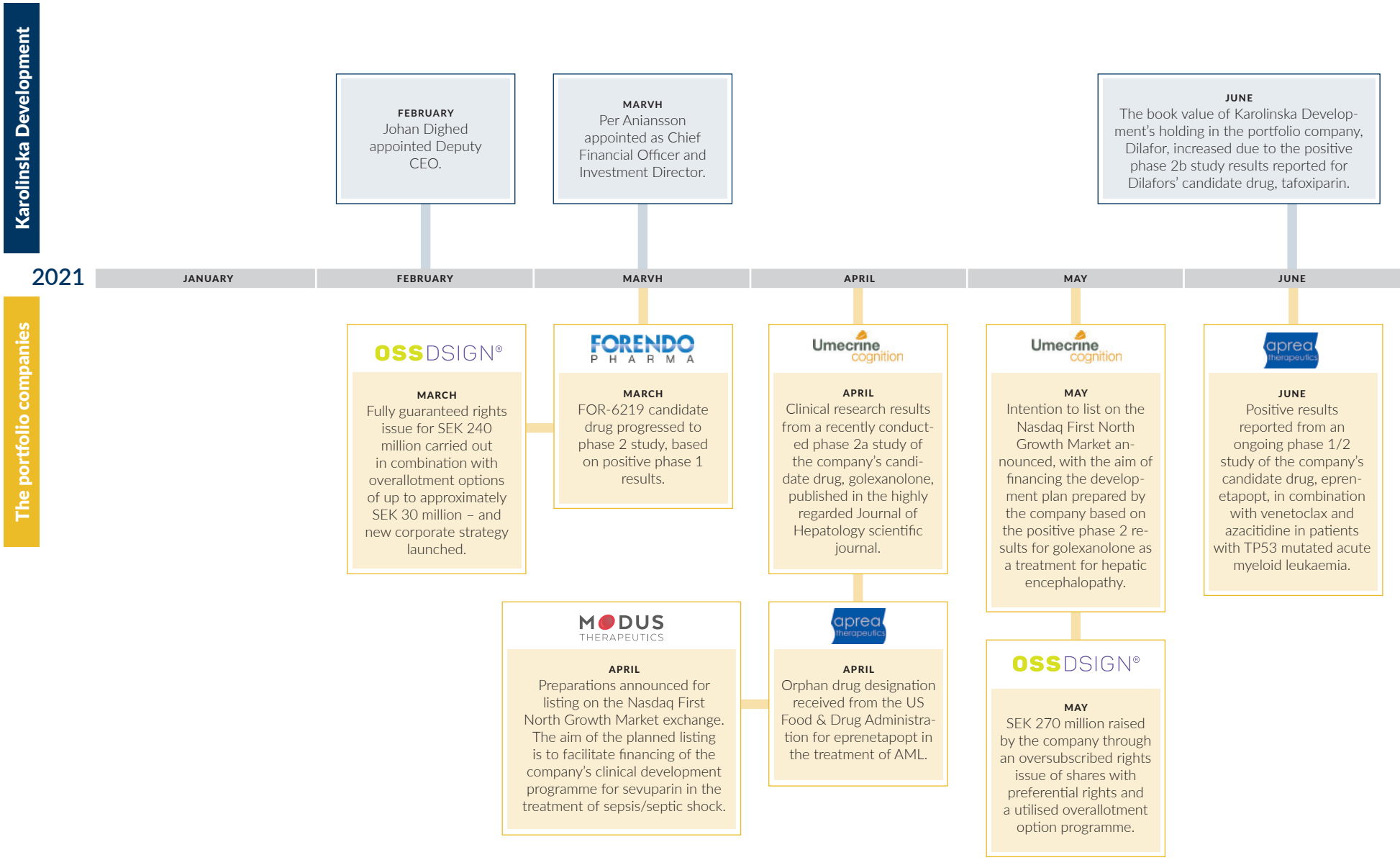
What is fair value?

- **Fair value** quantifies the combined value of the company's investments at a given time. The calculation of the portfolio's fair value is based on the provisions of the international accounting standard, IFRS 13, and the International Private Equity and Venture Capital Valuation Guidelines (IPEV Valuation Guidelines). The fair value of the portfolio is divided into "Total portfolio fair value" and "Net portfolio fair value".

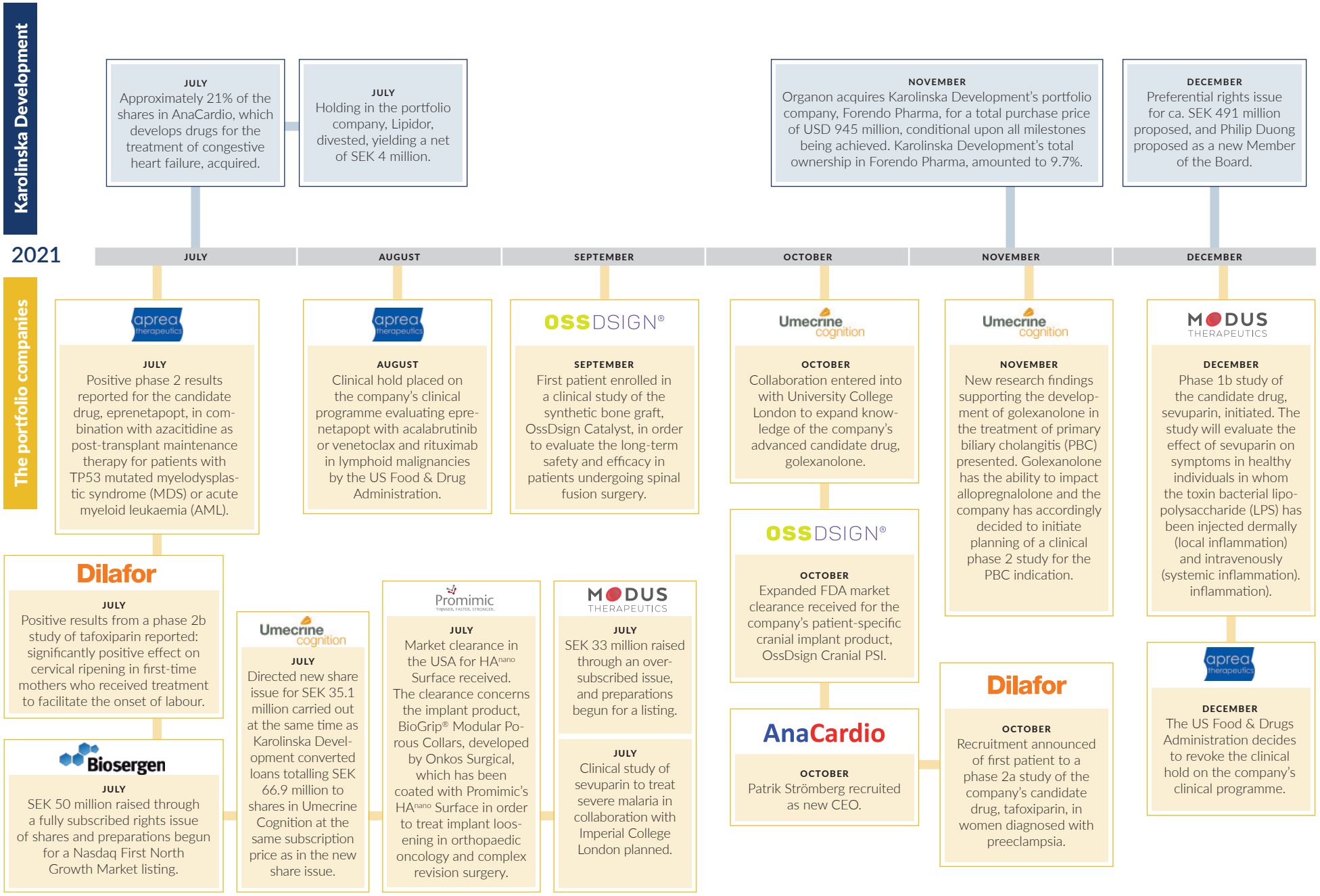
- **The total portfolio fair value** is the aggregate return that would be obtained by Karolinska Development and KDev Investment if the shares in the portfolio companies were to be divested in an orderly transaction between market operators at the year-end.

- **The net portfolio fair value** is the aggregate dividend that Karolinska Development will receive after KDev Investment's dividend payment to Rosetta Capital.

Key events in 2021



Key events in 2021



Active ownership to drive value creation and sustainable development

Sustainability for Karolinska Development is about contributing to society's development through investments in innovative pharmaceutical projects and medical technology products with the potential to improve human health. To ensure that we conduct our business in a responsible way, we work actively to constantly develop the company's understanding and management of ESG aspects (Environment, Social, Governance), both from an impact perspective and from a business perspective.

Value creation

A prerequisite for our investments is that products and services in our portfolio companies should have the potential to revolutionize the treatment of diseases and disabilities where the need for new therapies is extensive. Through this approach we aim to create long-term values for human health. In our investment process we are consequently looking for projects and companies with groundbreaking development in areas where there are currently no effective treatment alternatives.

Management of portfolio companies

As an active owner, a large part of our impact on people and environment take place through the companies we own and invest in. A common denominator in our investments is that we always have high ambitions for our responsibilities as an owner and how we contribute to the portfolio companies' development. In most of our portfolio companies we are represented on the board of directors, where we take an active role in contributing to strong corporate governance, developing value creation, and ensuring satisfactory management of sustainability aspects. In our engagement with the portfolio companies, we focus on social aspects such as helping the companies to ensure a long-term talent management and good management of gender equality aspects.

OUR POLICIES

- Code of ethics
- Data Protection Policy (GDPR)
- Dividend policy
- Environmental policy
- Equal treatment policy
- Human resource policy
- Information and insider policy
- Policy for reporting on insider information
- Investment policies
- IT security policy
- Payment authorization rules
- Rules and instructions for employees
- Policy for transactions with closely related

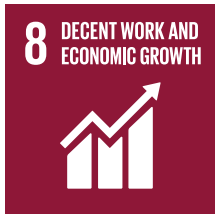
Corporate governance and policy framework

Our way of working and formal positions regarding corporate governance and management of sustainability aspects are formalized through our policy framework. The framework consists of external and internal policies as well as internal guidelines and process descriptions for the company's employees. The text box on the previous page lists our policies relating to sustainability. Karolinska Development's corporate governance report (p. 88) describes in detail how the company is formally governed, including who are the major owners. The report also outlines the composition of the board of directors, including board members, committees, and board members' independence in relation to owners and management. The corporate governance report also describes the company's risks and how employees and skills supply aspects are managed.

Our contribution to the UN sustainable development goals

We invest in innovative pharmaceutical projects and medical products that improve human health.

We conduct active work for increased gender equality both internally and through active ownership in our portfolio companies.



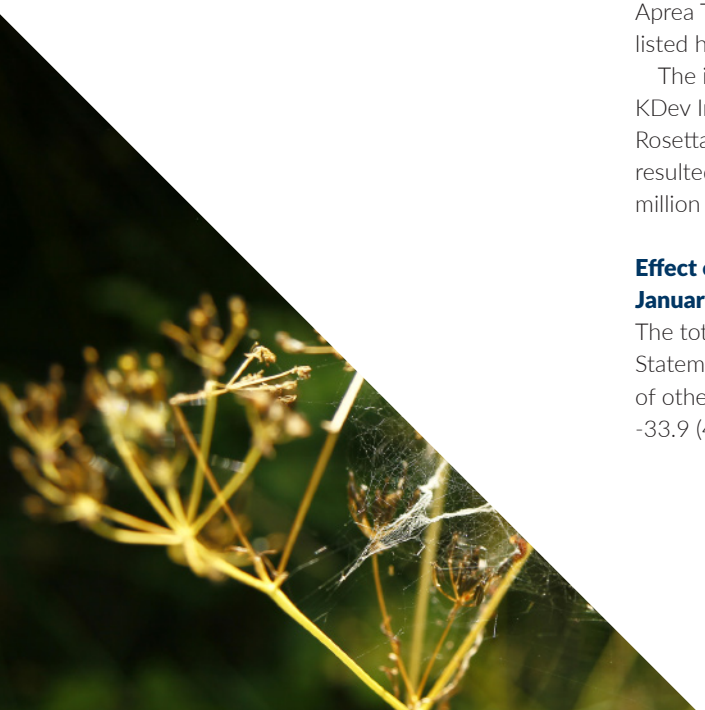
Through our investments and active ownership efforts, we promote financial productivity and create increased economic growth.

Our focus on innovative projects and products contributes to increased access to capital for companies and projects in the early stages.

Our investments increase the availability of new therapies for different patient groups. This promotes social and economic inclusion.

Through our active ownership efforts, we work to combat corruption and ensure ethical and transparent corporate governance in our portfolio companies.

Financial position of the Investment Entity – summary



Investments: January – December 2021:

Karolinska Development's investments in the portfolio companies during the period January–December 2021 totalled SEK 69.2 million (SEK 40.0 million in 2020), of which SEK 52.8 million comprised cash investments and SEK 16.4 million comprised non-cash investments (interest on outstanding loans and one financing fee wich is converted into shares in portfolio company). Investments from external stakeholders totalled SEK 386.3 million (SEK 106.5 million 2020).

The portfolio fair value

The total fair value of portfolio companies owned both directly by Karolinska Development and indirectly via KDev Investments rose, year on year, by SEK 359.9 million to SEK 1,293.1 million at the end of the year. The main reasons for the positive change in fair value was attributable to the external valuation of Dilafor and later on an investment round, performed after the positive phase 2b study with its drug candidate tafoxiparin. The fair value of the holding increased by SEK 450.2 million. Negative change in fair value was attributable to the divestment of Forendo Pharma to Organon, the partial divestment of shares in the Aprea Therapeutics holding and the fall in the share price of the same listed holdings.

The increase in the fair value of the part of the portfolio owned via KDev Investments resulted in an increase in the potential dividend to Rosetta Capital of SEK 180.0 million to SEK 342.9 million. This, in turn, resulted in a net increase in the fair value of the portfolio by SEK 179.9 million in 2021 to SEK 950.2 million.

Effect on the profit of the increase in portfolio value, January – December 2021

The total result of the Changes in portfolio fair value, via the Income Statement, was SEK 223.2 (-215.4) million and the change in fair value of other financial assets and liabilities, earn-out agreements, was SEK -33.9 (43.1) million.

Revenues and profit/loss

Revenues totalled SEK 2.2 million during the year, compared to SEK 2.7 million in 2021 and primarily comprised income from services provided to portfolio companies.

The Investment Entity's operating profit/loss totalled SEK 160.7 million compared to SEK -202.4 million in 2020.

The Investment Entity's profit for the full year of 2021 totalled SEK 170.8 million compared to SEK -207.5 million in 2020, or SEK 0.97 per share in 2021 compared to SEK -1.18 in 2020.

Financial position

The Investment Entity's equity amounted to SEK 971.1 million on 31 December 2021 compared to SEK 800.3 million on 31 December 2020.

Interest-bearing liabilities consisted of bridge loans, including accrued interest, amounting to SEK 124.6 million on 31 December 2021, compared to SEK 75.9 million on 31 December 2020.

On 31 December 2021, cash and bank balances (including short-term investments) totalled SEK 92.4 million compared to SEK 75.9 million at the end of 2020. The net debt thus amounted to SEK -32.2 million on 31 December 2021 compared to SEK 0.0 million on 31 December 2020.

Equity/assets ratio and net asset value

The equity/assets ratio of the Investment Entity amounted to 88 per cent by 31 December 2021 compared to 90 per cent on 31 December 2020. The net asset value amounted to SEK 5.6 per share at the end of 2021, compared to SEK 4.6 per share at the end of 2020.

Accounting principles

Karolinska Development is an Investment Entity as defined in IFRS 10, Consolidated Financial Statements.

Upcoming study results can create attractive opportunities for divestments or licensing deals

KAROLINSKA DEVELOPMENT'S investments in therapeutic companies are conducted in syndicates with other professional life science investors, normally until proof-of-concept is demonstrated in phase 2 trials, at which point different exit options are evaluated. When engaging in medtech companies, the business model is to finance the companies until they show a positive operating profit.

The portfolio currently consists of nine companies focused on developing innovative treatment methods for diseases that are life-threatening or involve a risk of severe disabilities and other medical conditions. Seven of the portfolio companies have drug candidates in ongoing clinical trials and two companies have medtech products in early commercial phases. During the period 2022–2023, four portfolio companies are expected to present data from phase 1 studies and three portfolio companies are expected to present data from phase 2 studies. These study results have the potential to significantly increase the opportunities for attractive divestments or license transactions. Comparable drug candidates have in recent years been out licensed or sold at contract values that have amounted to billions for the individual projects.

Over the years, the portfolio companies have been strengthened with team members with a documented abilities to close international business deals in the life sciences sector.

In addition to the portfolio companies, Karolinska Development has interests in two other life science companies, Forendo Pharma and Oncopeptides, in the form of earn out agreements.

Earn out-agreements

Karolinska Development has interests in two other life science companies, in the form of earn out agreements that provide the opportunity for future income.

oncopeptides — Phase 3

FORENDO PHARMA — Phase 1

Our current portfolio – potential for value-inflection

Company	Net Ownership*	Preclinical	Phase 1	Phase 2	Phase 3
aprea therapeutics	KDev Invest 5.5%	Next gen. APR-548 → 2022			
		Post transplant Myelodysplastic syndrome (MDS) / Acute myeloid leukemia (AML) → 2022			
MODUS THERAPEUTICS	KD 38% KDev Invest 17%	Sepsis/septic shock → 2022			
Dilafor	KD 1% KDev Invest 30%	Labor induction → 2022			
		Pre-eclampsia → 2022			
Umecrine cognition	KD 70%	Hepatic encephalopathy → 2025			
		Primary biliary cirrhosis → 2024			
SVF SVENSKA VACCIN FABRIKEN	KD 31%	Hep. B/D → 2023			
		Covid-19 → 2022			
AnaCardio	KD 21%	Heart failure → 2023			
Biosergen	KDev Invest 3%***	Systemic fungal infection → 2022			

Medtech	Net Ownership*	Prototype	Development	PMA/510k	Market
OSSDSIGN®	KD 10%**	Patient-specific craniofacial implants → Expansion in the EU and the US 2022			
Promimic	KDev Invest 20%	Medical implant coatings → Expansion in the EU and the US 2022			

KD: Karolinska Development – **KDev Invest**: KDev Investments
* Fully diluted ownership based on current investment plans
** Includes indirect holdings through KCIF Co-Investment Fund
*** Passive investment

Current phase — *Progress and expected results*

Project (First-in-class)
Eprenetapopt (APR-246)
APR-548

Primary indication
Myelodysplastic syndrome (MDS)

Acute myeloid leukaemia (AML)

Development phase
Phase 3

Holding in company*
KDev Investments 5.5%

Other investors
Fidelity Investments
Redmile Group
Consonance Capital
Sectoral Asset Management
Janus Capital Group
The Vanguard Group
Rock Springs Capital
BlackRock

Origin
Karolinska Institutet

More information
aprea.com

* Fully-diluted ownership based on current investment plans.

Aprea Therapeutics Inc.

Attacks tumor suppressor protein for increased chance of surviving cancer

Aprea Therapeutics (Boston, USA and Stockholm, Sweden) develops novel drugs targeting the tumour suppressor protein, p53. Mutations of the p53 gene occur in around 50 per cent of all human tumours and are associated with poor overall survival. Aprea's candidate drug, eprenetapopt (APR-246), has shown an ability to reactivate mutant p53 protein, inducing programmed cell death in many cancer cells.

During the second quarter of 2021, the FDA approved orphan drug designation for eprenetapopt as treatment for acute myeloid leukaemia (AML). Six months earlier, the FDA approved fast track designation for eprenetapopt within the AML indication. In June, Aprea Therapeutics presented positive results from an ongoing phase 1/2 study of eprenetapopt in combination with venetoclax and azacitidine in patients with TP53-mutated acute myeloid leukaemia, AML. The results show that the treatment achieves the study's predetermined primary efficacy endpoint with complete remission in 37 per cent of the evaluated cases.

During the third quarter, Aprea Therapeutics reported positive results from a phase 2 study of eprenetapopt in combination with azacitidine for post-transplant maintenance therapy in patients with TP53-mutated myelodysplastic syndrome (MDS) or acute myeloid leukaemia (AML). In the 33 patients included in the study, relapse-free survival (RFS) one year after transplantation was 58 per cent and median RFS 12.1 months. The overall survival (OS) one year after transplantation was 79 per cent, with a median OS of 19.3 months. The treatment was well tolerated. The FDA has approved an Investigational New Drug (IND) application for APR-548 – a next-generation drug candidate in oral form. The company is now initiating a clinical development programme for APR-548 for the treatment of TP53-mutated MDS.

Aprea is listed on the NASDAQ Global Select Market in the USA since October 2019.

THE MARKET

Eprenetapopt has the potential for use in many different types of cancer as mutations in p53 are found in around 50 per cent of all diagnosed cancers. The lead target indications thus far include blood tumours such as MDS and AML. MDS is an orphan disease and represents a spectrum of hematopoietic stem cell malignancies. Approximately 30-40 per cent of MDS patients progress to AML and mutations in p53 are found in up to 20 per cent of MDS and AML patients, which is associated with poor overall survival.

DEAL VALUES FOR SIMILAR PROJECTS

- USD 469 million
  MEI Pharma (licensor) & Helsinn Group (licensee) 2016
- USD 483 million
  Calithera Biosciences (licensor) & Incyte (licensee) 2017

DEVELOPMENTS IN 2021

2021

APRIL
Receives orphan drug designation in the US for eprenetapopt as treatment for acute myeloid leukaemia (AML).

JUNE
Presents positive study results from an ongoing phase 1/2 study of eprenetapopt in patients with TP53-mutated acute myeloid leukaemia.

JULY
New positive results from a phase 2 trial of of eprenetapopt in combination with azacitidine for post-transplant maintenance therapy in patients with TP53-mutated myelodysplastic syndrome (MDS) and acute myeloid leukaemia.

AUG
FDA issues a clinical hold for Aprea Therapeutics clinical programme evaluating eprenetapopt with acalabrutinib or venetoclax and rituximab in lymphoid malignancies.

DEC
FDA removes the clinical hold for eprenetapopt.

MODUS THERAPEUTICS

Project (First-in-class)
Sevuparin

Primary indication
Sepsis/Septic shock

Development phase
Phase 2

Holding in company*
Karolinska Development 37%
KDev Investments 17%

Other investors
The Foundation for Baltic and East European Studies
Ergomed
Praktikerinvest

Origin
Karolinska Institutet
Uppsala University

More information
modustx.com

* Fully-diluted ownership based on current investment plans.

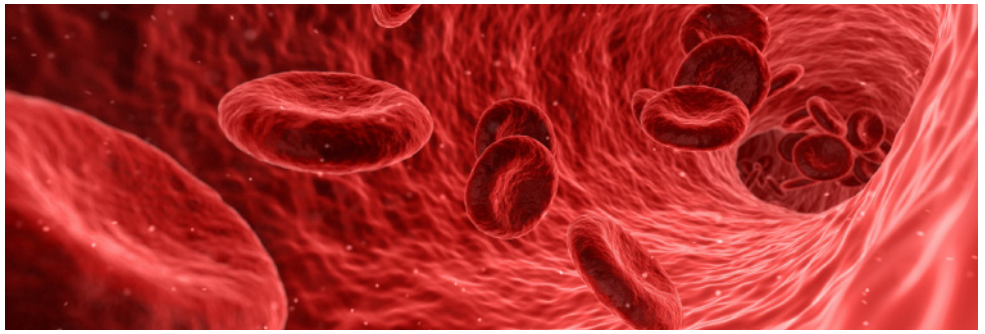
Modus Therapeutics AB

Develops treatments against life threatening sepsis/ septic shock

Modus Therapeutics (Stockholm, Sweden) is developing sevuparin as a treatment of sepsis/septic shock, a potentially life-threatening condition that currently lack efficient pharmaceutical therapies. Patients that are affected by sepsis are exposed to a risk of developing multi-organ failure and – in severe cases – decease. Sevuparin is a polysaccharide drug candidate with a multimodal mechanism of action, including anti-inflammatory, anti-adhesive and anti-aggregate effects. It acts by interfering with the harmful agents generated by white blood cells during systemic inflammation. This interference could potentially break the molecular chain of events that lead to vascular damage and plasma leakage in patients with sepsis/septic shock and other systemic inflammatory manifestations. Data from pre-clinical animal as well as in vitro human cell models has revealed that sevuparin was able to protect blood vessels and counteract lung plasma leakage during systemic inflammation. Previous clinical trials in other patient groups have shown that sevuparin is well tolerated and has a favourable safety profile.

In December 2021, the first human subject in a phase 1b study of sevuparin was dosed. The randomized, placebo-controlled study will evaluate the effect of sevuparin on the symptoms in healthy individuals who have had the bacterial toxin lipopolysaccharide (LPS) injected into the skin (local inflammation) and into the blood (systemic inflammation). Modus Therpeutics will also, together with Imperial College in London, evaluate the effect of sevuparin in patients with severe malaria. Malaria causes more than 400,000 deaths per year and the need for new and effective drugs is therefore great.

In July, Modus Therapeutics carried out an oversubscribed issue of units (subscription rate 113 per cent) and was thus provided with SEK 30 million after transaction costs. In July, the Company's share was listed on the Nasdaq First North Growth Market in Stockholm.



THE MARKET

Septic shock is a leading cause of death in intensive care units, with mortality rates typically exceeding 30 per cent. There is currently no specific pharmaceutical treatment available for the treatment of sepsis. As a result, it is one of the costliest conditions to treat in the hospital care setting. In 2019, US healthcare costs for patients with sepsis were estimated at USD 23 billion. Sepsis/septic shock is triggered by an infection and causes the same form of severe uncontrolled inflammation that can occur in conjunction with extensive surgery, trauma, burns and autoimmunity.

DEVELOPMENTS IN 2021

2021

JUNE
Modus Therapeutics and Imperial College London enter into a collaboration agreement with the aim of evaluating the effect of the company's drug candidate sevuparin in patients with severe malaria.

JULY
Modus Therapeutics is supplied with SEK 30 million through an oversubscribed issue of units (subscription rate 113 per cent). The company's share is listed on Nasdaq First North in Stockholm.

DEC
The first human subject is dosed in a phase 1b study of sevuparin.

Dilafor

Project (First-in-class)
Tafoxiparin

Primary indication
Labour induction
Preeclampsia

Development phase
Phase 2b

Holding in company*
Karolinska Development 1%
KDev Investments 30%

Other investors
The Foundation for Baltic and East European Studies
Opocrin
Praktikerinvest
Rosetta Capital
Lee's Pharmaceutical

Origin
Karolinska Institutet

More information
dilafor.com

* Fully-diluted ownership based on current investment plans.

Dilafor AB

Reducing complications with childbirth

Dilafor (Solna, Sweden) is developing tafoxiparin for obstetric indications, with particular reference to protracted labour and associated complications. About one quarter of all pregnant women undergo induction in labour. In just over half of all cases, the induction fails, leading to protracted labour that entails an increased risk for both mother and child due to medical complications. Between 25 and 40 per cent of women who experience protracted labour eventually require an emergency caesarean section. Surgical intervention always entails not only a risk to the patient, but substantial health care costs. Tafoxiparin could eliminate patient suffering and save valuable health care resources.

In 2021, the results of a placebo-controlled phase 2b study were presented which show that tafoxiparin has a significant positive effect on cervical ripening in first-time mothers who receive treatment to initiate labour. The study included 170 first-time mothers with immature cervixes, which are treated to ripen the cervix and thereby facilitate the onset of labour. Patients were treated with either a subcutaneous injection of tafoxiparin or a placebo once daily for up to one week prior to scheduled initiation. The primary objective of the study was to document the effect of tafoxiparin on cervical ripening measured as the degree of ripening according to an internationally established scale, the Bishop score.

The study results showed that tafoxiparin affected the ripening of the cervix compared to placebo, with a difference that was statistically significant ($p < 0.009$). Based on the positive results, Dilafor plans to extend the phase 2b study, in order to document the effect of tafoxiparin also in two lower doses than what has been studied thus far. Based on an external valuation, Karolinska Development increased the book value of its holding in the portfolio company by SEK 450 million as a result of the positive results in the phase 2b study.

THE MARKET

Approximately one quarter of all pregnant women require labour induction. The current standard treatment includes administration of prostaglandins and oxytocin, but in over 50 per cent of cases, the induction fails, leading to protracted labour, emergency caesarean sections, or other maternal and foetal complications. Market analyses show that a drug with a good effect on the ripening of the cervix has the potential to reach annual sales over USD 1 billion in the US market alone.

DEAL VALUES FOR SIMILAR PROJECTS

- USD 397 million
  Velo Bio (seller) &
  AMAG Pharmaceuticals (buyer) 2018
- USD 465 million
  Palatin Technologies (licensor) &
  AMAG Pharmaceuticals (licensee) 2017

DEVELOPMENTS IN 2021

2021

APRIL
Completion of the inclusion of patients in the phase 2b study by the drug candidate tafoxiparin.

JUNE
A placebo-controlled phase 2b study shows that tafoxiparin has a significant positive effect on the ripening of the cervix in first-time mothers who receive treatment to initiate labour.

OCT
Patient recruitment begins in a phase 2a study of tafoxiparin in women diagnosed with preeclampsia.

Project (First-in-class)
Golexanolon (GR3027)

Primary indication
Hepatic encephalopathy
Primary biliary cholangitis

Development phase
Phase 2a

Holding in company*
Karolinska Development 72%

Other investors
Norrlandsfonden
Fort knox förvaring AB
PartnerInvest

Origin
Umeå University

More information
umecrinecognition.com

* Fully-diluted ownership based on current investment plans.

Umecrine Cognition AB

A new approach to treating hepatic encephalopathy

Umecrine Cognition (Solna, Sweden) is developing golexanolone (GR3207) – a candidate drug in a new class of pharmaceuticals that affect the GABA system. An over-activation of the inhibitory GABA system in the CNS is suspected in conjunction with liver failure, causing very serious clinical symptoms. The over-activation is also thought to lay behind certain cognitive impairments and sleep disturbances. GABAA-receptor modulating steroid antagonists, such as golexanolone, counter the increased activation of the GABA system and hence constitute a promising group of candidate drugs.

Golexanolone has been shown to restore different types of neurological impairments in experimental models. The candidate drug enters the brain and works by reversing the inhibitory effects of the neurosteroid allopregnanolone on brain function in humans.

Umecrine Cognition has conducted a clinical phase 2a study of golexanolone in patients with hepatic encephalopathy (HE) – a serious neuropsychiatric and neurocognitive condition that occurs in conjunction with acute and chronic hepatic damage with underlying cirrhosis. The results showed that the candidate drug was well-tolerated, that the safety profile was good, and that the pharmacokinetic profile was favourable. One of the effect parameters – a well-established and sensitive form of EEG study – demonstrates that the candidate drug has a significant effect on brain signalling, with a correlated positive effect on extreme daytime fatigue. However, there was no significant effect on other secondary outcome measures. Based on these study results, the company has established a plan for the further development of the candidate drug.

THE MARKET

HE is a serious disease with a large unmet need that affects up to 1 per cent of the population in the USA and EU. 180,000–290,000 patients are hospitalised every year in the USA due to complications of HE. Once HE develops, mortality reaches 22–35 per cent after five years. HE is also associated with substantial societal costs.

DEAL VALUES FOR SIMILAR PROJECTS

- USD 397 million
  Aerial Biopharma (licensor) &
  Jazz Pharmaceuticals (licensee) 2014
- USD 201 million
  Vernalis (licensor) & Corvus
  Pharmaceuticals (licensee) 2015

DEVELOPMENTS IN 2021

2021 APRIL
Publishes results from the phase 2a study of the Company's drug candidate golexanolone in the highly regarded scientific journal; Journal of Hepatology.

JULY
Realizes a directed new issue of SEK 35.1 million to broaden the ownership base ahead of a potential IPO and finance the continued clinical development of golexanolone. At the same time, Karolinska Development choses to convert loans totaling SEK 66.9 million into shares in Umecrine Cognition at the same subscription price as in the rights issue.

OCT
Establishes a collaboration with Professor Trevor G Smart and his research group at University College London. The collaboration includes molecular analyzes and behavioral studies of golexanolone.

NOV
Presents new research results that show that the body's neurosteroid allopregnalolone plays an important role in the development of cognitive symptoms in patients with primary biliary cholangitis (PBC). Because golexanolone has the ability to affect allopregnalolone, based on these new clinical research findings and other supporting data, the Company has decided to begin planning a Phase 2 clinical trial in PBC.

2022 JAN
Presents results from a preclinical study that shows that the drug candidate golexanolone has a dampening effect on neuroinflammation in the cerebellum, which leads to the cessation of disease-related motor disorders.

Project (First-in-class)
SVF-001

Primary indication
Hepatitis B and D
SARS-CoV-2 and other Corona virus

Development phase
Preclinical

Holding in company*
Karolinska Development 31 %

Origin
Karolinska Institutet

More information
svenskavaccinfabriken.se

* Fully-diluted ownership based on current investment plans.

Svenska Vaccinfabriken AB

New technology for the treatment of viral diseases

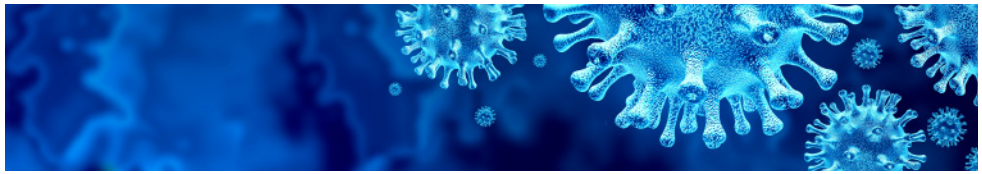
Svenska Vaccinfabriken (SVF, Solna, Sweden) develops therapeutic proteins and DNA vaccines against hepatitis B and hepatitis D, as well as vaccines to prevent infections by SARS-CoV-2 and potential future Coronaviruses. Therapeutic vaccines, unlike preventative vaccines, have the potential to cure already infected patients.

Despite the availability of preventative vaccines and antiviral treatments, over 250 million people live with a chronic hepatitis B infection. One million chronic carriers die each year due to complications caused by the virus, such as liver cirrhosis and liver cancer. The closely related hepatitis D virus infects 15-25 million hepatitis B carriers and exacerbates the progression of the disease.

Svenska Vaccinfabriken uses an in-house developed vaccine platform to produce a specific form of antibodies that blocks the ability of the hepatitis virus to invade human cells. The company has generated promising efficacy data in a preclinical animal model regarding hepatitis and is now continuing its preclinical development with the goal of enabling a phase 1 study to be initiated in 2023.

Although Coronavirus infections are usually mild, some virus types can lead to life-threatening conditions. This has been the case in the outbreaks of SARS-CoV in 2003, MERS-CoV in 2012, and during the ongoing Covid-19 pandemic. To respond to and to prevent severe infections of this kind, SVF has also developed a platform that is expected to enable an opportunity to quickly develop and produce vaccines against both current and new forms of Coronasviruses. The company has granted patents for chimeric genes and peptides that elicit an immune response against chronic hepatitis B and D infections and has filed a patent application specifically linked to a potential covid-19 vaccine.

Svenska Vaccinfabriken's business model is based on guiding their vaccine projects to the clinical development phase and then licensing them out global pharmaceutical companies with established distribution networks.



THE MARKET

Svenska Vaccinfabriken is currently focusing its innovative vaccine platform on the market for therapeutic vaccines for hepatitis B and D, and preventative vaccines for respiratory viral diseases, such as Covid-19. The 2017 KuicK research report, "Global Hepatitis Drug Market & Clinical Trials Insight 2023" estimated the value of the annual global market for hepatitis B at between USD 4 and 5 billion, growing to USD 5-6 billion by 2023. The annual global market for hepatitis D, by contrast, is estimated at around USD 1 billion. Investors' interest in early vaccine companies and platforms similar to Svenska Vaccinfabriken's has increased markedly in recent years. This is thought to be due to an increased awareness of the potential for the commercialisation of vaccines based on next generation technology, such as RNA vaccines and DNA vaccines. Interest in therapies to treat hepatitis B and D has further intensified – two areas in which the unmet medical need is still significant.

DEAL VALUES FOR SIMILAR PROJECTS

- USD 546 million
  Affinivax raises Series B and C financing 2020
- USD 1.4 billion
  MYR Gmbh (acquired) & Gilead Sciences Inc (buyer) 2020

DEVELOPMENTS IN 2021

2021 JAN

Karolinska Development increases its investment in the Swedish Vaccine Factory. Following the additional investment, the ownership share now amounts to 31 per cent.

FEB

The Swedish Vaccine Factory is granted a US patent that includes chimeric genes and polypeptides that are useful for generating, enhancing or improving the immune response against chronic hepatitis B and D virus infections.

2022 JAN

Richard Bethell is appointed new CEO. He has thirty years of experience from the pharmaceutical industry and has mainly worked with the development of new products for the treatment of infectious diseases.

AnaCardio

Project
Peptide-based drug candidate

Primary indication
Heart failure

Development phase
Phase 2a

Holding in company*
Karolinska Development 21%

Origin
Karolinska Institutet
Karolinska University Hospital

More information
anacardio.com

* Fully-diluted ownership based on current investment plans.

AnaCardio
Protects heart tissue in heart failure

AnaCardio (Stockholm, Sweden) is developing a new form of drug concept that protects cardiac tissue in conjunction with heart failure. Heart failure occurs when the heart's ability to pump sufficient blood to meet the body's needs has deteriorated. The underlying condition often involves a weakening of the heart's musculature, resulting in an inability to pump the blood out of the heart's chambers. The condition arises as a sequela of previous cardiovascular complications, such as high blood pressure or vasoconstriction. Chronic heart failure often presents with diffuse symptoms, such as tiredness or breathlessness, and delayed diagnosis is consequently a common problem. Acute heart failure results in an individual's health status becoming critical, necessitating hospitalisation. One of the major issues with existing pharmaceuticals is that they are not designed for long-term treatment, due to a degree of toxicity that results in the breakdown of cardiac tissue and consequent side effects, such as arrythmia, low blood pressure, ischemia, and an increased risk of premature mortality.

AnaCardio's clinical candidate drug is being developed to restore the heart's normal muscular function and blood circulation with ground-breaking and safer technique. The Company's goal is to develop an oral drug that in contrast to existing treatments can affect the underlying cause of disease. The drug candidate is based on research by Professor Lars Lund at Karolinska Institutet. Karolinska Development invested in Ana Cardio in June 2021 and in conjunction with this a new Board of Directors was appointed. In the third quarter of 2021, the Company's new management was established including Patrik Strömberg as CEO and Alan Gordon as Medical Director.

THE MARKET

An estimated 20 million people suffer from chronic heart failure and around 3 million people are hospitalised to treat it every year. The risk of developing cardiovascular disease increases with age, and 10-20 per cent of the elderly population is now estimated to suffer from chronic heart failure, which is now the most common reason for hospitalisation amongst the elderly. Heart failure not only causes considerable individual suffering, it also has significant economic consequences for society in the form both of direct costs from in-patient care and of indirect costs in the form of productivity losses and reductions in tax revenues. The increased medical need is reflected in the sales value of heart failure treatments, which is expected to increase from USD 3.8 billion to USD 16.1 billion by 2026 in the world's seven largest pharmaceutical markets.

DEAL VALUES FOR SIMILAR PROJECTS

- USD 2.1 billion Cardioxyl Pharmaceuticals (licensor) & Bristol-Myers Squibb (licensee), 2015
- USD 620 million Corthera (licensor) & Novartis (licensee), 2012

DEVELOPMENTS IN 2021

2021 JUNE
Karolinska Development acquires approximately 21 per cent of the shares in AnaCardio AB.

OCT
Strengthens the organization with, among other things, the recruitment of Patrik Strömberg as CEO prior to the initiation of a phase 1b / 2a study of the drug candidate AC01 in patients with heart failure.

2022 FEB
AnaCardio raises SEK 33 million through a convertible loan. Karolinska Development has participated in this important financing, which enables AnaCardio to proceed with the clinical development plans for the Company's drug candidate AC01.

Biosergen AS

Help against systemic fungal infections

Project
BSG005

Primary indication
Systemic fungal infections

Development phase
Preclinical

Holding in company*
KDev Investments 4%

Other investors
The Foundation for Baltic and East European Studies
Sintef Venture II AS
Rosetta Capital**

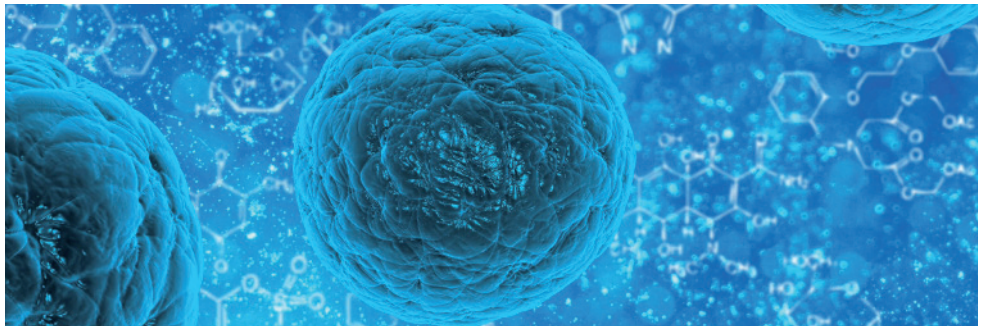
Origin
SINTEF
Norweigan University of Science and Technology

More information
biosergen.se

* Fully-diluted ownership based on current investment plans.
** Co-ownership with KDev Investments

Biosergen (Solna, Sweden) is conducting a development programme, based on it's expertise in biosynthetic technology and targeting systemic fungal infections where a candidate drug, BSG005 has been nominated.

Patients whose immune systems are compromised due to cancer or treatment with immunosuppressive drugs have been shown to be particularly susceptible to systemic fungal infections. While effective pharmaceutical treatments are available, their use is limited due to serious side effects or an increasing incidence of drug resistance. Biosergen's candidate drug, BSG005, has demonstrated a wide spectrum of antimycotic effects in preclinical experimental models, and the candidate drug's properties have, to date, been shown to be far superior to those of conventional treatment in terms of effectiveness, toxicity, and pharmacokinetics.



THE MARKET

Fungal infections kill more than 1.5 million people each year and the numbers continue to increase. In the past 10 years, only one new antifungal product has been approved. Despite this, the use of antifungals continues to increase and the WHO has drawn attention to multi-resistance as a serious global health threat. The total sales of antifungals for human use were estimated at approximately USD 16.7 billion in 2020. The Company expects the global annual sales potential for BSG005 to exceed USD 500 million.

DEVELOPMENTS IN 2021

2021

JUNE

Carries out a fully subscribed rights issue of units consisting of one share and a warrant that brings SEK 50 million to the Company. The company is listed on the Nasdaq First North Growth Market. The US Food and Drug Administration (FDA) grants Orphan Drug status for the drug candidate BSG005.

AUG

Australian regulators approve the application to launch a Phase 1 study of the Company's antifungal drug candidate BSG005 in Australia.

OSSDSIGN®

OssDsign AB

Developing and commercializing next generation bone replacement products

Project
OSSDSIGN® Cranial PSI
OSSDSIGN® Catalyst

Primary indication
Cranial implants
Bone grafts

Development phase
Marketed

Holding in company*
Karolinska Development 10%**

Other investors
SEB Venture Capital
Fouriertransform

Origin
Karolinska University Hospital
Uppsala University

More information
ossdsign.com

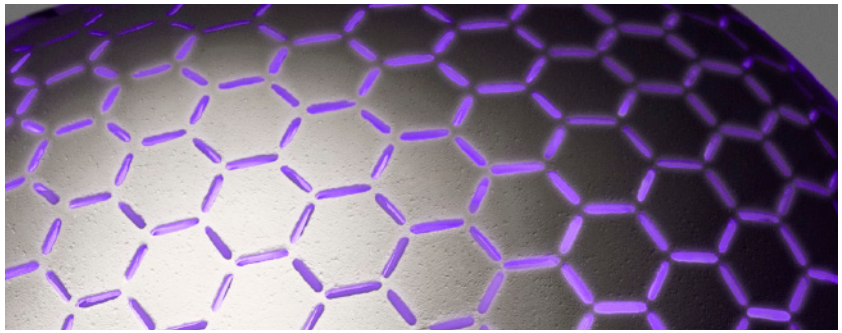
* Fully-diluted ownership based on current investment plans.
** Includes indirect holdings through KCIF Co-Investment Fund

OssDsign (Uppsala, Sweden) is an innovative company that designs and manufactures implants and material technology for bone regeneration. The Company is focused on two particularly challenging areas where the success rate is far from acceptable today: cranial and spinal surgeries.

OssDsign Cranial PSI is an implant used for patients who have lost a large part of the cranium. The implant is constructed from 3D printed medical-grade titanium covered by a regenerative calcium phosphate composition. Long term follow-up data from over 1000 patients with OssDsign Cranial PSI implants, show an exceptional performance. Many cranial implant technologies are associated with high rates of costly complications and patient suffering. Multiple studies report infection rates above 10 per cent, leading to the removal of many implants. In comparison, the observed rate of explantations due to infections in patients who received OssDsign Cranial PSI was only 1.6 per cent at a median follow-up time of 22 months. OssDsign Cranial PSI has regulatory approvals in Europe, USA and Japan.

Approximately 20 per cent of these surgeries for treating lower back pain are unsuccessful due to the lack of proper fusion between the implant and the spine. When surgeons perform the procedure, they use a combination of hardware to fixate the vertebrae and bone replacement material to stimulate bone growth. OssDsign Catalyst is an innovative synthetic bone graft composed of a proprietary nanocrystalline structure of calcium phosphate. Similar to the body's own bone mineral architecture, OssDsign Catalyst provides a favorable bone biology environment for rapid and reliable bone formation.

OssDsign Catalyst is a higher margin and scalable product with a large potential in the market for standard procedures, enabling extensive growth. OssDsign Catalyst received FDA clearance in 2020 and was launched in the U.S. in August 2021.



THE MARKET

The global market for cranial implants is estimated to USD 2.5 billion with an expected CAGR of 7 per cent between 2021–2025, whereof the addressable market for OssDsign's implant products is estimated to USD 350 million. The U.S. market for synthetic bone grafts in spinal surgeries is valued at USD 1.8 billion and the global market at USD 2.6 billion, with an expected CAGR of 7 per cent during 2021–2025.

DEAL VALUES FOR SIMILAR PROJECTS

- USD 330 million
  Baxter International (buyer)
  & ApaTech (seller) 2010
- USD 360 million
  Royal DSM (buyer)
  & Kensey Nash (seller) 2012

DEVELOPMENTS IN 2021

2021

MAY

Carries out a fully guaranteed rights issue of SEK 240 million in combination with over-allotment options of up to approximately SEK 30 million – a total of approximately SEK 270 million. The purpose is, among other things, to accelerate the company's development through the new strategy programme ASCENT25.

AUG

Launches OssDsign Catalyst in the USA. The launch is an important step in the company's strategy to establish itself in the bone graft segment in the world's largest geographic market for medical technology innovations.

SEP

Includes the first patient for the company's clinical study TOP FUSION which is carried out with the aim of evaluating the long-term safety and effect of the synthetic bone graft; OssDsign Catalyst, in patients undergoing rigid surgery of the spine.

OCT

Receives an extended market approval from the FDA for the Company's patient-specific cranial implant product OssDsign Cranial PSI. The approval highlights that OssDsign's patented calcium phosphate composition has osteoconductive properties that induce resorption and formation of new bone tissue.

Promimic
THINNER. FASTER. STRONGER.

Project
HA^{nano} Surface

Primary indication
Implant surface coatings

Development phase
Marketed

Holding in company*
KDev Investments 20%

Other investors
K-Svets Ventures
ALMI Invest
Chalmers Ventures

Origin
Chalmers University of Technology

More information
promimic.com

* Fully-diluted ownership based on current investment plans.

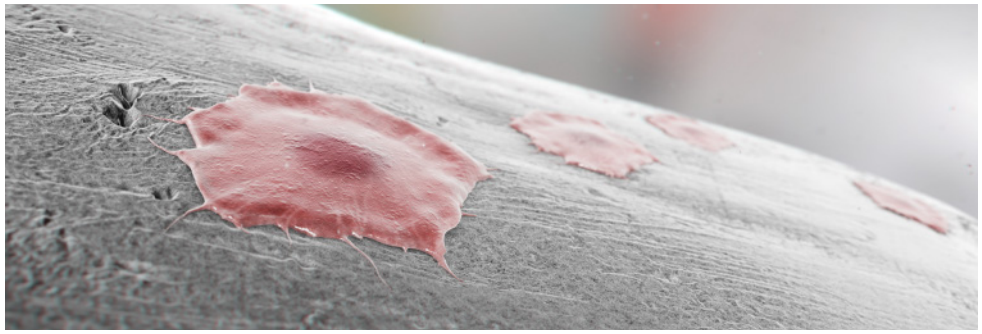
Promimic AB

Coatings to enhance the properties of medical implants

Promimic (Gothenburg, Sweden) is a biomaterials company that develops and markets a unique coating for medical implants called HA^{nano} Surface, which increases their integration into bone and anchoring strength. HA^{nano} Surface is durable nanometre-thin coating that helps preserve the surface structure of the implant by reducing the risks of cracking. The coating is unique because it can be applied to any implant geometry and material, including porous materials and 3D structures. The technology on which HA^{nano} is based is FDA-approved, which means that a new implant coated with HA^{nano} Surface can receive marketing approval through the 510(k) route and reach a new market quickly. In 2021, such an approval was granted for BioGrip® Modular Porous Collars, a product developed by Onkos Surgical.

Promimic has an established sales operation in the USA and a series of development and commercial partnerships, including one with Sistema de Implante Nacional (S.I.N), a leading provider of dental implants in Brazil, which is commercialising dental implants coated with HA^{nano} Surface, and one with Danco Anodizing, which has established a manufacturing facility for implants with HA^{nano} Surface, targeting the US and Chinese markets. Promimic has gradually strengthened its position in the orthopedic market by entering collaboration with Onkos Surgical and INNOVASIS Inc. The collaboration with Onkos Surgical includes the development and commercialization of products treated with HA^{nano} Surface-technology for hip cancer surgery. INNOVASIS Inc. Manufactures and sells 3D-printed spinal implants treated with HA^{nano} Surface® in order to improve osseointegration and stimulate new bone formation and bone growth on the implant surface.

In 2022, further product launches will take place, more license agreements are expected to be established, and the Company is examining the conditions for a listing of the company's share on the Nasdaq First North Growth Market.



THE MARKET

Promimic focuses on the markets for dental and orthopaedic implants, which collectively represent a worldwide market opportunity of USD 600–800 million. The competition amongst implant manufacturers is fierce and each market segment is dominated by four to eight global companies. Promimic's business model is centred on out-licensing the HA^{nano} Surface technology to leading implant manufacturers.

DEAL VALUES FOR SIMILAR PROJECTS

- USD 95 million
  Nobel Biocare (buyer)
  & AlphaBioTec (seller) 2008
- USD 120 million
  MAKO surgical (buyer)
  & Pipeline Biomedical (seller) 2013

DEVELOPMENTS IN 2021

2021

JUNE

Evaluating the conditions for a listing of the company's share on the Nasdaq First North Growth Market in 2022.

JULY

Receives a market approval from the US Food and Drug Administration FDA according to the 501 (k) process in collaboration with the orthopaedic company Onkos Surgical. The approval pertains to BioGrip® Modular Porous Collars, developed by Onkos Surgical, which has been coated with Promimics HA^{nano} Surface for the purpose of treating implant removal in orthopaedic oncology and complex reoperations.

Ownership structure

On 31 December 2021, Karolinska Development had 19,585 shareholders. International investors controlled approximately 68 per cent of the share capital and approximately 64 per cent of the votes. All class A shares (each of which carries 10 votes, compared to 1 vote for each class B share) are held by Insamlingsstiftelsen för Främjande & Utveckling av medicinsk forskning vid KI.

Share performance

The closing price on the first day of trading in 2021 was SEK 1.85, and at the year end, the share traded at SEK 5.32, an increase of 188 per cent. No dividends have been paid in 2021.

Share capital

At year-end 2021, the share capital amounted to SEK 1.8 million distributed among 175,665,409 shares. The nominal value is SEK 0.01 per sharer.

Ticker symbol and listing

Karolinska Development's share trades under the ticker symbol, KDEV. The share is listed on the NASDAQ Stockholm Exchange's Small Cap Index. The ISIN code is SE0002190926.

Shareholders	A-Shares	B-Shares	Cap %	Vote %
invoX Pharma Ltd	0	75,727,285	43.11%	40.03%
Worldwide International Investments Ltd	0	28,007,077	15.94%	14.80%
Stift För Främjande & Utveckling	1,503,098	2,079,836	2.04%	9.04%
Östersjöstiftelsen	0	3,889,166	2.21%	2.06%
Coastal Investment Management LLC	0	2,470,541	1.41%	1.31%
SEB Investment Management	0	1,142,011	0.65%	0.60%
Adis Holding AB	0	700,000	0.40%	0.37%
Gålöstiftelsen	0	668,661	0.38%	0.35%
Zhang, Qiuyue	0	654,000	0.37%	0.35%
Synskadades riksförbund	0	494,939	0.28%	0.26%
Sum Top 10 Shareholders	**1,503,098**	**115,833,516**	**66.80%**	**69.17%**
Sum Other Shareholders	**0**	**58,328,795**	**33.20%**	**30.83%**
SUM ALL SHAREHOLDERS	**1,503,098**	**174,162,311**	**100.00%**	**100.00%**

Björn Cochlovius

Chairman since 2020.
Born 1968.
Doctorate (Dr.rer.nat) from Universität des Saarlandes und Habilitation, Assoc. Prof Universität Heidelberg.

Other assignments: CEO Medraxa Therapeutics GmbH, Chairman of the Board of Directors of Sapreme Technologies BV, SVP Business Development at Atriva Therapeutics GmbH, President at Biocure Technologies Ltd and General Manager at BC BioMed Consulting GmbH.

Prior assignments include i.a.: Chairman of the Board of Isogencia Ltd, Senior Director Development Asia-Pacific at Abbvie Inc., Head Oncology at Otsuka, co-founder and Interim-CEO and Chairman of the Board of Ciliatech AG, Director Business Development Oncology at Roche AG, strategy consultant at Alpharma AS (nowadays Axellia), CEO at OnTarget Neurology AS, Head R&D at Affitech AS.

Independent in relation to the Company and its management as well as in relation to the Company's major shareholders.

Holdings in Karolinska Development:
No holdings in Karolinska Development.

Theresa Tse

Board Member since 2017.
Born 1992.
Bachelor's Degree of Science in Economics from the Wharton School of University of Pennsylvania.

Other assignments: Chairwoman of the Board and Executive Director of Sino Biopharmaceutical Ltd (listed at the Hong Kong stock exchange) and member of the Board of Directors of invoX Pharma Ltd., France Investment (China 1) Group Limited, Chia Tai Life Technology Limited and Yun On Investment Holding Limited.

Independent in relation to the Company and its management. Not independent as in relation to the Company's major shareholders.

Holdings in Karolinska Development:
128,736,384 shares (by related legal person).

Anna Lefevre Skjöldebrand

Board Member since 2021.
Born 1969.
Masters of Law from Uppsala University.

Other assignments: CEO Swedish Medtech Service AB. Current board assignments include: Sweden Medtech4Health AB (Chairwoman), Swecare, St Eriks ögonsjukhus and COCIR, Life Science office of Sweden.

Prior assignments include i.a.: Head of Legal Swedish Medtech Service AB, Advokat Delphi & Co, Advokat GLS Legal, Jurist Ernst & Young Law, Legal Counsel Front Capital Systems AB. Prevoius board assignments include i.a.: Dedicare AB, E-hälsomyndigheten, SIS AB and Medtech Europe. She has also been a member of the board in the Board for Public Procurement.

Independent in relation to the Company and its management as well as in relation to the Company's major shareholders.

Holdings in Karolinska Development:
No holdings in Karolinska Development.

Ben Toogood

Board Member since 2021.
Born 1976.
Bachelor of Pharmacy from Rhodes University. MSc. from University of Witwatersrand and Executive MBA from University of Cambridge.

Other assignments: Head Global Business Development, Sino Biopharmaceuticals Limited, director of invoX Pharma Limited, Softhale BV and pHion Therapeutics.

Prior assignments include i.a.: Head Global BD & M&A Sandoz AG, Group New Business Development Executive Aspen Pharmacare Holdings, Vice President Global Business Development Pharmathen SA, International Licensing Executive Niche Generics (Unichem Laboratories) and Regulatory Affairs Merck Generics (Mylan).

Independent in relation to the Company and its management. Not independent as in relation to the Company's major shareholders.

Holdings in Karolinska Development:
64,001 shares.

Philip Duong

Board Member since 2022.
Born 1990.
Bachelor's degree of Commerce from University of Toronto.

Other assignments: Head of Investments at Sino Biopharmaceuticals Limited, member of the Board of Directors at Softhale BV and Treadwell Therapuetics.

Prior assignments include i.a.: Vice President at Deutsche Bank AG (Hong Kong Branch).

Holdings in Karolinska Development:
No holdings in Karolinska Development.

Viktor Drvota

CEO
Appointed as CEO on June 1, 2017,
and previously CIO since februari 2016.
Born 1965.
M.D, Ph.D. Associate Prof. In Cardiology.

Viktor Drvota has over 20 years of Venture Capital experience with several investements, significant fundraisings, IPOs and exits. He was responsible for Life science at SEB Venture Capital 2002-2016. During his appointment at SEB VC he also served as a Board member in several biotech and Medtech companies such as Arexis AB, SBL Vaccin AB, Nuevolution AS, Index Pharma AB, Scibase AB, Airsonett AB among others. Before joining SEB in, Dr Drvota worked as Senior Consultant and Associate Professor in Cardiology at the Karolinska Institutet/ hospital, Stockholm. Dr Drvota has experience from preclinical as well as clinical research in drug development and medical devices. Dr Drvota has 29 published research articles.

Holdings in Karolinska Development:
159,996 shares.

Johan Dighed

General Counsel and Deputy CEO
Appointed General Counsel 2020
Born 1973.
Master of Laws.

Johan Dighed has over 18 years' experience in financial and business law including positions as Head of Legal with the German bank SEB AG and legal counsel with SEB AB. Prior to joining the financial sector he worked with the international law firm Baker & McKenzie and in the Swedish Judiciary.

Holdings in Karolinska Development:
160,005 shares.

Per Aniansson

Chief Financial Officer and Investment Director
Appointed 2021.
Born 1966.
MSc Engineering Physics and MBA.

Per Aniansson has more than 20 years of VC experience. Per has also been CEO of two medtech companies and CFO in another VC backed start-up. He has responsible in several significant fundraisings, IPOs and exits. Between 2011-2019, Per was an Investment Director at Fouriertransform with a focus on medtech. During his appointment at Fouriertransform he also served as a Board member in OssDsign AB, Scibase AB, Renewcell AB, Powercell AB, SmartEye AB and AAC Clydespace AB. Prior to this Per has set-up and been the CEO at Icon Medialab Capital and MD Nordics for Siemens Mobile Acceleration, two corporate VCs. He was also an investment director at Innovationskapital, Investment responsible within Life Science at Industrivärden and a management consultant at Arthur D Little and Accenture.

Current Board assignments: AAC ClydeSpace, Cure Cancer Foundation and chairman of VOC Diagnostics.

Holdings in Karolinska Development:
160,006 shares.

John Öhd

Chief Scientific Officer/Venture Partner
I nuvarande position sedan 2020.
Appointed 2020
Born 1971.
M.D., Ph.D.

John has broad knowledge and experience of drug development in several therapeutic areas, including CNS, cancer and blood disorders. He has held leadership roles within the research organizations of AstraZeneca, Shire Pharmaceuticals and Medivir. Before joining Karolinska Development he was the Chief Medical Officer of Modus Therapeutics. Prior to his drug development roles, John held various research and clinical positions at Lund University and Karolinska Institutet/University Hospital.

Holdings in Karolinska Development:
No holdings in Karolinska Development.

Elisabet Gimbringer

Financial Manager
Employed since 2015.
Born 1965.
Economics and Business education from Stockholm University.

Elisabet has worked as an approved public accountant for 10 years, and as a financial manager, business controller and financial controller for a number of different companies and fields for the last 20 years.

Holdings in Karolinska Development:
30,000 shares.

Eva Montgomerie

Head of Accounting
Employed since 2013,
Employed within the group since 2007.
Born 1958.
MSc in Business and economics.

Eva Montgomerie has worked within the bank and finance sector for 12 years, 10 years within the food and clothing sector.

Holdings in Karolinska Development:
23,865 shares.

Linda Spahiu

Investment Manager
Employed since 2021.
Born 1985.
M.Sc. in Biotechnology, Ph.D.

Linda Spahiu has 13 years' experience from the Life Science industry, ranging from academic and laboratory work to go to market strategies and commercial due diligences. Before joining Karolinska Development she was CEO of VOC Diagnostics, a Swedish startup in cancer diagnostics. Linda also holds experience from management consulting at Boston Consulting Group, working with projects exclusively within MedTech and Life Science.

Holdings in Karolinska Development:
10,003 shares

Mikaela Sörman

Analyst
Employed since 2021.
Born 1990.
M.Sc. in Public Health & Health Inequalities.

Mikaela Sörman has 9 years experience from the health care industry. Before joining Karolinska Development she worked at Boston Consulting Group, a management consultancy firm, where she focused exclusively on MedTech and Life Science projects. Mikaela also holds experience from project management after working several years in a health care social start-up, Stiftelsen Choice.

Holdings in Karolinska Development:
10,003 shares

Yan Cheng

President Asia
Appointed 2020.
Born 1985.
BSc in Business.

Yan Cheng has many years of experiences of Venture Capital in European life science companies and has been adviser to such companies on business development, especially on the Technology Transfer and Merges & Acquisitions activities between Asia and Europe. Yan Cheng also has experiences of fundraising from Fortune 500 companies, financial institutions, and family offices.

Holdings in Karolinska Development:
25,004 shares

The Board of Directors and the CEO of Karolinska Development AB (publ), corporate identity number 556707-5048, hereby present the annual report for the Parent Company and the financial report for the Investment Entity regarding the 2021 financial year.

Karolinska Development AB (Nasdaq Stockholm: KDEV) is an investment company which offers a unique opportunity to share in the growth in value of a number of Nordic life sciences companies with substantial commercial opportunities. All of the portfolio companies are developing potentially ground-breaking treatments for medical conditions with a substantial need for improved therapies, including leukaemia, endometriosis, serious viral infections, sepsis and systemic inflammation, bone defects and hepatic encephalopathy. To date, two of the companies have launched their first products.

Karolinska Development's objective is for the portfolio companies operating in the pharmaceutical development sector to continue until proof-of-concept is demonstrated in phase II studies. The reasoning is that this is an attractive point in time for doing business. It is only then that it is possible to demonstrate that a candidate drug has the anticipated biological effect, thereby substantially reducing the ongoing development risk and significantly increasing the value of the project. Karolinska Development's objective for the holdings in portfolio companies within medtech is to divest at the point when the companies have launched their first product and become cash flow positive. At these times opportunities to enter into cash flow-generating license agreements, conduct IPOs or divest projects are evaluated.

Karolinska Development has access to world-class medical innovations at leading universities and research institutions in the Nordic region, including Karolinska Institutet. The company's management comprises individuals with extensive experience of investment operations, research and development, and entrepreneurship, all of whom have access to extensive global networks in the pharmaceutical industry and/or the scientific sector.

Important events during the financial year

Karolinska Development

- The Extraordinary General Meeting in Karolinska Development on 19 February 2021, elected Anna Lefevre Skjöldebrand and Ben Toogood as new directors, and elected Björn Cochlovius as new chairman of the Board of Directors. Further more, the Extra General Meeting approved the Board of Directors' proposal regarding principles for remuneration to executive management (February 2021).
- Johan Dighed was appointed as Deputy CEO. He took up the position immediately and will in addition to his new duties, continue to hold his current role as the company's General Counsel (February 2021).
- Per Aniansson was appointed as new CFO and Investment Director from 7 March 2021 (March 2021).
- At its Annual General Meeting, Karolinska Development voted to, among other things, re-elect Björn Cochlovius, Tse Ping, Anna Lefevre Sköldebrand, Ben Toogood and Theresa Tse to its Board of Directors, and to elect Björn Cochlovius Chairman of the Board (May 2021).
- Karolinska Development increased the book value of its holding in the portfolio company Dilafor, based on an external valuation. The external valuation, which has been risk-adjusted by Karolinska Development, has a positive effect of approximately SEK 450 million on the booked fair value of the holding in Dilafor that is indirectly owned via KDev Investments AB. This had a positive impact on the net result in Karolinska Development AB in the second quarter of 2021 amounting to approximately SEK 250 million, corresponding to ca SEK 1.42 per share. The background to this was Dilafor concluded a phase 2b study with its drug candidate tafoxiparin which showed a significant positive impact on cervical ripening in first-time mothers receiving treatment to induce labor (June 2021).
- Karolinska Development announced that the company acquired approximately 21 percent of the shares in AnaCardio AB. The new portfolio company develops drugs for the treatment of heart failure, based on ground-breaking research from the Karolinska Institutet. The company's most advanced project is deemed to be ready for evaluation in clinical studies. Karolinska Development's initial investment in AnaCardio is intended to cover costs for necessary activities prior to a planned major capital raising to finance the first part of the project's clinical development (June 2021).
- Karolinska Development announced that the company has sold its entire holding in the listed portfolio company Lipidor AB. In total, the transaction covers 0.95 percent of all outstanding shares in Lipidor and brings in net approximately SEK 4 million in cash to Karolinska Development (July 2021).
- Karolinska Development announced that the global pharmaceutical company Organon acquired its portfolio company Forendo Pharma. Forendo Pharma's shareholders will receive an initial payment of USD 75 million (approximate SEK 652 million) and are entitled to additional future payments totalling USD 870 million (approximate SEK 7,560 million) upon the achievement of certain development, registration and commercial milestones pertaining to Forendo Pharma's drug candidates. The total purchase price, if all milestones are met, amounts to USD 945 million. Karolinska Development estimated the risk-adjusted net present value (rNPV) of future cash flows, including the initial payment, from the transaction at SEK 114 million, with a positive effect on net profit of SEK 70 million and a consequential increase in the portfolio company's fair value of SEK 70 million in the third quarter 2021. The completion of the transaction was subject to review by competition authorities and other customary conditions but was closed in December 2021 with an initial up-front payment. The transaction was in 2021 one of the largest in the Nordic biotechnology sector (November and December 2021).

- In December 2021, the Board of Directors of Karolinska Development proposed a rights issue of approximately SEK 491 million and convened and Extraordinary General Meeting in January 2022. The Extraordinary General Meeting, which was held on 12 January 2022, decided to carry out a rights issue of class A and class B shares with preferential rights for existing shareholders which, if fully subscribed, would provide the Company with approximately SEK 491 million before transaction costs (the "Rights Issue"). The purpose of the Rights Issue was to finance the continued development of existing investments, new investments, and general corporate purposes.

  The terms in the Rights Issue constituted that ten (10) existing shares (regardless of share class) give the right to subscribe for seven (7) newly issued shares of the same class as the subscription right refers to, at a subscription price of SEK 4.00 per share. The rights issue was secured to 75 percent through subscription commitments and underwriting commitments. To enable the Board and management to participate in the Rights Issue, publication of the year-end report was postponed to February 25, 2022. Furthermore, Director Tse Ping resigned from his position at the Extraordinary General Meeting and Philip Duong was elected as a new Board member for the period until the next Annual General Meeting. Furthermore, Tse Ping and Hans Wigzell were appointed Senior Strategic Advisors at Karolinska Development. They will assist with strategic advice to the Company's board and management team (December 2021).

Important events in the portfolio companies

AnaCardio

- AnaCardio strengthened its organization in preparation for the initiation of a phase 1b/2a study of its drug candidate AC01 in patients with heart failure. Anacardio has recently recruited Patrik Strömberg as its new CEO. He holds a PhD in biochemistry from Karolinska Institutet, an MBA from the Department of Business Administration at Stockholm University and has many years of experience in drug development and business development from leading positions within AstraZeneca and Sobi (October 2021).

Aprea Therapeutics

- Aprea Therapeutics announced that the U.S. Food and Drug Administration (FDA) has granted orphan drug designation to their drug candidate eprenetapopt for the treatment of acute myeloid leukemia (AML) (April 2021).
- Aprea Therapeutics has reported positive outcomes in an ongoing Phase 1/2 study evaluating the efficacy of the company's candidate drug eprenetapopt in combination with venteoclax and azacitidine in patients treated for TP53 mutated acute myeloid leukemia, AML. The results show that the primary efficacy endpoint of complete remission was reached in 37 per cent of patients (June 2021).
- Aprea Therapeutics has reported positive results from a Phase 2 trial evaluating its drug candidate eprenetapopt with azacitidine for post-transplant maintenance therapy in patients with TP53 mutant myelodysplastic syndromes (MDS) and acute myeloid leukemia (AML). The relapse free survival at 1-year post-transplant was 58 per cent and overall survival was 79 per cent (July 2021).
- The US Food and Drug Administration (FDA) issued a clinical hold for Aprea Therapeutics clinical programme evaluating eprenetapopt with acalabrutinib or venetoclax and rituximab in lymphoid malignancies. The issue meant that there was a pause in the patient enrollment until the agency reversed the decision. In December 2021, FDA removed the full clinical hold (August and December 2021).

Biosergen

- Biosergen completed a successful and fully subscribed unit offering bringing the company SEK 50 million and listed Biosergen's share on Nasdaq First North Growth Market in Stockholm on June 24, 2021. The proceeds from the offering allow Biosergen to launch clinical trials of its antifungal drug candidate BSG005 with the ambition of filing for market approval in the United States and Europe by the end of 2025 (June 2021).

Dilafor

- Dilafor announced that it has completed the inclusion of patients to its study of tafoxiparin – a drug candidate with the potential to shorten the delivery time in women receiving treatment to initiate labour (April 2021).
- Dilafor announced that they have concluded a phase 2b study with its drug candidate tafoxiparin which showed a significant positive impact on cervical ripening in first-time mothers receiving treatment to induce labor (June 2021).
- Dilafor enrolled the first patient in a clinical Phase 2a study with tafoxiparin in pregnant women diagnosed with preeclampsia (October 2021).

Forendo Pharma

- Forendo Pharma announced a successfully completed Phase 1 programme for FOR-6219 – a candidate drug aimed for the treatment of endometriosis. Based on the positive results generated in this programme, Forendo Pharma is now preparing a Phase 2 study in the US (March 2021).

Modus Therapeutics

- Modus Therapeutics announced an updated strategy that sees the Company focus on the clinical development of sevuparin as a new, important potential treatment for sepsis/septic shock, and possibly other severe inflammatory complications. The company is preparing a listing on Nasdaq First North Growth Market in Stockholm during 2021 to facilitate the financing (March 2021).
- Modus Therapeutics announced that they have entered into a collaboration agreement with Imperial College London to evaluate the effect of its drug candidate sevuparin in patients with severe malaria (June 2021).
- Modus Therapeutics has completed an oversubscribed issue (113 procent subscription rate), providing the company SEK 30 million after transaction costs. The newly raised capital will primarily be used to finance the continued clinical development of the company's drug candidate sevuparin for sepsis and septic shock. As the next step in the company's development, a successful listing of the company's share on Nasdaq First North in Stockholm was completed with the 22nd of July as the first day of trading (July 2021).
- Modus Therapeutics received approval from the regulatory authorities in the Netherlands to carry out a clinical Phase 1b-study with sevuparin, a potential new treatment of sepsis/septic shock (November 2021).
- Modus Therapeutics dosed the first subject in a phase 1b study of sevuparin. The drug candidate is being developed as a potential treatment for sepsis/septic shock, a serious and often fatal condition (December 2021).

OssDsign

- OssDsign decided to carry out a fully guaranteed rights issue of SEK 240 million in combination with overallotment options of up to approximately SEK 30 million – a total of approximately SEK 270 million. The purpose of the financing is, among other things, to accelerate the company's development through the new strategy programme ASCENT25 (March 2021).
- OssDsign raised SEK 270 million through an oversubscribed rights issue, including full over-allotment (May 2021).
- OssDsign launched OssDsign Catalyst in the U.S. The product is a synthetic bone graft that stimulates the formation of healthy bone tissue in spinal fusion surgeries. The launch constitutes an important step in the company's strategy to establish itself on the bone graft market in the largest geographic market for medical device innovations (August 2021).
- OssDsign included the first patient to the clinical trial TOP FUSION which aims to evaluate the long-term safety and efficacy of the synthetic bone graft OssDsign Catalyst in patients undergoing spinal fusion surgery (September 2021).
- OssDsign received an expanded marketing authorization from the U.S. Food and Drug Administration (FDA) for the company's patient-specific cranial implant product OssDsign Cranial PSI. The approval underlines that OssDsign's patented calcium phosphate composition has osteoconductive properties inducing resorption and formation of new bone tissue (October 2021).

Promimic

- Promimic announced its evaluation of the possibility of a listing of the company's share on Nasdaq First North Growth Market in 2022. Promimic's unique nanotechnology improves the properties of dental and orthopedic implants and the company has initiated commercialization through its own sales force in the US and in collaboration with solid partners (June 2021).
- Promimic has received a shared 510(k) clearance from the U.S. Food and Drug Administration (FDA) with the orthopedic company Oncos Surgical. The market clearance concerns the implant product BioGrip® Modular Porous Collars, developed by Onkos Surgical, which has been coated with HA^{nano} Surface in order to treat implant loosening in orthopedic oncology and complex revision surgery (July 2021).

Umecrine Cognition

- Umecrine Cognition announced that they have published results from the recently conducted phase 2a study of the drug candidate golexanolone in the highly regarded scientific journal Journal of Hepatology (April 2021).
- Umecrine Cognition announced its preparing of listing on Nasdaq First North Growth Market in Stockholm during the fourth quarter 2021. The purpose of the planned IPO is to finance the development plan that the company has prepared based on the positive phase 2 results for golexanolone as a treatment of liver encephalopathy (May 2021).
- Umecrine Cognition has carried out a directed new share issue of SEK 35.1 million to broaden the ownership base ahead of a planned IPO and to finance the continued clinical development of the company's drug candidate golexanolone. At the same time, Karolinska Development has chosen to convert loans totalling SEK 66.9 million into shares in Umecrine Cognition at the same subscription price as in the new share issue (July 2021).
- Umecrine Cognition entered a collaboration with Professor Trevor G Smart and his research group at University College London. The collaboration will involve molecular analysis and behavioral studies of Umecrine Cognition's most advanced drug candidate, golexanolone (October 2021).
- Umecrine Cognition presented new scientific results showing that the innate neurosteroid allopregnanolone plays an important role in the development of cognitive symptoms observed in patients with primary biliary cholangitis (PBC). Since Umecrine Cognition's drug candidate golexanolone has the ability to impact allopregnanolone the company has, based on the novel clinical results and other supportive data, initiated preparations for a Phase 2 clinical study in PBC (November 2021).

Earn-out deal

Aprea Therapeutics

- Karolinska Development shall pay a five percent earn-out in accordance with the transfer agreement with Industrifonden regarding Aprea Therapeutics. The earn-out will be payed when Karolinska Development (indirectly through KDev Investments AB) divest holdings in Aprea Therapeutics. Part of this earn-out, SEK 1.1 million, was realized during 2021 resulting in a SEK 0.8 million payment during 2021 and the remaining part SEK 0.3 million in the beginning of 2022.

Divestments

- Karolinska Development sold its entire holding in the listed portfolio company Lipidor AB. In total, the transaction covers 0.95 percent of all outstanding shares in Lipidor and brings in net approximately SEK 4 million in cash to Karolinska Development (July 2021).
- Karolinska Development, via KDev Investments', partial divestment of Aprea Therapeutics in September and December 2021, which yielded SEK 23.2 million for KDev Investments, enabled KDev Investments to pay a dividend to Rosetta Capital in 2021 of SEK 13.2 million. SEK 0.7 million of the dividend was paid to Karolinska Development in order to fully repay the receivable held by Karolinska Development against Rosetta Capital for a delayed purchase price payment (December 2021).
- Karolinska Development (and all other shareholders) sold their entire holding in Forendo Pharma to the global pharmaceutical company Organon. Forendo Pharma's shareholders will receive an initial payment of USD 75 million (approximately SEK 652 million) and are entitled to additional future payments totalling USD 870 million (approximate SEK 7,560 million) upon the achievement of certain development, registration and commercial milestones pertaining to Forendo Pharma's drug candidates. The total purchase price, if all milestones are met, amounts to USD 945 million. See also above under Important events during the financial year in Karolinska Development (december 2021).

The Investment Entity and the Parent Company

The financial reporting is divided into financial reporting for the Parent Company and for the Investment Entity. The Parent Company and the Investment Entity are the same legal entity, but the reporting is divided up in order to meet legal reporting requirements.

The Parent Company reports in accordance with the Swedish Annual Accounts Act and Swedish Financial Accounting Standards Council's recommendation RFR 2. The Investment Entity is required to meet the requirements for a listed company and reports in accordance with IFRS, as adopted by the EU, and the Swedish Annual Accounts Act.

Financial Development for the Investment Entity in 2021 (SEK million)

Investments

As indicated above, Karolinska Development's investment strategy is to finance its portfolio companies to a significant value inflection point, when the companies can be exited. Karolinska Development also focuses on attracting external specialized life science investors to secure a broad investor base to support the development of the portfolio companies and manage risks as well as maximize the chances of success.

During 2021, investments from external investors and Karolinska Development totaled SEK 456 million. In 2018, 2019 and 2020, total investments in portfolio companies amounted to SEK 791 million, SEK 446 million and SEK 146 million respectively, giving a total investment amount of SEK 1,839 million in the four-year period 2018–2021.

Karolinska Development's investments in portfolio companies amounted to SEK 69.2 million, of which SEK 52.8 million were cash investments and SEK 16.4 million were non-cash investments (accrued interest on loans and a financing fee).

Karolinska Development invested in six companies: OssDsign SEK 28.4 million, Dilafor SEK 15.8 million, Modus Therapeutics SEK 12.6 million, Umecrine Cognition SEK 6.4 million, AnaCardio SEK 3.0 million and Svenska Vaccinfabriken Produktion SEK 3.0 million.

Investments in Karolinska Development's portfolio companies in 2021

SEK million	Karolinska Development	External investors	Total Invested 2021
OssDsign	28.4	242.2	270.5
Dilafor	15.8	25.7	41.5
Modus Therapeutics	12.6	30.4	43.0
Umecrine Cognition	6.4	35.0	41.4
AnaCardio	3.0	3.0	6,0
Svenska Vaccinfabriken Produktion	3.0	0.0	3,0
Biosergen	0.0	50.0	50.0
Total	**69.2**	**386.3**	**455.5**

Portfolio Fair Value

Fair Value of the portfolio companies owned directly by Karolinska Development decreased by SEK 44.0 million in 2021. Fair value decreased mainly due to the sale of Forendo Pharma to Organon but also due to the decline in share prise in the listed holdings Modus Therapeutics and OssDsign. Fair value increased due to the investments in AnaCardio, Dilafor, Modus Therapeutics and Svenska Vaccinfabriken Produktion.

Fair vlaue of the portfolio companies owned indirectly via KDev Investments increased by SEK 403.9 million in 2021. The main reason for the increase in fair value was the positive change in Fair value attributable to a new external valuation of Dilafor, performed after the positive phase 2b-results for the company's candidate drug tafoxiparin. Fair value decreased due to the partial divestment of shares in Aprea Therapeutics but also due to the downturn in the share price of the same listed holding.

Total Fair Value of portfolio companies owned directly by Karolinska Development as well as indirectly via KDev Investments increased by SEK 359.9 million during 2021.

As a consequence of the increase in Fair Value of the portfolio owned via KDev Investments, the potential distribution to Rosetta Capital increased by SEK 180.0 million, resulting in a net increas in Net Portfolio Fair Value by SEK 179.9 million in 2021.

SEK million	2021-12-31	2020-12-31	2021 jmf 2020
Fair value in Karolinska Development portfolio (unlisted companies)	652.4	732.6	-80.2
Fair value in Karolinska Development portfolio (listed companies)	73.9	37.8	36.2
Fair value in KDev Investments portfolio	566.8	162.9	403.9
Total Portfolio Fair Value	**1,293.1**	**933.2**	**359.9**
Potential distribution to Rosetta Capital of fair value in KDev Investments	-342.9	-162.9	180.0
Net Portfolio Fair Value (after potential distribution to Rosetta Capital)	**950.2**	**770.3**	**179.9**

Total Portfolio Fair Value at 31 december 2021 amounted to SEK 1,293.1 million. After the potential distribution to Rosetta Capital of SEK 342.9 million, Net Portfolio Fair Value amounted to SEK 950.2 million at 31 December 2021.

Results 2021 (comparable figures refer to 2020)

Karolinska Development's revenues primarily consist of services provided to portfolio companies, which amounted to SEK 2.2 million 2021 (SEK 2.7 million).

The result of Changes in Portfolio Fair Value through profit or loss amounted to SEK 223.2 million (SEK -215.4 million) in 2021. Other financial assets and liabilities, earn-out agreements, decreased in fair value by SEK -33.9 million (SEK 43.1 million) in 2021.

Other external expenses decreased to SEK 6.9 million (SEK 8.5 million). Personnel costs decreased to SEK 23.2 million (SEK 23.6 million) in 2021.

Operating profit/loss was SEK 160.7 million (SEK -202.4 million) in 2021.

In 2021, debt financing was arranged for two portfolio companies, and interest income amounted to SEK 6.4 million (SEK 0.9 million) due to adjusted intrest income from 2020. Interest-bearing liabilities consist of bridge loans of in total SEK 112.5 million (SEK 70.0 million). The interest expense increased to SEK 6.3 million (SEK 5.7 million). Other financial income SEK 10.0 million (SEK 0.0 million) consists of a financing fee from Modus Therapeutics. Net financial income amounted to SEK 10.1 million (SEK -5.1 million) in 2021.

The Investment Entity's profit/loss before tax amounted to SEK 170.8 million (SEK -207.5 million) in 2021. The main reason for the poitive result was the positive changes in fair value attributable to a new external evaluation in Dilafor, conducted after a succesfull phase 2b studie, and in Forendo Pharma when sold to Organon.

Financial position

The net profit of SEK 170.8 million led to an increase of retained earnings of SEK 170.8 million (decrease of SEK 207.5 million), the share capital is unchanged (unchanged also in 2020) and equity amounted to SEK 971.1 million (SEK 800.3 million) at 31 December 2021. Total assets amounted to SEK 1,109.3 million (SEK 890.1 million) at 31 December 2021 and the Investment Entity's equity to total assets ratio was 88 per cent (90 per cent).

Interest-bearing liabilities consists of two bridge loans from invoX Pharma (wholly owned by Sino Biopharmaceutical) and has been extended to 31 December 2022. Interest-bearing liabilities amounted to SEK 124.6 million (SEK 75.9 million) on 31 December 2021.

Cash and cash equivalents (including short-term investments) amounted to SEK 92.4 million (SEK 75.9 million) on 31 December 2021.

See section "Financial risks" for the Board's view of the Company's financial situation.

Cash flow

Cash flow from operating activities before changes in working capital and operating investments amounted to SEK -27.9 million (SEK -29.5 million) in 2021, an improved cash flow of SEK 1.6 million compared to 2020.

During 2021, Karolinska Development invested SEK 52.8 million (SEK 39.2 million) in cash in its portfolio companies, paid for earn-out deal SEK 3.1 million (SEK 5.1 million), acquired short-term investments of SEK 50.0 million and recived SEK 56.4 million (SEK 101.9 million) in proceeds from sale of shares. Together with changes in working capital, cash flow from operating activities amounted to SEK -32.8 million (SEK 24.4 million). Finacing activities in 2021 amounted to SEK -0.7 million (SEK -0.7 million) which provides a cash flow in 2021 of SEK -33.5 million (SEK 23.7 million) and cash and cash equivalents at the end of the year of SEK 42.4 million (SEK 75.9 million). Including short-term investments in the cash flow will increase the cash flow 2021 by SEK 50.0 million (SEK 0.0 million) to SEK 42.4 million (unchanged at SEK 23.7 million), an improvement of SEK 16.5 million compared with 2020. Cash and cash equivalents together with short-term investments amounted to SEK 92.4 million att year-end 2021 (SEK 75.9 million).

Information on risks and uncertainties

Investment Entity and the Parent Company

The global impact of crises

Russia's invasion of Ukrain and the coronavirus's global spread affects the economy and society as a whole, including Karolinska Development and its portfolio companies. The value of listed companies may decline, delays in clinical trial programmes may occur and opportunities for refinancing may be hampered. The Board monitors the evolvement of the crises closely and Karolinska Development is working intensively to minimize the impact on the value of our investments. After the initial payment from the sale of Forendo Pharma which was received in December 2021 and the rights issue carried out in February 2022 the company's long-term financial situation has been strengthened.

Risk of losing invested capital

Karolinska Development invests, in among other things, in companies with projects at early stages, before beneficial effects have been proven, in animal testing or human testing, so-called "Proof of principle" and "Proof of concept", respectively. Accordingly, the business is associated with a high risk. Karolinska Development invests primarily in unlisted companies, which means that Karolinska Development may not be able to find suitable exit alternatives for its investments within the time frame expected by Karolinska Development, or at all. If Karolinska Development is unsuccessful in finding suitable exit opportunities for its investments, the Company's business, results, financial position, and growth could be adversely affected.

Future financing requirements

In order to secure financing for investments in current and new portfolio companies, Karolinska Development may seek additional financing in the future. Such additional financing may not be available to Karolinska Development on acceptable terms, or at all. If Karolinska Development is unable to obtain funding on time, the Company may be required to significantly curtail its investments, meaning that the Company's business, results, financial position, and growth could be adversely affected.

In addition, loan financing, if available, may be expensive and may involve restrictive covenants or may otherwise constrain the Company's financial flexibility, which could adversely affect the Company's business, results, financial position, and growth.

Future capital needs

Future investments in new and existing portfolio companies will require capital. There is no guarantee that capital can be obtained on favorable terms or in sufficient amounts to finance the operations in accordance with the business plan, or that such capital can be obtained at all.

Key employees at Karolinska Development and in the portfolio companies

It is vital that Karolinska Development succeeds in retaining its key employees and is able to recruit new employees when needed. Therefore, high demands will be placed on the Company's professional leadership, that Karolinska Development's distinctive profile is preserved, and that the forecasted development is met. Karolinska Development faces competition for personnel from other companies, investment funds, universities, public and private research centers as well as government entities and other organizations. If Karolinska Development would be unsuccessful in its efforts to retain and recruit relevant personnel, the Company's business, results, financial position, and growth could be adversely affected.

Furthermore, a key factor for the portfolio companies is to succeed in retaining and recruiting individuals with experience in fundraising, company development and exits, and/or expertise in research and technology on which these companies are built. Equally important is a skillful leadership and that the staff considers the workplace stimulating. To achieve this, high demands will be placed on the portfolio companies' leadership. In addition to an interesting work environment, attractive employment conditions are important. The portfolio companies may fail in their efforts to retain and recruit staff with the appropriate skills, which may adversely affect the portfolio companies and the Company's business, results, financial position, and growth.

Cooperation with the portfolio companies and co-investors

Karolinska Development usually has a representative on the Board of Directors of its portfolio companies. The aim on a strategic level is to be able to assist these portfolio companies in matters concerning their development. The boards of directors of the portfolio companies are also composed of representatives of other investors as well as independent directors. Cooperation on these boards is dependent on effective communication and good relationships between the

directors and the management of the portfolio companies. Karolinska Development's board representatives are in a minority position on the boards of the portfolio companies and their influence on board meetings may be limited. Moreover, it is necessary for Karolinska Development and its Executive Management to succeed in reaching agreements with other investors which could contribute to the portfolio companies' further development. Karolinska Development also often holds a minority position in the portfolio companies. Karolinska Development and its board representatives may not be able to meet these requirements, which could adversely affect the portfolio companies' further development and the Company's business, results, financial position, and growth.

Access to new investment opportunities

Karolinska Development handpicks the majority of its investments from the flow of medical innovations that comes from the Karolinska Institute and other highly respected universities and research institutions in the Nordic region. Karolinska Development is, therefore, dependent on its relationships with universities, innovation centres, entrepreneurs, and investors for access to this business flow.

Karolinska Development may, potentially, also be unable to identify suitable deals in which to invest.

Complicated ownership structures in the portfolio companies

Karolinska Development's holdings in the portfolio companies are in some cases direct, and in others indirect via, for example, KDev Investments AB and/or KCIF Co-Investment Fund KB ("KCIF"), and sometimes the Company has a combination of direct and indirect holdings. The Company makes investments in the portfolio companies on a regular basis, normally through new issues of shares in the portfolio companies, but also through loans or other financing instruments. This means that the ownership structures of the portfolio companies change regularly. Furthermore, from time to time transfers of ownership are made in connection with exits, partial exits or due to restructurings. There is a risk that necessary waivers from pre-emption or preferential rights according to portfolio companies' articles of association or according to shareholders' agreements regarding the portfolio companies are not obtained, or not documented in the correct order. If anyone were to dispute the Company's holdings in the portfolio companies and succeed with such a claim in a legal proceeding, it could result in an unexpected decrease in the value of the Company's holdings in portfolio companies, which could adversely affect the Company's operations, results, financial position, and growth.

The development work of the portfolio companies

The majority of the portfolio companies' projects are in clinical phase stages of development and further research and development work is required before the innovations and technologies of the companies can be commercialized. Examples of such work are testing of drugs on patients to assess the candidate drugs' effect and safety. Problems or delays may occur and the development work may not be able to be conducted successfully, or at all. Future product development of the portfolio companies is subject to the risk of failure inherent in the development of pharmaceutical, other biotechnological products or techniques, and medical devices. This includes the possibility that any or all of the portfolio companies' product candidates will show a lack of effect, be toxic or otherwise fail to either meet applicable regulatory standards, fail to receive necessary regulatory approvals or clearances, or turn out to be difficult to develop into commercially viable products.

Cash flow from the exit or licensing of projects is subject to the objectives of the portfolio companies' projects being achieved. Each outcome has a direct impact on the potential value of a portfolio company. Other factors that may have an impact on the cash flow from the portfolio companies are competitors' successes and demand from potential buyers at a given point in time.

Most of the portfolio companies' projects may not be commercialized to the extent necessary in order for Karolinska Development's investment in the project to be profitable, or even for Karolinska Development to recover the capital invested from the portfolio company in question. Karolinska Development has a relatively narrow portfolio, limiting the potential that one or more projects can be commercialized successfully enough to cause significant dividends or exit proceeds to Karolinska Development. If none of the portfolio companies are able to achieve such commercial success, it could adversely affect the portfolio companies' and the Company's business, results, financial position, and growth.

The challenge of innovation

The markets for pharmaceuticals, diagnostics, biotechnology, and medical devices are characterized, inter alia, by long periods of research and development, rapid technological development, regulatory challenges, and a large number of competing product launches. The existing and potential customers of the portfolio companies often work within established reference models and standard practices. The portfolio companies conduct business with highly advanced research and pioneering technologies. If the portfolio companies cannot successfully, and within set time frames, break into these markets and establish their products and technologies, the portfolio companies' and the Company's business, results, financial position, and growth could be adversely affected.

Long time before products can be launched

The time it takes before a product candidate has completed the entire research and development process, established strong patent protection, satisfied all regulatory requirements, and found strong marketing and distribution partners, is often underestimated. Moreover, the market introduction of new products and technologies often starts slowly. Introducing new products and technologies, which are not previously known and accepted, or have predetermined reimbursement models, takes time. This could lead to delays in milestone payments and royalty income, or that they lapse entirely, which could adversely affect the portfolio companies' and the Company's business, results, financial position, and growth.

Competition for the portfolio companies

The markets for the product candidates and new technologies of the portfolio companies are exposed to fierce competition. The portfolio companies' direct and indirect competitors are in many cases major international companies. Such actors are already established in the markets of the portfolio companies and may hold competitive advantages. Furthermore, they can normally react rapidly to new research and development or new market requirements. They may also, compared to the portfolio companies, have greater financial resources and expertise in research and development, clinical trials, better opportunities in obtaining regulatory approvals, and superior marketing.

Competitors may develop more effective, more affordable and more suitable products, or may achieve patent protection earlier or be able to commercialize their products earlier than Karolinska Development's portfolio companies. These competing products may render the portfolio companies' product candidates obsolete or otherwise limit the ability of the portfolio companies to generate revenues from their product candidates, which could adversely affect the portfolio companies' and the Company's business, results, financial position, and growth.

Market and technology development

The portfolio companies frequently operate in markets characterized by rapid development. New and competing products and technologies may pose a threat to the products developed by the portfolio companies. Moreover, new products and actors result in increased competition, which may negatively impact both price and market penetration. The future prospects of the portfolio companies will to a large extent depend on their ability to develop their business and to produce high-quality products and technologies. The portfolio companies' development work may not proceed without problems. Problems in the development work may lead to delays in set timetables and that products and technologies, once they are fully developed, will not satisfy the market requirements and demands and/or will not achieve broad market acceptance. Changes in pricing principles may impair the value of the products, technologies, and services developed by the portfolio companies, which in turn could adversely affect the portfolio companies' and Karolinska Development's business, results, financial position, and growth.

Product liability of the portfolio companies

The portfolio companies that are in commercial phases are in many cases exposed to the risk of product liability claims that may be inherent due to flaws in manufacturing, studies, or marketing of certain pharmaceuticals or diagnostics, biotechnology, and medical devices. The portfolio companies may not be able to obtain or maintain insurance protection for such claims on acceptable terms, or at all. Moreover, insurance that the portfolio companies do obtain may not provide adequate protection against a potential claim. This could adversely affect the portfolio companies' and the Company's business, results, financial position, and growth.

Need for strategic partners

Most of the portfolio companies have a great need to enter into partnerships or ally themselves with larger international companies to market their products. The portfolio companies may not be successful in attracting third parties to enter into such partnerships with, and, if such partnerships are entered into, they may not develop as planned. If a strategic partner does not fulfill its contractual obligations or commitments or fails to keep to expected time limits, or if a partner has to be replaced or if the clinical information that the partner receives for some reason appears to be of poor quality or incorrect, planned clinical trials may be extended, delayed, or terminated, which could have a negative impact on the business of the portfolio company and its ability to license or commercialize its products, which in turn could adversely affect the portfolio companies' and the Company's business, results, financial position, and growth.

Intellectual property rights of the portfolio companies

The success of the portfolio companies is to a large extent dependent on the portfolio companies' ability to protect methods and technologies that they develop with patent protection and other intellectual property rights in order to prevent competitors from using their innovations and other protected information. Since patent applications in general are confidential for 18 months from the date of the application, third parties may have filed patent applications for methods and technologies covered by a portfolio company's pending patent applications without the portfolio company being aware of such applications. Consequently, the portfolio company's patent application may not have priority, which in turn could result in the patent protection being considerably less extensive than applied for. The fact that a patent has been granted does not provide absolute protection during the term of the patent. Patents may later be declared invalid by court or an authority, which leads to insufficient patent protection vis-à-vis other innovations. In addition, granted patents must be properly transferred from the inventor/inventors to the portfolio company in question. Moreover, the extent of the patent protection is dependent on patent category and the wording of the patent application. The different patent categories and the wording of the patent application are of importance to the strength of a patent and may vary from case to case.

Because of the formulation of the patent legislation, the application of an innovation in accordance with a portfolio company's patent may be governed by the technology in another patent on which the portfolio company's patent is dependent. In such a situation, the portfolio company may not be able to ensure the right to use such technology at reasonable conditions to the portfolio company, or at all.

A third party may sue a portfolio company for infringing its patent rights. Likewise, a portfolio company may need to resort to litigation against a third party to enforce a patent granted to the portfolio company or to determine the scope and invalidity of third-party proprietary rights. Patent litigations often take several years and the issue may, depending on the rules of the country in question, be tried in

several courts. The cost of pursuing intellectual property litigation, even if resolved in the portfolio company's favor, could be substantial. Litigation could also divert the portfolio company's focus from the portfolio company's ordinary business. Uncertainty resulting from pursuing litigation could limit a portfolio company's ability to continue its operations. If any party should claim that a portfolio company's product or use of methods or technologies infringes upon such party's intellectual property rights, the portfolio company may be forced to pay damages and cease the infringing activity.

In many countries, prohibitory injunctions may be announced at an early stage of legal proceedings. As prohibitory injunctions often require that security is provided, the portfolio companies may not have sufficient financial resources to pursue prohibitory injunctions.

It is not certain that the patents of the portfolio companies entail sufficient legal or commercial protection against financially strong competitors that, despite the patent, may use the portfolio company's methods and technologies. Furthermore, the patents of the portfolio companies may not entail sufficient legal or commercial protection against similar products which the market assesses to be replaceable with the portfolio company's product. Only a few of the portfolio companies may have registered trademarks. Without accurate registration, it might be difficult, or at least time and resource consuming, to prevent a third party from using the respective portfolio company's trade name or brands, as applicable. If any of the risks related to the intellectual property of the portfolio companies were to materialize, it could adversely affect the portfolio companies' and the Company's business, results, financial position, and growth.

Trade secrets of the portfolio companies

Each portfolio company may be dependent on trade secrets, which are not protected by patents or other intellectual property, being safeguarded. Such trade secrets could include, but are not limited to, information in relation to inventions for which patent protection has not been sought yet or to information in relation to manufacturing processes or methods for which patent protection cannot be sought. Employees and collaboration partners of the respective portfolio company do generally have an obligation of confidentiality towards the portfolio company. However, it can happen that someone, with access to information of great value for the portfolio company in question, discloses or uses the information in a manner that impairs the portfolio company's position on the market, which could adversely affect the relevant portfolio company's and the Company's business, results, financial position, and growth.

Future financing requirements of the portfolio companies

Research and development activities and marketing efforts in the life science industry are capital-intensive. The portfolio companies may not be able to obtain further capital on advantageous terms, and the capital which may be obtained may not be sufficient to finance the activities in accordance with the portfolio companies' respective business plans. Any inability of Karolinska Development to participate in future investment rounds in a portfolio company could lead to the portfolio company having to curtail its business and/or to Karolinska Development's holding in the company being diluted by other investors. Even in situations where Karolinska Development would be able and willing to participate, co-investors may not be willing to participate on the same terms and conditions. If any of these risks were to materialize, it could adversely affect the portfolio companies' and the Company's business, results, financial position, and growth.

Dependency on obtaining regulatory approvals

In order to obtain regulatory approvals for commercial sales of the portfolio companies' products, the portfolio companies and their collaborating partners will be required to complete clinical trials to demonstrate the safety and efficacy of the products. The portfolio companies and their collaborating partners may fail in obtaining approvals from regulatory authorities to commence or complete such clinical trials. If approval is obtained, such clinical trials may prove that the products are not safe or effective to the extent necessary to obtain marketing authorizations from regulatory authorities. Positive results demonstrated in development studies and clinical trials that the portfolio companies and their collaborating partners finalize may not be confirmed in results obtained in future clinical trials.

The portfolio companies and their collaborating partners will not be able to market any of their products without first obtaining the requisite authorizations from the appropriate regulatory authorities. The regulatory process to obtain marketing authorization for a new pharmaceutical product may take many years and usually requires significant financial and other resources. If the portfolio companies and their collaborating partners do not obtain the requisite authorizations to market their product candidates, it could adversely affect the portfolio companies' and the Company's business, results, financial position, and growth.

Environmental regulations

Because of the chemical ingredients in pharmaceutical products and the nature of their manufacturing process, the pharmaceutical industry is subject to extensive environmental regulation and the portfolio companies are subject to the risk of incurring liability for damages or costs of remediation, renovation or control of environmental problems. The portfolio companies may not be able to obtain the operating licenses necessary to conduct their business. In addition, if the portfolio companies fail to comply with environmental regulations relating to the proper use or disposal of hazardous materials or otherwise fail to comply with conditions attached to operating licenses, such licenses could be revoked. The portfolio companies can also be subject to legal sanctions and substantial liability and costs, or could be required to suspend or modify their operations, which could adversely affect the portfolio companies' and the Company's business, results, financial position, and growth.

Financial risks

Financial risks are described in Note 17.

Financial Development for the Parent Company in 2021

(Amounts in SEK million, comparable figures refer to 2020)

During 2021, the Parent Company's operating profit amounted to SEK 160.7 million (SEK -202.5 million), an increase of SEK 363.1 million compared to 2020. The Parent Company's net profit/loss for the year amounted to SEK 170.8 million (SEK -207.5 million).

The positive result for 2021 led to an increase in equity from SEK 800.3 million at 31 December 2020 to SEK 971.1 million at 31 December 2021.

Corporate governance report

The Corporate Governance Report, which is separate from the annual report, is presented on page 88–92.

Guidelines for Remuneration to the CEO and other Executive Management as well as other conditions

The Guidelines for Remuneration to Executive Management are prepared by the Board of Directors for adoption by the Annual General Meeting. The Board of Directors does not propose any changed guidelines for 2022, which is why the Annual General Meeting does not make a decision on new guidelines. The 2021 decided guidelines apply and can be found in Note 5.

Share capital and ownership

Karolinska Development's share capital at the end of the financial year amounted to SEK 1.8 million, distributed among 175,665,409 shares with a par value of SEK 0.01, of which 1,503,098 were A shares (with 10 votes each) and 174,162,311 were B shares (with one vote each). The largest shareholders were invoX Pharma Ltd with a total of 75,727,285 B shares representing 43.11 per cent of the capital and 40.03 per cent of the votes, Worldwide International Investments Ltd with a total of 28,007,077 B shares representing 15.94 per cent of the capital and 14.80 per cent of the votes, Insamlingsstiftelsen för främjande och utveckling av medicinsk forskning vid KI with 1,503,098 A shares and 2,079,836 B shares representing 2.04 per cent of the capital and 9.04 per cent of the votes, Östersjöstiftelsen with a total of 3,889,166 B-shares representing 2.21 per cent of the capital and 2.06 per cent of the votes.

Holding of treasury shares

At year-end, the Company held 244,285 treasury shares, corresponding to SEK 2,443 of the share capital, and the consideration paid totaled SEK 4.7 million. Share repurchases were made in previous financial year for the purpose of covering social security costs related to the PSP incentive programmes. No repurchases or transfers occurred during the year.

The Annual General Meeting's authorization to the Board

The Annual General Meeting 2021 authorized the Board, for the period up until the next Annual General Meeting, to decide, whether on one or several occasions without pre-emption rights for the shareholders, to issue new series B shares up to a maximum of 20 percent of the share capital.

The Annual General Meeting also authorized the Board to decide on the transfer of 244,285 previously acquired series B shares to cover social security costs in PSP 2015.

Future development

Karolinska Development has a focused portfolio of therapeutic and medtech companies with significant value-generating potential. The portfolio companies are developing highly differentiated and commercially attractive products that have the potential to deliver both compelling clinical and health economic benefits and attractive returns on investment. The majority of Karolinska Development's portfolio companies are well-financed for ongoing development and commercialisation work and well positioned to deliver key value-generating milestones within the next two years.

Environment and responsibilities

Karolinska Development's operations do not involve any special environmental risks and do not require any special environmentally related permits or authorizations from authorities. Karolinska Development undertakes its operations according to applicable health and safety regulations and offers its employees a safe and sound working environment.

Multi-year summary for the Investment Entity

SEKm	2021	2020	2019	2018	2017	2016	2015
Income statement							
Revenue	2	3	3	3	2	5	3
Result from change in fair value	189	-172	387	100	255	-147	-976
Operating expenses	-31	-33	-42	-29	-37	-33	-47
Operating profit/loss	**161**	**-202**	**348**	**74**	**221**	**-174**	**-1,020**
Financial net	10	-5	-45	-44	-41	-43	-34
Profit/loss after financial items	**171**	**-207**	**303**	**31**	**180**	**-217**	**-1,055**
Balance sheet							
Tangible non-current assets	1	1	1	-	-	-	-
Shares in portfolio companies	950	770	1,048	619	448	149	268
Loans receivable from portfolio companies	-	-	2	5	3	1	-
Other financial assets	62	-	-	27	41	38	38
Total non-current assets	**1,013**	**771**	**1,050**	**651**	**492**	**188**	**306**
Other current assets	4	43	64	58	2	2	10
Short-term investments	50	-	-	70	150	238	278
Cash and cash equivalents	42	76	52	16	19	11	20
Total current assets	**97**	**119**	**117**	**143**	**171**	**250**	**308**
Total assets	**1,109**	**890**	**1,167**	**794**	**663**	**438**	**614**
Equity	971	800	1,008	296	267	30	248
Long-term liabilities	-	-	-	11	384	399	355
Current liabilities	138	90	159	487	12	9	12
Total liabilities and equity	**1,109**	**890**	**1,167**	**794**	**663**	**438**	**614**
Cash flow							
Cash flow from operating activities and investing activities	-32	25	50	-3	11	-9	-325
Cash flow from financing activities	-1	-1	-14	0	-3	0	332
Cash flow for the year	**-33**	**24**	**36**	**-3**	**9**	**-9**	**7**

Multi-year summary *cont.*

SEKm	2021	2020	2019	2018	2017	2016	2015
Key ratios[1]							
Net asset value	978	806	1,027	247	277	33	244
Net debt	32	0	38	393	210	150	57
Capital employed	1,096	876	1,008	307	651	429	603
Return on equity	18%	-26%	30%	10%	66%	-729%	-425%
Return on capital employed	16%	-24%	30%	10%	27%	-51%	-175%
Equity to total assets ratio	88%	90%	86%	37%	40%	7%	40%
Average number of employees	7	7	7	7	7	6	12
Data per share							
Profit/loss after tax, SEK, after dilution	0.97	-1.18	4.10	0.48	2.93	-4.08	-19.84
Profit/loss after tax, SEK, before dilution	0.97	-1.18	4.10	0.48	2.93	-4.08	-19.84
Equity, SEK	5,5	4,6	15,7	4,6	4,2	0,6	4,6
Net asset value, SEK	5,6	4,6	5,9	3,8	4,3	0,7	4,7
Share price at year-end, SEK	5,3	1,8	3,5	6,2	5,8	6,0	9,6
Dividend, SEK	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Share price/Equity per share	96%	40%	23%	135%	139%	1,076%	207%
Share price/Net asset value per share	95%	39%	60%	162%	133%	854%	205%
Number of shares at year-end	175,665,409	175,665,409	175,665,409	64,361,206	64,361,206	53,464,998	53,449,640
Weighted average number of shares before dilution	175,421,124	175,421,124	73,874,552	64,136,941	61,243 234	53,210,223	53,151,328
Weighted average number of shares after dilution	175,421,124	175,421,124	73,874,552	64,136,941	61,300,516	53,210,223	53,151,328

1) Definitions of key ratios, see page 94

Proposed appropriation of the profit of the Parent Company (SEK)

The following earnings are available for appropriation by the Annual General Meeting:

SEK	2021-12-31
Retained loss	-1,579,841,908
Share premium reserve	2,378,373,033
Net profit/loss for the year	170,839,891
Total	**963,371,016**

The Board of Directors proposes that profits brought forward be appropriated as follows:

SEK	2021-12-31
Share premium	2,378,373,033
Retained loss	-1,409,002,017
To be carried forward	**969,371,016**

For information regarding the operating results and financial position of the Investment Entity and the Parent Company, refer to the following income statements, balance sheets, statements of cash flow and accompanying notes. Unless otherwise stated, all amounts are reported in thousands of Swedish kronor (SEK 000).

Income statement for the Investment Entity

SEK 000	Note	2021	2020
Revenue	2	2,170	2,651
Change in fair value of shares in portfolio companies	17	223,203	-215,378
Change in fair value of other financial assets and liabilities	17	-33,891	43,077
Other expenses	3,4	-6,887	-8,466
Personnel costs	5	-23,205	-23,620
Depreciation of right-of-use assets	4	-690	-690
Operating profit/loss		**160,700**	**-202,426**
Interest income		6,406	908
Interest expenses	6	-6,284	-5,688
Other financial gains and losses	6	9,997	-281
Financial net		**10,119**	**-5,061**
Profit/loss before tax		**170,819**	**-207,487**
Taxes	7	-	-
NET PROFIT/LOSS FOR THE YEAR		**170,819**	**-207,487**

Statement of comprehensive income for the Investment Entity

SEK 000	Note	2021	2020
Net profit/loss for the year		170,819	-207,487
Total comprehensive income/loss for the year		**170,819**	**-207,487**

Earnings per share

SEK 000	Note	2021	2020
Earnings per share, weighted average, before dilution		0.97	-1.18
Number of shares, weighted average before dilution	13	175,421,124	175,421,124
Earnings per share, weighted average, after dilution		0.97	-1.18
Number of shares, weighted average after dilution	13	175,421,124	175 ,421,124

Statement of financial position for the Investment Entity

SEK 000	Note	2021-12-31	2020-12-31
Assets			
Tangible non-current assets			
Right-of-use assets	4	690	690
Financial non-current assets			
Shares in portfolio companies at fair value through profit or loss	8	950,170	770,320
Loans receivable from portfolio companies	9,17	61,799	-
Total non-current assets		**1,012,659**	**771,010**
Current assets			
Accounts receivable		0	3
Receivables from subsidiaries		-	80
Receivables from portfolio companies		505	243
Other financial assets	9, 17	-	41,181
Other current receivables	10	768	768
Prepaid expenses and accrued income	11	2,940	929
Short-term investments at fair value throug profit or loss	12,17	50,005	-
Cash and cash equivalents	17	42,398	75,869
Total current assets		**96,616**	**119,073**
TOTAL ASSETS		**1,109,275**	**890,083**
Equity and liabilities			
Equity	13		
Share capital		1,757	1,757
Share premiun		2,378,373	2,378,373
Accumulated losses including net profit/loss for the year		-1,409,044	-1,579,863
Total equity		**971,086**	**800,267**
Current liabilities			
Current interest-bearing liability to related party	15	124,603	75,864
Other financial liabilities	14, 17	1,756	5,726
Accounts payable		1,674	617
Lease liabilities	4	732	711
Other current liabilities		2,156	1,373
Accrued expenses and prepaid income	16	7,268	5,525
Total current liabilities		**138,189**	**89,816**
Total liabilities		**138,189**	**89,816**
TOTAL EQUITY AND LIABILITIES		**1,109,275**	**890,083**

Statement of changes in the Investment Entity's equity

		Equity attributable to Investment Entity's shareholders			
SEK 000	**Note**	**Share capital**	**Share premium**	**Accumulated losses**	**Total**
Opening equity at 1 Jan 2021	13	**1,757**	**2,378,373**	**-1,579,863**	**800,267**
Net profit/loss for the year				170,819	170,819
Total comprehensive income/loss for the year				170,819	170,819
Closing equity at 31 Dec 2021		**1,757**	**2,378,373**	**-1,409,044**	**971,086**
Opening equity at 1 Jan 2020	13	**1,757**	**2,378,373**	**-1,372,376**	**1,007,754**
Net profit for the year				-207,487	-207,487
Total comprehensive income for the year				-207,487	-207,487
Closing equity at 31 Dec 2020		**1,757**	**2,378,373**	**-1,579,863**	**800,267**

Statement of cash flows for the Investment Entity

SEK 000	Note	2021	2020
Operating activities			
Operating profit/loss		160,700	-202,426
Adjustments for non-cash items			
Depreciation	4	690	690
Change in fair value	17	-189,312	172,301
Other items		-	-45
Cash flow from operating activities before changes in working capital and operating investments		**-27,922**	**-29,480**
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in operating receivables		-1,461	29,988
Increase (+)/Decrease (-) in operating liabilities		46,084	-33,708
Cash flow from operating activities		**16,701**	**-33,200**
Investing activities			
Partial payment for earn-out deal		-3,121	-5,093
Sale of shares in portfolio companies		56,427	101,853
Acquisitions of shares in portfolio companies, loans to portfolio companies	33	-52,759	-39,154
Acquisitions of short-term investments [1]	12,17	-50,005	-
Cash flow from investing activities		**-49,458**	**57,606**
Financing activities			
Amortization of lease liabilities	4	-714	-669
Cash flow from financing activities		**-714**	**-669**
Cash flow for the year		**-33,471**	**23,737**
Cash and cash equivalents at the beginning of the year	17	75,869	52,132
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR [1]	17	**42,398**	**75,869**

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 not included in the statement of cash flows from operating activities. Cash and cash equivalents and short-term investments amounts to SEK 92.4 million (SEK 75.9 million) at the end of the period.

Income statement for the Parent Company

SEK 000	Note	2021	2020
Net sales	23	2,170	2,651
Revenue		**2,170**	**2,651**
Change in fair value of shares in portfolio companies	24	223,203	-215,378
Change in fair value of other financial assets and liabilities	25	-33,891	43,077
Other external costs	26, 27	-7,601	-9,180
Personnel costs	28	-23,205	-23,620
Operating profit/loss		**160,676**	**-202,450**
Interest income and similar income	29	16,403	908
Interest expenses and similar expenses	30	-6,239	-5,924
Financial net		**10,164**	**-5,016**
Taxes	31	0	0
NET PROFIT/LOSS FOR THE YEAR		**170,840**	**-207,466**

Statement of comprehensive income for the Parent Company

SEK 000	Note	2021	2020
Net profit/loss for the year		170,840	-207,466
Total comprehensive income/loss for the year		**170,840**	**-207,466**

Balance sheet for the Parent Company

SEK 000	Note	2021-12-31	2020-12-31
Assets			
Financial non-current assets			
Shares in subsidiaries	32	0	0
Shares in joint ventures	33	870,271	683,096
Shares in associated companies	33	29,329	49,458
Other long-term securities holdings	34	50,570	37,766
Loans receivable from portfolio companies	36	61,799	-
Total non-current assets		**1,011,969**	**770,320**
Current assets			
Accounts receivable		-	3
Receivables from subsidiaries		-	80
Receivables from portfolio companies		505	243
Other financial assets	36	-	41,181
Other current receivables	37	768	768
Prepaid expenses and accrued income	37	2,940	929
Short-term investments at fair value through profit or loss	38	50,005	-
Cash and cash equivalents		42,398	75,869
Total current assets		**96,616**	**119,073**
TOTAL ASSETS		**1,108,585**	**889,393**
Equity and liabilities			
Equity			
Restricted equity			
Share capital	13	1,757	1,757
Unrestricted equity	39		
Share premium		2,378,373	2,378,373
Accumulated losses		-1,579,842	-1 372,376
Net profit for the year		170,840	-207,466
Unrestricted equity		969,371	798,531
Total equity		**971,128**	**800,288**
Current liabilities			
Current interest liabilties to related parties	44,43	124,603	75,864
Other financial liabilities	40	1,756	5,726
Accounts payable		1,674	617
Other current liabilities		2,156	1,373
Accrued expenses and prepaid income	42	7,268	5,525
Total current liabilities		**137,457**	**89,105**
Total liabilities		**137,457**	**89,105**
TOTAL EQUITY AND LIABILITIES		**1,108,585**	**889,393**

Statement of changes in equity for the Parent Company

		Restricted equity	Unrestricted equity			
SEK 000	Note	Share capital	Share premium reserv	Accumulated losses	Net profit/loss for the year	Total equity
Opening equity at 1 Jan 2021	13	**1,757**	**2,378,373**	**-1,372,376**	**-207,466**	**800,288**
Appropriation of profit				-207,466	207,466	0
Net profit/loss for the year					170,840	170,840
Closing equity at 31 Dec 2021		**1,757**	**2,378,373**	**-1,579,842**	**170,840**	**971,128**
Opening equity at 1 Jan 2020	13	**1,757**	**2,378,373**	**-1,675,389**	**303,013**	**1,007,754**
Appropriation of loss				303,013	-303,013	0
Net profit for the year					-207,466	-207,466
Closing equity at 31 Dec 2020		**1,757**	**2,378,373**	**-1,372,376**	**-207,466**	**800,288**

Statement of cash flows for the Parent Company

SEK 000	Note	2021	2020
Operating activities			
Operating profit		160,676	-202,450
Adjustments for non-cash items			
Change in fair value	24, 25	-189,312	172,301
Cash flow from operating activities before changes in working capital and operating investments		**-28,636**	**-30,149**
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in operating receivables		-1,461	29,988
Increase (+)/Decrease (-) in operating liabilities		46,084	-33,708
Cash flow from operating activities		**15,987**	**-33,869**
Investing activities			
Partial payment for earn-out deal		-3,121	-5,093
Sale of shares in portfolio companies	34	56,427	101,853
Acquisitions of shares in portfolio companies, loans to portfolio companies	33	-52,759	-39,154
Acquisitions of short-term investments [1]	38	-50,005	-
Cash flow from investing activities		**-49,458**	**57,606**
Financing activities			
Issue costs		-	-
Cash flow from financing activities		**0**	**0**
Cash flow for the year		**-33,471**	**23,737**
Cash and cash equivalents at the beginning of the year		75,869	52,132
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR [1]		**42,398**	**75,869**

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 not included in the statement of cash flows from operating activities. Cash and cash equivalents and short-term investments amounts to SEK 92.4 million (SEK 75.9 million) at the end of the period.

Note 1 Accounting policies

Operations in general

Karolinska Development AB (publ) ("Karolinska Development," "Investment Entity" or the "Company") is a Nordic life sciences investment company. The Company, with Corporate Identity Number 556707-5048, is a limited liability company with its registered office in Solna, Sweden. The Company's address is Tomtebodavägen 23A, S-171 65 Solna and the principal place of business is also Tomtebodavägen 23A, S171 65 Solna. The Company focuses on identifying medical innovations and investing in the creation and growth of companies ("portfolio companies") that develop these assets into differentiated products that will make a difference to patients' lives and provide an attractive return on investment to its shareholders. The Company's series B shares are traded on Nasdaq Stockholm.

Compliance with generally accepted accounting policies and law

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the IFRS Interpretations Committee, as adopted by the EU. Furthermore, recommendation RFR 1 Supplementary Accounting Regulations for Groups and statements UFR 7 and 9 from the Swedish Financial Reporting Board have been applied.

Conditions when preparing the financial statements

This is an English translation of the Swedish annual report. In the event of any discrepancy between the content of the two versions, the Swedish version shall prevail.

The Company's functional currency is Swedish kronor, which is also the reporting currency of the Investment Entity. This means that the financial statements are presented in Swedish kronor. All figures, unless otherwise indicated, are rounded to the nearest thousand. Assets and liabilities are recognized at historical cost, except for certain financial assets and liabilities measured at fair value. Financial assets and liabilities measured at fair value consist of holdings in subsidiaries, joint ventures and associated companies, other securities holdings, other financial assets and liabilities, and short-term investments classified as financial assets held for sale.

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and carrying amounts of assets, liabilities, revenue and expenses. The estimates and assumptions are based on historical experience and various other factors which are considered appropriate under prevailing conditions. The results of these estimates and assumptions are then used to assess the carrying amounts of assets and liabilities that are not otherwise evident from other sources. The actual result may differ from these estimates and assessments.

Estimates and assumptions are reviewed periodically. Changes in estimates are recognized in the period the change is made if the change only affects that period or in the period the change is made and future periods if the change affects both the current period and future periods.

The following accounting policies for the Investment Entity have been applied consequently to all periods presented in the financial statements, unless otherwise stated below.

New and amended standards applied by the Investment Entity

New or amended IFRS standards and interpretations from the IFRS Interpretations Committee have not had any significant impact on the Investment Entity. None of the other IFRS or interpretations that have not yet entered into force are expected to a have a material impact on the Investment Entity.

Significant accounting policies

Classification

The Investment Entity's non-current assets and long-term liabilities are essentially limited to amounts that are expected to be recovered or settled more than twelve months after the closing date. Current assets and current liabilities of the Investment Entity comprise amounts that are expected to be recovered or settled within twelve months of the closing date.

Operating segments

An operating segment is a component of a company engaged in a business activity from which it may earn revenue and incur expenses, whose operating income is regularly reviewed by the Company's chief operating decision maker, and for which there is separate financial information. The Investment Entity's reporting of operating segments complies with the internal reporting to the chief operating decision maker. The chief operating decision maker has the function of assessing the profit/loss of the operating segments and determining the allocation of resources. In the Investment Entity's assessment, the management constitutes the chief operating decision maker. In internal reporting, the management evaluates the Investment Entity's result, but does not analyze the results for various parts of the Investment Entity. Consequently, the Investment Entity is considered a single reportable operating segment.

Consolidating policies

Karolinska Development has determined that it meets the definition of an investment entity. An investment entity does not consolidate its subsidiaries, IFRS 10 Consolidated Financial Statements, or apply IFRS 3 Business Combinations when it obtains control over another company, with the exception of subsidiaries that provide services associated with the investment entity's investing operations. An investment entity instead measures its holdings in portfolio companies at fair value through profit or loss in accordance with IAS 9 "Financial Instruments".

Karolinska Development does not have any holdings in other investment entities that will be consolidated in any of the reporting periods.

Note 1 continued

Subsidiaries

Subsidiaries are companies under the control of the Investment Entity. Consequently, an investor controls an investee only if the investor has:

a) power over the investee;
b) exposure, or rights, to variable returns from its involvement with the investee; and
c) the ability to use its power over the investee to affect the amount of the investor's returns.

Karolinska Development considers all the facts and circumstances in assessing whether it controls an investee. The Company reassesses whether control exists if the facts and circumstances suggest that one or more of the controlling factors have changed.

Associated companies

An associated company is an entity over which the Investment Entity exercises significant influence through the ability to participate in decisions related to the financial and operational strategies of the business. This situation normally occurs when the Investment Entity, directly or indirectly, owns shares representing 20–50 per cent of the votes, or receives significant influence through agreements.

Karolinska Development is an investment entity in accordance with IAS 28 Investments in Associates and Joint Ventures and has chosen to recognize its holdings in associated companies at fair value with changes in value through profit or loss in accordance with IFRS 9 Financial Instruments. The accounting policy for financial assets at fair value through profit or loss is described in the section on financial instruments below.

Joint ventures

A joint venture is a joint arrangement whereby two or more parties that share joint control of the arrangement have the rights to its net assets. Joint control means contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Karolinska Development normally enters into shareholder agreements with other shareholders in the portfolio companies. Where shareholder agreements assure other investors or founders of influence, Karolinska Development is not considered to have control, even if its ownership interest formally exceeds 50 per cent.

Karolinska Development has chosen to recognize its holdings in joint ventures at fair value with changes in value through profit or loss, which is permitted in accordance with IAS 28 Investments in Associates and Joint Ventures.

Significant assessments in the application of the accounting policies

The following section describes the most significant assessments, besides those containing estimates (see below), which management has made in the application of the Investment Entity's accounting policies and which have the most significant impact on the amounts recognized in the financial statements.

Qualification as an investment entity

In Karolinska Development's assessment, the Company meets the criteria for an investment entity. An investment entity is a company that meets the following criteria:

a) it obtains funds from one or more investors for the purpose of providing the investor(s) with investment management services;
b) it commits to its investor(s) that its business purpose is investing funds solely for returns from capital appreciation, investment income, or both; and
c) it measures and evaluates the performance of substantially all its investments on a fair value basis.

In Karolinska Development's assessment, the Company also has the following typical characteristics to qualify as an investment entity:

a) it has more than one investment;
b) it has more than one investor;
c) it has investors that are not related parties of the entity; and/or
d) it has ownership interests in the form of equity or similar interests.

Karolinska Development has investments in several portfolio companies, has several investors that are not related parties to the Company and the investments are in equities.

The following significant assessments have been made in determining whether the Company qualifies as an investment entity:

- Karolinska Development invests in portfolio companies for the purpose of generating a return in the form of capital appreciation and investment income. Karolinska Development does not receive, nor does it have as its aim to receive, benefits from the Company's investments that are not available to other parties not related to the investee. The commercial purpose is not to develop medical products as such, but rather to invest to create and maximize the return. An important factor in the assessment is Karolinska Development's involvement in the investments' operations, since the Company provides certain services to support the development projects in the portfolio investments. Because of its influence as a shareholder, Karolinska Development normally appoints one or more board members of the portfolio companies. Despite that it provides certain services to the portfolio companies, Karolinska Development has reached the conclusion that it meets the criteria for an investment entity.

Note 1 continued

- Moreover, the primary metric to evaluate the portfolio companies is based on fair value. Although Karolinska Development also monitors the portfolio companies through studies and clinical trials, for instance, the primary purpose of monitoring these key indicators is to better understand changes in fair value and assess the need for additional future investments
- The Company has a documented exit strategy for all its portfolio companies. Karolinska Development's investment strategy is to retain investments for a limited period. In every decision whether to invest in a company, the company and/or development project in question must have clear potential for a final exit, e.g., through a sale to an outside party, that the asset can be transferred or that there is a potential that the project (portfolio company) will be licensed to an outside party with a high return to global partners. The exit strategies are taken into consideration in the valuations.

Influence over the portfolio companies

Karolinska Development's ownership interests in its portfolio companies range from a few percent up to 73 per cent. A relatively large proportion of Karolinska Development's share of the portfolio companies lies within the range of 17-73 per cent and in some cases fluctuates over time through investments that increase or dilute Karolinska Development's holdings.

Karolinska Development normally enters into shareholder agreements with other shareholders in the portfolio companies. Where shareholder agreements assure other investors or founders of influence, Karolinska Development is not considered to have control, even if its ownership interest formally exceeds 50 per cent. Karolinska Development has therefore chosen to recognize its holdings at fair value through profit or loss as holdings in associated companies or joint ventures depending on the degree of control.

Valuation of portfolio companies

The calculation of the Portfolio Fair Value is based on IFRS 13 standards of deciding and reporting fair value and the International Private Equity and Venture Capital Valuation Guidelines (IPEV Valuation Guidelines) established by the IPEV, which represent the current best practice on the valuation of private equity investments.

The Portfolio Fair Value is divided into Total Portfolio Fair Value and Net Portfolio Fair Value.

Total Portfolio Fair Value: The aggregated proceeds that would be received by Karolinska Development and KDev Investments if the shares in their portfolio companies were sold in an orderly transaction between market participants at the measurement date.

Net Portfolio Fair Value (after potential distribution to Rosetta Capital) is the net aggregated proceeds that Karolinska Development will receive after KDev Investments' distribution of proceeds to Rosetta Capital and is designated in the Investment Entity's balance sheet as Shares in portfolio companies at fair value through profit or loss.

A detailed description of the impact of the portfolio valuation of the agreement with Rosetta Capital is provided in Note 17.

Valuation method for portfolio companies

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 at each reporting period. This takes into account whether the companies have recently been financed or involved with a transaction that includes an independent third party or a valuation from an external independent valuation and if the companies recently have met significant milestones. If there is no valuation available based on a recently refinancing or other third-party valuation and there is no valuation available based on a similar transaction or an external independent valuation, internal discounted cash flow models (DCF) valuation through sales multiples, or valuation at net worth of the portfolio companies whose projects are suitable for this type of calculation, are used. Companies whose shares are listed on active market for the same instruments are valued at the share price on the final trading day in the reporting period and reported at Level 1 in the fair value hierarchy, in accordance with IFRS 13.

- Early-stage companies, defined as pharmaceutical assets prior to phase III development and technology assets prior to establishing targeted and sustainable sales revenues can be valued using a variety of different methods:

i. Companies recently financed through a transaction that includes a third-party investor are valued in accordance with the price in conjunction with the most recent investment, known as post-money valuation. An increase in value may then occur through add-on investments in the form of capital or loans made including interest.
ii. Companies who have recently achieved significant milestones can be valued using a valuation from an external, independent valuation institute. A change in value may then occur through add-on investments in the form of capital or loans made including interest, for example.
iii. Early-stage companies, which have not recently been financed by a transaction involving a third-party investor, are valued at the price of the most recent investment, corresponding to the last post-money valuation of the portfolio company. Companies in such early stages of development typically show relatively flat value appreciation through the financing rounds as they complete preclinical and early clinical milestones. Significant value appreciation is unlikely during this period and the post-money valuation, despite not being validated by an external investor, is considered a good approximation of fair value.

Should a new investor join an investment round, the valuation method will fall under a higher valuation priority, although the actual metric – post-money valuation – still can be the same as if only existing owners participate.

Note 1 continued

Should Karolinska Development opt out of an investment round with no intention to participate in later rounds, the price in the most recent investment may still be a valid valuation method, provided that these circumstances lead to a disproportionate post-money valuation because of the loss of negotiating power over pricing (and Karolinska Development's ownership may be drastically diluted). Karolinska Development's unwillingness to invest may reflect a lower perceived value compared to previous post-money valuations, a lowering of value is often a good indication of fair value in such cases. An opt out of an investment can of course also be due to Karolinska Development's ability to invest, without it being due to the fair value of the portfolio company.

As the share price of internal financing rounds is decided by existing investors, caution is taken to ensure that the share price is not artificially deflated or inflated. In each quarterly fair value assessment, the post-money valuation by internal investment rounds is benchmarked against portfolio company progress (e.g., met or failed milestones), comparable values for peer companies, bids from external investors and other applicable valuation methods to ensure that the post-money valuation is at an appropriate level to be considered fair value.

The cautious approach is particularly applied if an investment round is followed by a round that included a then third-party investor. An increase in fair value may be merited if, e.g., milestones have been reached during the time between investments, although in certain cases a large increase may not be considered. In these cases, the total amount invested since the investment round with third-party investors corresponds to the appreciation in value, while additional increases in value are not be included until the valuation is validated by new third-party investors.

- DCFs (internal discounted cash flow models) of the underlying business consider all of the forecasted cash flows of a portfolio company, which are then discounted with an appropriate rate and also risk-adjusted to take the development risks in pharmaceutical development into consideration. Revenue streams are approximated from epidemiological data on the intended therapeutic indication and a number of assumptions such as pricing per patient and year, market share and market exclusivity (from IPR and regulatory market protection). As described in the IPEV Valuation Guidelines, the inputs in the DCF models are constructed with a high level of subjectivity. Hence, this method is only suitable for late-stage assets, either pharmaceutical companies with lead projects in late-stage (phase III) development or technology projects with an established market presence and where revenues can be projected with a higher degree of confidence than in products in earlier stages of development. As of 31 december 2021, there are no portfolio companies valued by internal DCFs.
- Companies with an established revenue stream may be valued by sales multiples. The multiples should be derived from current market-based multiples for comparable companies. As with DCF valuations, this method requires that the company has a mature market presence and its sales forecasts can be made with sufficient certainty. As this method only considers revenue streams, the IPEV Valuation Guidelines stipulate that non-operating assets or liabilities need to be taken into account when applying this method. As of 31 December 2021, there are no portfolio companies valued according to sales multiples.
- Net asset value, defined as a portfolio company's assets minus its liabilities, is used as the fair value of portfolio companies without current operations. This typically occurs in companies considered financial assets as a consequence of discontinued development projects or withdrawn products. In essence, these companies are valued by their liquidation value. As of 31 December 2021, there are no companies valued according to net asset value.

Revenue

IFRS 15 Revenue from Contracts with Customers specifies how and when revenue is recognized, but also contains rules on providing more informative, relevant disclosures in the financial statements. Karolinska Development does not have any contracts with customers that are changed by the introduction of IFRS 15, because of which the introduction has not changed the impact compared to previous reporting.

Revenue consists of invoiced services rendered to portfolio companies for management, communication, finance and administration, including legal and analytical operations. Revenue for services rendered is recognized in the period in which the service is rendered and recognized as the fair value of the consideration that has been or will be received, less value-added tax.

Operating expenses and financial income and expenses

Financial income and expenses

Financial income and expenses consist of interest income on bank deposits, receivables and interest-bearing securities, interest on loans, dividend income, foreign exchange differences, and unrealized and realized gains on financial deposits.

Interest income on receivables and interest on debt are recognized over their term to maturity using the effective interest method. The effective interest rate is the rate that makes the present value of all estimated future cash payments and disbursements over the expected interest rate duration equal to the carrying amount of the receivable or liability.

Interest income includes accrued transaction costs and any discounts, premiums and other differences between the original value of the claim and the amount received at maturity.

Direct transaction costs for raising loans are distributed over the term of the loan and are included in effective interest rate as described above.

Dividend income is recognized when the shareholder's right to receive payment is established.

Note 1 continued

Earnings per share

Earnings per share before dilution are calculated by dividing the net profit for the year attributable to Karolinska Development's shareholders by a weighted average number of shares outstanding during the period.

The weighted average number of outstanding shares is calculated by adjusting the number of shares outstanding at the beginning of the period for share issues and repurchases made during the period, multiplied by the number of days that the shares were outstanding in relation to the total number of days in the period. For diluted earnings per share, the number of shares is adjusted for all dilutive potential shares, which include warrants. The warrants are dilutive if the exercise price is less than the estimated fair value of the Investment Entity's shares and this reduces earnings per share after dilution.

Recognition and measurement of financial instruments

IFRS 9 Financial Instruments covers the recognition of financial assets and liabilities and requires financial assets to be classified in different categories and that the measurement is made at fair value or amortized cost. The classification is determined upon initial recognition based on the Company's business model and the characteristics of contractual cash flows. The portfolio companies will continue to be measured at fair value through profit or loss, which also applies to financial assets, short-term investments and financial liabilities. Karolinska Development has no predicted credit losses.

Financial instruments recognized in the balance sheet include, on the asset side, shares and participations, other financial assets, loans, accounts receivable, short-term investments, cash and cash equivalents. The liability side consists of borrowings, other financial liabilities and accounts payable.

Financial instruments that are not derivatives are initially recognized at amortized cost, corresponding to the instrument's fair value plus transaction costs for all financial instruments except those belonging to the category financial assets at fair value through profit or loss, which are measured at fair value, net of transaction costs. Subsequent measurement depends on how they are classified as below.

A financial asset or financial liability is recognized in the balance sheet when the Investment Entity becomes a party according to the instrument's contractual terms. Accounts receivable are recognized in the balance sheet once the invoice has been sent. Liabilities are recognized when the counterparty has performed and a contractual obligation to pay exists, even if the invoice has not yet been received. Accounts payable are recognized when the invoice is received.

A financial asset is derecognized from the balance sheet when the contractual rights are realized, expire or the Investment Entity loses control over them. The same applies to part of a financial asset. A financial liability is derecognized from the balance sheet when the contractual obligation is fulfilled or otherwise extinguished. The same applies to part of a financial liability. The acquisition and disposal of financial assets are recognized on the trade date, i.e., the date when the Investment Entity pledges to acquire or dispose of the asset, except in the cases where the Investment Entity acquires or disposes of listed securities, in which case settlement date accounting applies.

The fair value of listed financial assets corresponds to the asset's quoted purchase price on the closing date.

Classification of financial instruments

IFRS 9 classifies and measures financial instruments. The classification depends on the purpose of the acquisition of the financial instrument. Management determines the classification at the original purchase date. The classification determines how the financial instrument is measured after initial recognition.

See table below, "Classification of financial assets and liabilities according to IFRS 9," for Karolinska Development.

Financial assets

The following three measurement categories apply to financial assets:

- Amortized cost
- Fair value through other comprehensive income (FVTOCI)
- Fair value through profit or loss (FVTPL)

A financial asset is measured at amortized cost if:

- The financial asset is held within a business model whose objective is to realize the financial asset's cash flows by collecting contractual cash flows, and
- The contractual cash flows consist solely of repayments of principal and interest on the principal amount outstanding.

Karolinska Development has assessed the following assets as belonging to this category:

Financial assets held for trading

A financial asset is classified as held for trading if it:

- has been acquired principally for the purpose of selling it or buying back in the near term;
- on initial recognition is part of a portfolio of identified financial instruments that are managed together and has a recent actual pattern of short-term profit-taking; or
- is a derivative that is not designated as an effective hedging instrument.

Karolinska Development has no financial assets in this category.

Note 1 continued

Loans receivable and receivables from subsidiaries

Loans receivable and receivables from subsidiaries are financial assets that are not derivatives, have fixed or determinable payments and are not quoted on an active market. Assets in this category are measured at amortized cost. Amortized cost is determined from the effective interest rate calculated on the acquisition date. Receivables from subsidiaries are recognized at the amount that is expected to be received after an allowance for impaired receivables. As the expected duration is short, the nominal value is recognized without discounting. Loans receivable from portfolio companies and receivables from subsidiaries have been assessed as belonging to this category.

Cash and cash equivalents

Cash and cash equivalents include cash and bank balances and other short-term liquid investments that are readily convertible to cash and are subject to an insignificant risk of changes in value. To be classified as cash and cash equivalents, the duration may not exceed three months from the date of acquisition. Cash and bank balances are categorized as "Loans receivable and accounts receivable," which are measured at amortized cost. Because the bank balances are payable upon demand, amortized cost corresponds to the nominal amount.

Financial assets at fair value through other comprehensive income (FVTOCI)

- The financial asset is held within a business model whose objective is to realize the financial asset's cash flows by both collecting contractual cash flows and selling the asset, and
- The contractual cash flows consist solely of repayments of principal and interest on the principal amount outstanding.

Karolinska Development has no financial assets in this category.

Financial assets at fair value through profit or loss (FVTPL)

All other financial assets are measured at fair value with the changes recognized in profit or loss. This category consists of two subgroups: held for trading and financial assets designated at FVTPL.

This category includes shares in portfolio companies, other financial assets and short-term investments.

Financial liabilities

Financial liabilities are measured at either amortized cost or at fair value through profit or loss.

Financial liabilities at amortized cost

This category includes loans and other financial liabilities, e.g., convertible loans, short-term interest-bearing liabilities and accounts payable. Loans are measured at amortized cost. Amortized cost is based on the effective interest rate calculated when the liability was incurred. As the expected duration of accounts payable is short, the nominal value is recognized without discounting.

Financial liabilities at fair value through profit or loss (FVTPL)

This category comprises financial liabilities held for trading and derivatives that are not used for hedge accounting. Liabilities in this category are measured at fair value with changes in value recognized through profit or loss. Other financial liabilities have been assessed as belonging to this category.

Impairment testing of financial assets

Impairment is calculated and recognized for financial assets at amortized cost and for financial assets at fair value with changes in value recognized in other comprehensive income. An allowance for impaired receivables is recognized and calculated as needed. Karolinska Development has no allowance for expected impaired receivables.

Dividends

Dividends are recognized as a liability after the AGM has approved the dividend.

Note 1 continued

Employee benefits

Short-term benefits

Short-term benefits to employees are calculated without discounting and are reported as an expense when the related services obtained. A provision is reported for the expected cost for bonus payments and profit-sharing programmes when the company has an applicable obligation to make such payments as a result of the services received from employees and the obligation can be calculated reliably.

Defined contribution pension plan

Obligations stemming from defined contribution pension plans are expensed through profit or loss as incurred.

Certain individual pension undertakings have been guaranteed in the form of Company-owned endowment insurance policies. The Investment Entity has no further obligation to cover possible shortfalls in the endowment insurance or to pay any amount in excess of deposited premiums, which is why these pension plans are accounted for as defined contribution pension plans. Accordingly, the payment of premiums corresponds to a final settlement of the undertaking vis-à-vis the employee. In accordance with IAS 19 and the regulations for defined contribution pension plans, the Investment Entity therefore reports no assets or liabilities, with the exception of specific payroll taxes related to these endowment insurance policies.

Taxation

Income tax comprises current and deferred taxes. Income taxes are recognized through profit or loss except when the underlying transaction is recognized through other comprehensive income against equity or directly against equity, whereby the associated tax effect is recognized through other comprehensive income or directly against equity.

Current tax is tax to be paid or received for the current year, applying the tax rates enacted or substantively enacted by the closing date. This includes adjustments to current tax attributable to prior periods.

Deferred tax is calculated on the difference between recognized tax and tax values of the Investment Entity's assets and liabilities. Deferred tax is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, while deferred tax assets are recognized to the extent it is probable that the amounts can be offset against future taxable profits.

Deferred tax assets for deductible temporary differences and tax losses carried forward are recognized only to the extent it is probable that they will be utilized. The value of deferred tax assets is reduced when it is no longer considered probable that they can be utilized. The carrying amount of deferred tax assets is tested at each closing date and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same authority and the Investment Entity intends to settle the tax on a net basis.

Contingent liabilities

A contingent liability is recognized when there is a possible obligation as a result of past events and whose existence is confirmed only by one or more uncertain future events, or when there is a commitment that is not recognized as a liability or provision because it is not probable that an outflow of resources will be required.

Note 2 Revenue distribution

Services rendered are comprised of invoiced services provided to portfolio companies in Sweden. These services consist of management, communication, finance and administration, including legal and analytical operations.

Revenue per significant source

SEK 000	2021	2020
Invoiced services	2,170	2,651
Total revenue	**2,170**	**2,651**

Note 3 Other external expenses

Fees and remuneration to the Investment Entity's auditors

SEK 000	2021	2020
EY		
Audit services	1,334	1,162
Audit related services	125	129
Tax consulting	67	216
Total	**1,526**	**1,507**

The audit fee refers to the auditor's reimbursement for execution of the statutory audit. This work includes the audit of the annual report and annual accounts, the administration of the Board of Directors and the CEO, and fees for advice offered in connection with the audit assignment. Audit related services primarily involve quality assurance services other than the statutory audit.

Note 4 Leases

The Investment Entity has chosen to finance premises and equipment through leases. Future contractual leasing payments are indicated below.

SEK 000	2021-12-31	2020-12-31
Future leasing payments		
Short-term - Within one year	711	711
Long-term - Between one year and five years	–	–
Total future leasing payments	**711**	**711**

Right-of-use assets

SEK 000	2021	2020
Accumulated acquisition cost		
At the beginning of the year	690	1,380
New periods	690	–
Depreciation	-690	-690
Closing balance	**690**	**690**

Lease liabilities

SEK 000	2021	2020
Accumulated acquisition cost		
At the beginning of the year	711	1 380
New periods	690	–
Amortization of lease liabilities during the year	-669	-669
Closing balance	**732**	**711**

The Company, which has only two leases (property lease and a lease of low value), the property lease is for one year with a one-year extension.

Note 5 Employees and personnel costs

Average number of employees

Full-time equivalent	2021	Of whom women	Of whom men	2020	Of whom women	Of whom men
Investment Entity	7	35%	65%	7	29%	71%
Total	**7**	35%	**65%**	**7**	29%	**71%**

Remuneration expenses for employees

Salaries, other remuneration and social security costs

	2021		2020	
SEK 000	Salaries and remuneration	Social security costs	Salaries and remuneration	Social security costs
Investment Entity	17,123	4,884	18,015	4,678
(of which pension expenses)	*2,485*	*603*	*2,344*	*569*

Defined contribution pension plans

The Investment Entity has defined contribution pension plans. Payments to these plans are made on an ongoing basis according to the rules of each plan.

Note 5 continued

Remuneration to Executive Management and the Board of Directors

Guidelines 2021 for Remuneration to Executive Management

1 APPLICABILITY

The guidelines apply to salary and other forms of remuneration to the CEO and other management personnel (Executive Management) for contracts signed after the 2021 Extra General Meeting. The guidelines apply to all categories of remuneration and benefits, whether paid in cash, paid now or in the future, or if certain or uncertain. Not included, however, are expense compensation or the issuance of equities, warrants or convertibles covered by Chapter 16 of the Swedish Companies Act.

2 GUIDELINES FOR REMUNERATION

2.1 General

Remuneration to Executive Management comprises fixed salary, variable remuneration, pension and other customary benefits.

Karolinska Development shall maintain compensation levels and terms required to recruit and retain an Executive Management with the competence and experience necessary to meet the Company's operational goals. The total remuneration to Executive Management shall be competitive, reasonable, and appropriate.

Market term consultancy fees may be paid to directors who perform services for the Company outside the scope of the board work.

2.2 Fixed salary

Fixed salaries shall be based on each individual's field of responsibility and experience. Fixed salary shall be revised annually for each calendar year.

2.3 Variable remuneration

Variable remuneration shall be designed to promote Karolinska Development's long-term value creation; be based on criteria that are predetermined, clear, measurable, and can be influenced; if in form of variable salary, have a fixed cap; and not be included when calculating pension insurance premiums.

The CEO and other Executive Management are entitled to bonus based on exits in the portfolio. The compensation amounts to a total of four per cent of the net amount paid to the company at the exit and the total maximum payment for the exit related bonus shall be limited to SEK 50 million per exit and calendar year. The bonus creates incentives to promote the company's business strategy, long-term interests and sustainability.

Annual short-term incentive programmes (STI) based on set objectives are proposed by the Remuneration Committee and resolved by the Board of Directors for each calendar year. Remuneration is dependent on criteria based on the development of the portfolio and the development of the business model, which are set up to promote Karolinska Development's long-term value creation and create incentives to promote the company's business strategy, long-term interests and sustainability. The business goals consist of sub-goals, weighed in relation to each other depending on priority, which are clear, measurable and influenceable. The programmes are evaluated after the end of the year by the remuneration committee and decisions on outcomes are made by the company's board. Payment to employees under a STI programme shall be limited to the equivalent of six months' salary. The cost, including social security contributions, at a maximum payout for STI 2021 amounts to SEK 4.1 million.

Information on the exit bonus and about the STI and LTI programmes can be found in note 5. Information is also available on the Company's website under Corporate Governance.

As stated above, the STI part's share of the fixed annual cash salary may not exceed 50 per cent. Correspondingly, the fixed salary constitutes at least 66 per cent of the total remuneration. Any exit bonus has not been included in this calculation.

Karolinska Development has established one long-term incentive program (LTI) for the years 2008–2010, which was resolved by the Annual General Meeting and thus not covered by these guidelines.

2.4 Pension

The Company's pension costs shall be paid during the employee's active time with the Company. Pension insurance premiums shall not be paid after an employee has retired. In addition to what is required under Swedish law, premiums are paid in accordance with the Company's adopted pension premium plan.

2.5 Other customary benefits

Executive Management is entitled to other customary benefits that apply to all employees at Karolinska Development, such as wellness subsidies, sick pay, occupational health services, etc. Thirty vacation days are paid.

Executive Management does not receive fees for serving as directors on the Board when also employed by or otherwise contributing to Karolinska Development. The Company does not provide company cars.

The termination period if terminated by the Company is not more than twelve months for the CEO and six months for other Executive Management. The termination period on the part of the CEO shall be at least six months and for other Executive Management at least six months. Severance pay may be paid only to the CEO. Fixed salary during the period of notice and severance pay aggregated are not to exceed an amount equivalent to fixed salary for two years.

Note 5 continued

2.6 Salaries and terms of employment for employees
In the preparation of the Board's proposal for the remuneration guidelines, salary and terms of employment for the company's employees have been taken into account in that information on employees' total remuneration, remuneration components and the increase and rate of increase of the remuneration over time have formed part of the Board's decision basis in the evaluation of the fairness of the guidelines and the restrictions that follow from them.

2.7 Preparations and decision-making
The Company´s Remuneration Committee is to prepare decisions related to salaries and other employment terms to executive management. The Board of Directors is to decide regarding salary to the CEO and principles for remuneration to other executive management. The Board must prepare a proposal for new guidelines at least every four years and present the proposal to the AGM for resolution. The Guidelines should apply until new guidelines are adopted by the General Meeting. The Board of Directors should also monitor and evaluate the programme for variable remuneration to the executive management, the application of guidelines for remuneration to executive management and the applicable remuneration structures and levels in the Company. The members of the Remuneration Committee are independent in relation to the Company and executive management. When the Board of Directors prepare and decides on remunertionrelated matters, the CEO and other members of executive management do not attend the meetings to the extent they are affected by the matters.

3 EXCEPTIONS
The Board of Directors may on a case-by-case basis deviate from the guidelines, if in the individual case, and in accordance with what follows from the Swedish Companies Act, there are special reasons for this, and a deviation is necessary to satisfy the company's long-term interests, including its sustainability, or to ensure the company's economic viability. Circumstances that have been known or could be predicted when the guidelines where decided on normally cannot be accepted as reason for deviation. Exceptions shall be reported and explained at the following Annual General Meeting.

4 DEVIATIONS
There have been no deviations from the guidelines.

5 PREVIOUSLY DECIDED REMUNERATION NOT YET DUE FOR PAYMENT
At the time of the AGM, the Company did not have any approved remuneration to Executive Management that has fallen due for payment.

Note 5 continued

Remuneration to the Chief Executive Officer, other senior executives and the Board of Directors

The Executive Management includes the Chief Executive Officer, Chief Financial Officer, Chief Scientific Officer and General Counsel. The table below shows the remuneration to the CEO, other senior executives and the Board of Directors during the financial year.

2021

SEK 000	Base salary/Board fee[1)]	Variable Remuneration	Other benefits and remuneration[2)]	Pension costs	Total remuneration
Viktor Drvota, VD	2,766	1,410	2	772	4,949
Other senior executives (3 persons), salaries etc	4,236	2,330	5	1,013	7,584
Other senior executives (3 persons), invoiced fee	306				306
Summa ledande befattningshavare	**7,308**	**3,739**	**7**	**1,785**	**12,839**
Björn Cochlovius, Chairman	367				367
Tse Ping, Board member	25				25
Anna Lefevre Sköldebrandt, Board member	75				75
Benjamin Toogood, Board member	75				75
Theresa Tse, Board member	25				25
Total, Board of Directors	**567**				**567**
Total	**7,875**	**3,739**	**7**	**1,785**	**13,406**

1) Board fee is based on meeting attendance.
2) Referes to benefit value of health insurance.

2020

SEK 000	Base salary/Board fee[1)]	Variable Remuneration	Other benefits and remuneration[2)]	Pension costs	Total remuneration
Viktor Drvota, VD	2,693	1,990	2	715	5,400
Other senior executives (3 persons)	4,030	2,785	6	1,014	7,835
Total management	**6,723**	**4,774**	**8**	**1,729**	**13,235**
Björn Cochlovius, Chairman from Sep-20 (board member Jul-Aug-20)	183				183
Hans Wigsell, former Chairman (until Aug-20)	500				500
Tse Ping, Board member	43				43
Theresa Tse, Board member	29				29
Vlad Artamonov, former board member (until Jun-20)	200				200
Magnus Modée Persson, former board member (until Aug-20)	221				221
Total, Board of Directors	**1,176**	–	–	–	**1,176**
Total	**7,899**	**4,774**	**8**	**1,729**	**14,411**

1) Board fee is based on meeting attendance.
2) Referes to benefit value of health insurance.

Note 5 continued

Gender distribution of senior executives and Board of Directors

Information as of closing date.

	2021	2020
Board of Directors		
Men	3	2
Women	2	1
Total	**5**	**3**
CEO and senior executives		
Men	4	4
Women	0	0
Total	**4**	**4**

Compensation to the CEO

Pension terms

The contractual pension amounts to 26 per cent of gross salary and consists of premium-based compensation.

Variable remuneration to the CEO

The CEO is entitled to a bonus based on exits in the portfolio. The remuneration amounts to 1/3 of 4 per cent of the net proceeds paid to the Company upon the exit. The remuneration includes all of the Company's costs in relation to the payment. The maximum payment, together with the payment to other senior executives reported in the first paragraph of the section "Variable remuneration to other senior executives", is limited to SEK 50 million per exit and calendar year. The CEO is also eligible for STI 2021 which is reported in the section "Annual incentive programmes" below.

Severance, other senior executives

No senior executives are entitled to severance. According to the Guidelines for Remuneration to Executive Management, severance may only be paid to the CEO.

Variable remuneration

Variable remuneration to other senior executives

Other senior executives are entitled to a bonus based on exits in the portfolio. The remuneration to other senior executives totals 2/3 of 4 per cent of the net proceeds paid to the Company upon the exit. The remuneration includes all of the Company's costs in relation to the payment. The maximum payment, together with the payment to the CEO reported in the first paragraph of the section "Variable remuneration to the CEO," is limited to SEK 50 million per exit and calendar year. Other senior executives are eligible for STI 2021 in the section "Incentive programmes" below.

Annual incentive programs

Karolinska Development's annual long-term incentive programmes (LTI) for the years 2008–2010 and 2017–2020 and the Company's annual short-term incentive programmes (STI) for the years 2020 and 2021 are described below.

Incentive programmes 2008–2010

No current employees of the Company are covered by the programme.

The programme was designed as a combined warrant and profit-sharing programme consisting of three annual stages for the years 2008–2010. The warrants have expired.

Each profit-sharing plan is related to appreciation in the value of the portfolio companies and extends 15 years. The 2008 profit-sharing programme is related to the Company's investment portfolio as of 31 December 2007, while the 2009 and 2010 programmes refer to investments that the Company made in the calendar year before the sub-plan.

Each sub-plan provides entitlement to a cash payment equivalent to a total of 5 per cent of the portion of the return on the investments encompassed by the sub-plan, in excess of a threshold rate. The threshold rate consists of the initial value of the investments encompassed by a specific sub-plan, to the extent they have been exited, adjusted by an annual rate of 6 per cent for the years 2008–2012 and 8 per cent thereafter. On the "plus side" are the proceeds received from exits.

To the extent that returns exceed an annual return of 35 per cent, the portion that exceeds the returns is halved to 2.5 per cent. To the extent that returns exceed 50 per cent, the amount in excess of 50 per cent will be further halved to 1.25 per cent. Excess returns above 60 per cent are not eligible for profit-sharing.

In addition to the portion of excess returns as stated above, the sub-plan 2010 also provides entitlement to a total of 37.5 per cent of KDAB Carried Interest, according to the limited partnership agreement the Company has entered into with the European Investment Fund ("EIF") related to KCIF Co-Investment Fund KB ("KCIF"). KDAB Carried Interest can be summarized as 20 per cent of any return exceeding an annual threshold rate of 6 per cent of – and after repayment of – the amounts that the Company and EIF have committed to KCIF. According to the agreement with EIF, Karolinska Development is entitled to the current portion of the KDAB Carried Interest only if it is included in the Company's profit-sharing plan. As a result, this portion of the profit-sharing plan essentially means that the Company, despite accounting costs that arise, is not foregoing any amount it otherwise would have had available, with the exception of the additional social security costs that this profit-sharing entails for the Company.

So far no payments have been made as part of the programme.

Short Term Incentive Programme 2020 (STI 2020)

In 2020, the Board of Directors decided on a Short Term Incentive Programme, STI 2020, for senior executives based on a number of specific corporate goals established by the Board for 2020. The goals are designed to promote Karolinska Development's long-term value appreciation. The remuneration is dependent on whether one or more goals are met and has a fixed cap corresponding to six months' base salary for each participant. Goals were partly met, which rendered an accrual of SEK 1.5 million (SEK 2.0 million including social security costs). The expense is included as variable remuneration in the table on previous page, year 2020.

Note 5 continued

Short Term Incentive Programme STI 2021

In 2021, the Board of Directors decided on a Short Term Incentive Programme, STI 2021, for senior executives based on a number of specific corporate goals established by the Board for 2021. The goals are designed to promote Karolinska Development's long-term value appreciation. The remuneration is dependent on whether one or more goals are met and has a fixed cap corresponding to six months' base salary for each participant. Goals were partly met, which rendered a cost of SEK 2.2 million (SEK 2.9 million including social security costs). The expense is included as variable remuneration in the table on page 61, year 2021.

Note 6 Interest expenses and other financial gains and losses

Ränteintäkter

SEK 000	2021	2020
Interest income loans to portfolio companies	6,406	908
Total	**6,406**	**908**

Räntekostnader

SEK 000	2021	2020
Interest expenses loans from related party	-6,284	-5,688
Total	**-6,284**	**-5,688**

Övriga finansiella vinster och förluster

SEK 000	2021	2020
Finacing fee from portfolio company	10,000	–
Exchange rate gains and losses	-3	-281
Total	**9,997**	**-281**

Note 7 Taxes

Reconciliation of effective tax rate

SEK 000	%	2021	%	2020
Profit before tax		170,819		-207,487
Income tax expense at applicable rate in the Parent Company	20.6%	-35,189	21.4%	44,402
Tax effect of				
Non-deductible expenses		-507		-6,661
Tax-exempt revenue		8		9
Issue costs		448		
Changes in fair value, non-taxable		38,998		-36,872
Increase in tax losses carried forward without corresponding capitalization of deferred taxes		-3,759		-877
Recognized current tax	**0.0%**	**0**	**0.0%**	**0**
Change in deferred tax	0.0%	–	0.0%	–
Recognized deferred tax	0.0%	–	0.0%	–
Total recognized tax	**0.0%**	–	**0.0%**	–

Unrecognized deferred tax assets

Deductible temporary differences and tax losses carried forward for which deferred tax assets have not been recognized through profit or loss and the balance sheet primarily relate to losses generated by the Parent Company. Any future gains on the sale of business-related shares and participations in the portfolio companies are tax-exempt profits. Deferred tax assets have therefore not been recognized for these losses, since it is unlikely that Karolinska Development AB will be able to utilize the tax losses carried forward to offset future taxable profits, despite that there is no time limit on these tax losses carried forward. Unrecognized deferred tax assets for Karolinska Development amounted to SEK 169,181 thousand (SEK 170,834 thousand) at 31 December 2021, and SEK 0 thousand (SEK 0 thousand) relates to deficits that are restricted by Group contributions and mergers.

Note 8 Shares in portfolio companies at fair value through profit or loss

SEK 000	2021-12-31	2020-12-31
Accumulated acquisition cost		
At the beginning of the year	770,320	1,047,600
Investments during the year	69,154	39,954
Sales during the year	-112,507	-101,856
Changes in fair value in net profit/loss for the year	223,203	-215,378
Closing balance	**950,170**	**770,320**

Specification of holdings in portfolio companies 31 december 2021

Company	Registered office	Corporate Identity Number	Number of shares
Karolinska Development			
AnaCardio Holding AB	Stockholm	559343-3559	183
Dilafor AB	Stockholm	556642-1045	9,931
Modus Therapeutics Holding AB	Stockholm	556851-9523	6,144,821
OssDsign AB	Uppsala	556841-7546	5,812,638
Svenska Vaccinfabriken Produktion AB	Stockholm	559001-9823	223
Umecrine Cognition AB	Umeå	556698-3655	10,777,564
KCIF Co-Investment Fund KB	Solna	969744-8810	26
OssDsign AB	Uppsala	556841-7546	461,184
KDev Investments AB	Solna	556880-1608	2,188,578
Aprea Therapeutics Inc	Boston	7312119	1,180,691
Biosergen AB	Solna	559304-1295	901,334
Dilafor AB	Stockholm	556642-1045	403,130
Modus Therapeutics Holding AB	Stockholm	556851-9523	2,752,516
Promimic AB	Göteborg	556657-7754	2,523,920

Specification of shares in portfolio companies, at fair value through profit or loss 31 december 2021

SEK 000	Shares	Acquisition cost[1], acc	Value change through profit/loss[2], acc	Closing balance/ fair value[3]
Listed companies (level 1)				
Modus Therapeutics	6,144,821	56,452	-33,103	23,350
OssDsign	5,812,638	81,401	-30,832	50,570
Total listed companies (level 1)		**137,853**	**-63,935**	**73,920**
Unlisted companies (level 3)				
AnaCardio		3,000	389	3,389
Dilafor		12,014	–	12,014
Svenska Vaccinfabriken Produktion		6,500	327	6,827
Umecrine Cognition		197,804	425,244	623,048
KCIF Co-Investment Fund KB[4]		-7,749	14,848	7,099
KDev Investments		553,457	-329,584	223,873
Total unlisted companies (level 3)		**765,026**	**111,224**	**876,250**
Closing balance 31 December 2021		**846,427**	**47,289**	**950,170**

1) Refers to original acquisition values, additional investments, conversions and sales.
2) Refers to both realized and unrealized value changes through profit/loss.
3) See Note 1 Valuation of portfolio companies at fair value and Note 17 Fair value, for a description of valuation models.
4) Acquisition cost, acc: Net of acquisition cost of 10 198 KSEK and received payments of -17 947 KSEK.

Specification of shares in portfolio companies, at fair value through profit or loss 31 december 2020

SEK 000	Shares	Acquisition cost[1], acc	Value change through profit/loss[2], acc	Closing balance/ fair value[3]
Listed companies (level 1)				
Lipidor	270,000	0	3,642	3,642
OssDsign	2,152,912	53,039	-18,916	34,124
Total listed companies (level 1)		**53,039**	**-15,274**	**37,766**
Unlisted companies (level 3)				
Forendo		25,069	14,808	39,877
Modus Therapeutics		10,100	33,775	43,875
Svenska Vaccinfabriken Produktion		3,500	327	3,827
Umecrine Cognition		191,411	447,811	639,222
KCIF Co-Investment Fund KB[4]		-3,303	9,056	5,753
KDev Investments		533,706	-533,706	0
Total unlisted companies (level 3)		**760,483**	**-27,929**	**732,554**
Closing balance 31 December 2020		**813,522**	**-43,203**	**770,320**

1) Refers to original acquisition values, additional investments, conversions and sales.
2) Refers to both realized and unrealized value changes through profit/loss.
3) See Note 1 Valuation of portfolio companies at fair value and Note 17 Fair value, for a description of valuation models.
4) Acquisition cost, acc: Net of acquisition cost of 10 198 KSEK and received payments of -13 501 KSEK.

Note 9 Other financial assets

SEK 000	2021-12-31 Earn-out agreement Forendo Pharma	Earn-out agreement Oncopeptides	Receivable Rosetta Capital	Total
At the beginning of the year	–	40,459	722	41,181
Acquisitions	56,079	–	–	56,079
Compensation received	–	–	-722	-722
Change in fair value in net profit/loss for the year	5,720	-40,459	–	-34,739
Closing balance	**61,799**	**0**	**0**	**61,799**

Earn-out agreement Forendo Pharma

Karolinska Development estimates the risk-adjusted net present value (rNPV) of future cash flows (earn-outs), after the initial payment in December 2021, to SEK 61.8 million. The earn-outs are expected to be paid during the period 2024–2034, and renewed rNPV valuations will be performed continuously. Forendo Pharma's previously shareholders are entitled to additional future payments totalling USD 870 million (approximate SEK 7,560 million) upon the achievement of certain development, registration and commercial milestones pertaining to Forendo Pharma's drug candidates.

Earn-out agreement Oncopeptides

Karolinska Development is entitled to a 5 procent earn-out payment according to an agreement with Industrifonden regarding the previous holding Oncopeptides. The earn-out payment is received when Industrifonden divests its holding in Oncopeptides. The value is estimated as of the end of the accounting period to SEK 0.0 million, maximum residual value amounts to SEK 40,6 million.

SEK 000	2020-12-31 Earn-out agreement Oncopeptides[1]	Receivable Rosetta Capital	Total
At the beginning of the year	34,372	28,248	62,620
Disposals/ compensations	–	-28,484	-28,484
Change in fair value in net profit/loss for the year	6,087	958	7,045
Closing balance	**40,459**	**722**	**41,181**

1) Karolinska Development is entitled to a 5% earn-out payment according to an agreement with Industrifonden. The earn-out payment is received when Industrifonden divests its holding in Oncopeptides. Maximum residual value amounts to KSEK 40,459.

Note 10 Other current receivables

SEK 000	2021-12-31	2020-12-31
Tax assets	673	673
Other	95	95
Total	**768**	**768**

Note 11 Prepaid expenses and accrued income

SEK 000	2021-12-31	2020-12-31
Prepaid rental expenses	179	179
Insurance premiums	314	262
Rights issue costs	2,172	–
Other	275	488
Total	**2,940**	**929**

Note 12 Kortfristiga placeringar till verkligt värde över resultatet

SEK 000	2021-12-31	2020-12-31
Förvärv av korträntefonder med låg risk	50,000	–
Verkligt värde förändring årets resultat	5	–
Total	**50,005**	**–**

Note 13 Equity

Changes in share capital

Year	Transaction	Number of shares	Share capital	Number of A shares	Number of B shares	Subscription price	Par value
Total per 1 Jan 2011		**33,331,417**	**16,665,709**	**1,503,098**	**31,828,319**		**0,5**
April 2011	Nyemission	15,200,000	7,600,000	0	15,200,000	40	0,5
Total per 31 Dec 2011		**48,531,417**	**24,265,709**	**1,503,098**	**47,028,319**		**0,5**
Total per 31 Dec 2012		**48,531,417**	**24,265,709**	**1,503,098**	**47,028,319**		**0,5**
Total per 31 Dec 2013		**48,531,417**	**24,265,709**	**1,503,098**	**47,028,319**		**0,5**
December 2014	Nyemission	4,853,141	2,426,570		4,853,141	13	0,5
Total per 31 Dec 2014		**53,384,558**	**26,692,279**	**1,503,098**	**51,881,460**		**0,5**
December 2015	Nyemission	65,082	32,541		65,082		0,5
Total per 31 Dec 2015		**53,449,640**	**26,724,820**	**1,503,098**	**51,946,542**		**0,5**
September 2016	Nyemission	15,358	7,679		15,358		0,5
Total per 31 Dec 2016		**53,464,998**	**26,732,499**	**1,503,098**	**51,961,900**		**0,5**
April 2017	Nyemission	10,871,698	5,435,849		10,871,698		0,5
June 2017	Nedsättning aktiekapital	0	-31,524,981		–		0,01
July 2017	Nyemission	564	6		564		0,01
August 2017	Nyemission	23,840	238		23,840		0,01
October 2017	Nyemission	106	1		106		0,01
Total per 31 Dec 2017		**64,361,206**	**643,612**	**1,503,098**	**62,858,108**		**0,01**
June 2018	Nyemission	57,531	575		57,531		0,01
Total per 31 Dec 2018		**64,418,737**	**644,187**	**1,503,098**	**62,915,639**		**0,01**
November 2019	Nyemission	78,770,586	787,706		78,770,586		0,01
December 2019	Nyemission	32,476,086	324,761		32,476,086		0,01
Total per 31 Dec 2019		**175,665,409**	**1,756,654**	**1,503,098**	**174,162,311**		0,01
Total per 31 Dec 2020		**175,665,409**	**1,756,654**	**1,503,098**	**174,162,311**		**0,01**
Total per 31 Dec 2021		**175,665,409**	**1,756,654**	**1,503,098**	**174,162,311**		**0,01**

Note 13 continued

Net asset value per share

	Investment Entity	
SEK 000	**2021-12-31**	**2020-12-31**
Net assets		
Cash and cash equivalents	42,398	75,869
Short-term investments	50,005	–
Net financial assets and liabilities	60,043	35 455
Current interest liabilities	-124,603	-75,864
Total net assets	**27,843**	**35,460**
Estimated fair value of portfolio companies	950,170	770,320
Total net asset value	**978,013**	**805,780**
Number of shares	**175,421,124**	**175,421,124**
Net asset value per share	**5.58**	**4.59**

Share structure

The number of shares amounts to 175,665,409, of which 1,503,098 are series A shares and 174,162,311 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 profit distributions. All series B shares have been listed for trading on the main list of Nasdaq OMX since 15 April 2011.

In 2012 and 2013, a total of 244,285 shares with a par value of SEK 0.01, corresponding to SEK 2,443 in share capital, were repurchased for SEK 4,726,904 in consideration. The shares were repurchased to cover the social security costs in the PSP incentive programmes.

Other contributed capital

Relates to capital contributed by the owners.

Retained earnings incl. net profit for the year

Retained earnings including current year results include retained earnings of the Parent Company. Previous allocations to the statutory reserve are included in this equity item.

Earnings per share basic and diluted

SEK 000	**2021**	**2020**
Net profit/loss for the year	170,819	-207,487
Weighted average number of shares before dilution	175,421,124	175,421,124
Earnings per share, SEK, before dilution	**0.97**	**-1.18**
Weighted average number of shares after dilution	175,421,124	175,421,124
Earnings per share, SEK, after dilution	**0.97**	**-1.18**

Note 14 Other financial liabilities

SEK 000	2021-12-31	Of which affect cash flow	2020-12-31	Of which affect cash flow
Earn-out agreement regarding Aprea Therapeutics[1]				
Accumulated acquisition cost				
At the beginning of the year	5,726		46,851	
Paied compensations	-3,121	-3,121	-5,093	-5,093
Fair value change in net profit for the year	-849		-36,032	–
Closing balance	**1,756**	**-3,121**	**5,726**	**-5,093**

1) At a divestment of Karolinska Developments holding in Aprea Therapeutics, Industrifonden, according to the share swap agreement, is entitled to 5 per cent of Karolinska Developments revenue, with a cap of SEK 80 million. Residual value amounts to SEK 71.5 millions at 31 December 2021.

Note 15 Short-term interest-bearing liabilities to related party

SEK 000	2021-12-31	2020-12-31
Short-term loan debt invoX Pharma Ltd[1)]	70,000	70,000
invoX Pharma Ltd[2)]	42,500	–
Accrued interest invoX Pharma Ltd	12,103	5,864
Total	**124,603**	**75,864**

1) The bridge loan from Sino Biopharmaceutical has been transferred to the wholly owned subsidiary invoX Pharma Ltd, expiry date is prolonged to 31 December 2022. The interest rate amounts to 8 per cent and falls due on 31 December 2022.
2) Bridge loan from invoX Pharma Ltd, expiry date is 31 December 2022. The interest rate amounts to 5 per cent and falls due on 31 December 2022.

The bridge loans, including accrued interest, were converted into shares in Karolinska Development's rights issue in February 2022.

Related parties refer to the main owner invoX Pharma Ltd, which in turn is a wholly owned subsidiary of the former main owner Sino Biopharmaceutical Ltd.

Note 16 Accrued expenses and prepaid income

SEK 000	2021-12-31	2020-12-31
Salaries and remuneration to personnel	3,676	2,637
Remuneration to Board of Directors	632	282
Auditor and consulting fees	813	611
Payroll tax and accrued pension costs	1,165	1,161
Social security costs	676	481
Other	306	353
Total	**7,268**	**5,525**

Note 17 Financial assets and liabilities, financial risk management

Financial assets and liabilities by category

2021

	Financial assets measured at:		Financial liabilities measured at:			
SEK 000	Fair value through profit or loss	Amortized cost	Fair value through profit or loss	Amortized cost	Total carrying amount	Fair value
Shares in portfolio companies at fair value through profit or loss	950,170				950,170	950,170
Other financial assets	61,799				61,799	61,799
Receivables from portfolio companies		505			505	505
Short-term investments at fair value through profit or loss	50,005				50,005	50,005
Cash and cash equivalents		42,398			42,398	42,398
Total	**1 061,974**	**42,903**			**1,104,877**	**1,104,877**
Short-term interest-bearing liability to related party				124,603	124,603	124,603
Other financial liabilities			1,756		1,756	1,756
Accounts payable				1,674	1,674	1,674
Total			**1,756**	**126,277**	**128,033**	**128,033**

2020

	Financial assets measured at:		Financial liabilities measured at:			
SEK 000	Fair value through profit or loss	Amortized cost	Fair value through profit or loss	Amortized cost	Total carrying amount	Fair value
Shares in portfolio companies at fair value through profit or loss	770,320				770,320	770,320
Other financial assets	41,181				41,181	41,181
Accounts receivable		3			3	3
Receivables from group company		80			80	80
Receivables from portfolio companies		243			243	243
Cash and cash equivalents		75,869			75,869	75,869
Total	**811,501**	**76,195**			**887,696**	**887,696**
Short-term interest-bearing liability to related party				75,864	75,864	75,864
Other financial liabilities			5,726		5,726	5,726
Accounts payable				617	617	617
Total			**5,726**	**76,481**	**82,207**	**82,207**

Note 17 continued

Short-term investments

Surplus liquidity that may temporarily arise in Karolinska Development is placed in fixed income funds or interest-bearing instruments and is recognized as short-term investments with a remaining duration exceeding 3 months.

Fair value measurement

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 oservable for the asset or liability, 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 measured at amortized cost approximate their fair value.

Investment Entity's assets and liabilities at fair value as of 31 december 2021

SEK 000	Level 1	Level 2	Level 3	Total
Financial assets				
Shares in portfolio companies at fair value through profit or loss	73,920		876,250	950,170
Other financial receivables			61,799	61,799
Cash and cash equivalents and short-term investments	92,403			
Total	**166,323**		**938,049**	**1,104,372**
Financial liabilities				
Other financial liabilities			1,756	1,756
Total			**1,756**	**1,756**

Investment Entity's assets and liabilities at fair value as of 31 december 2020

SEK 000	Level 1	Level 2	Level 3	Total
Financial assets				
Shares in portfolio companies at fair value through profit or loss	37,766		732,554	770,320
Other financial receivables			41,181	41,181
Cash and cash equivalents and short-term investments	75,869			75,869
Total	**113,635**		**773,735**	**887,696**
Financial liabilities				
Other financial liabilities			5,726	5,726
Total			**5,726**	**5,726**

The following describes the main methods and assumptions used to determine the fair value of financial assets and liabilities in the tables above.

Shares in associated companies and other long-term holdings (unlisted holdings)

The valuation of unlisted holdings is based on the International Private Equity and Venture Capital Valuation Guidelines. For a further description, see Note 1 Accounting policies, "Valuation of portfolio companies."

Financial assets and liabilities at fair value

A fair value estimate is made based on discounted future cash flows, where a discount rate reflecting the counterparty's credit risk is the most significant input. For other financial receivables in Level 3, earn-out agreement regarding the sale of Forendo to Organon, a rNPV calculation has been used with a discount rate of 13 per cent. For other financial liabilities, there is no significant difference compared to the carrying amounts included in Level 3, so the carrying amounts are considered a good approximation of fair value.

Note 17 continued

Changes in financial assets and liabilities on Level 3 in 2021

SEK 000	Shares in portfolio companies	Other financial assets	Other financial liabilities
At the beginning of the year	732,554	41,181	5,726
Transfers from Level 3 to Level 1	-36,752	–	–
Acquisitions	38,207	56,079	–
Disposals/compensation	-108,554	-722	-3,121
Gains and losses realized in profit or loss	250,795	-34,739	-849
Carrying amount at year-end	**876,250**	**61,799**	**1,756**
Realized gains and losses for the period included in profit or loss	6,338	–	–
Unrealized gains and losses for the period included in profit or loss	244,457	-34,739	849

There were no transfers between Level 1 and 2 in 2021.

Changes in financial assets and liabilities on Level 3 in 2020

SEK 000	Shares in portfolio companies	Other financial assets	Other financial liabilities
At the beginning of the year	884,829	62,620	46,851
Acquisitions	39,952	–	–
Disposals/compensation	-13,500	-28,484	-5,094
Gains and losses realized in profit or loss	-178,727	7,045	-36,032
Carrying amount at year-end	**732,554**	**41,181**	**5,726**
Realized gains and losses for the period included in profit or loss	8,215	–	5,094
Unrealized gains and losses for the period included in profit or loss	-186,942	7,045	-41,125

There were no transfers between Level 1 and 2 in 2020.

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.

Change in fair value, gains and losses realized in profit or loss 2021

SEK 000	Shares in portfolio companies	Other financial assets and liabilities
Result level 1		
Listed companies, realized	-433	
Listed companies, unrealized	-27,159	
Total level 1	**-27,592**	
Result level 3		
Unlisted companies, realized	7,243	
Unlisted companies, unrealized	243,552	
Total level 3	**250,795**	
Result level 3		
Other financial assets, unrealized		-34,739
Other financial liabilities, unrealized		849
Total level 3		**-33,890**
Gains and losses realized in profit or loss 2021	**223,203**	**-33,890**

Change in fair value, gains and losses realized in profit or loss 2020

SEK 000	Shares in portfolio companies	Other financial assets and liabilities
Result level 1		
Listed companies, realized	-12,109	
Listed companies, unrealized	-24,542	
Total level 1	**-36,651**	
Result level 3		
Unlisted companies, realized	8,215	
Unlisted companies, unrealized	-186,942	
Total level 3	**-178,727**	
Result level 3		
Other financial assets, unrealized		7,045
Other financial liabilities, realized		-5,094
Other financial liabilities, unrealized		41,125
Total level 3		**43,077**
Gains and losses realized in profit or loss 2020	**-215,378**	**43,077**

Note 17 continued

Shares in portfolio companies (level 3) on 31 december 2021

SEK 000	Ownership	Fair value	Valuation model[1)]
AnaCardio	20.9%	3,389	Post-money valuation
Dilafor	0.7%	12,014	Post-money valuation
Svenska Vaccin-fabriken Produktion	30.8%	6,827	Post-money valuation
Umecrine Cognition	72.6%	623,048	External valuation[2)]
KCIF Co-Investment Fund KB	26%	7,099	A combination of share price listed company and fair value of financial asset[4)]
KDev Investments	90.1%	223,873	A combination of post-money valuation and share price listed company[4)]
Total level 3		**876,250**	

1) See Note 1 Valuation of portfolio companies at fair value, for a description of valuation models.
2) Risk adjusted external valuation dated December 2020 by an independent valuation institute. The external valuation resulted in an rNPV value (see definitions page 93) which has been risk adjusted to reflect an assumed pricing in conjunction with an IPO and the need to secure development financing.
3) KCIF Co-Investment Fund KB holds both listed shares which are valued in accordance with the closing rate on the final trading day of the period, and a financial asset (earn-out deal when divesting Fordendo Pharma) valued at fair value.
4) KDev Investments AB holds both listed shares which are valued in accordance with the closing rate on the final trading day of the period, and unlisted shares which are valued in accordance with the most recent transaction (post-money valuation), Dilafor, which is an unlisted company, corresponds to 86 per cent of total fair value in KDev Investments. The potential distribution to Rosetta Capital of fair value is also taken into account

Shares in portfolio companies (level 3) on 31 december 2020

SEK 000	Ownership	Fair value	Valuation model[1)]
Forendo	8,9%	39,877	Last post-money valuation
Modus Therapeutics	39.5%	43,875	External valuation[2)]
Svenska Vaccin-fabriken Produktion	20.0%	3,827	Last post-money valuation
Umecrine Cognition	74.5%	639,222	External valuation[2)]
KCIF Co-Investment Fund KB	26.0%	5,753	A combination of post-money valuation and share price listed company[4)]
KDev Investments	90.1%	0	A combination of post-money valuation and share price listed company[4)]
Total level 3		**732,554**	

1) See Note 1 Valuation of portfolio companies at fair value, for a description of valuation models.
2) Valuation level that corresponds to what was discussed with potential investors at the end of 2019, ahead of the investigation of a new indication.
3) Risk adjusted external valuation dated December 2020 by an independent valuation institute. The external valuation resulted in an rNPV value (see definions page 93) which has been risk adjusted to reflect an assumed pricing in conjunction with an IPO and the need to secure development financing.
4) KCIF Co-Investment Fund KB holds both listed shares which are valued in accordance with the closing rate on the final trading day of the period, and unlisted shares which are valued in accordance with the most recent transaction, post-money valuation.
5) KDev Investments AB holds both listed shares which are valued in accordance with the closing rate on the final trading day of the period, unlisted shares which are valued in accordance with the most recent transaction (post-money valuation), and unlisted shares valued in accordance with an external valuation in conjunction with any new transaction.

Sensitivity analysis of significant holdings, 31 december 2021

	5%		–5%		+/–15%		+/–30%	
	Result/ equity		Result/ equity		Result/ equity		Result/ equity	
SEK 000	MSEK	SEK/share	MSEK	SEK/share	MSEK	SEK/share	MSEK	SEK/share
Umecrine Cognition[1)]	36,086	0.2	-33,509	-0.2	+/-105,682	+/-0.6	+/-211,364	+/-1.2
KDev Investments[2)]	18,435	0.1	-18,435	-0.1	+/-55,307	+/- 0.3	+/-110,613	+/-0.6

1) Sensitivity to rNPV value in performed external valuation based on the assumed sales price of the drug candidate.
2) Sensitivity in the value of KDev Investments, after potential distribution to Rosetta Capital.

Sensitivity analysis of significant holdings, 31 december 2020

	5%		–5%		+/–15%		+/–30%	
	Result/ equity		Result/ equity		Result/ equity		Result/ equity	
SEK 000	MSEK	SEK/share	MSEK	SEK/share	MSEK	SEK/share	MSEK	SEK/share
Umecrine Cognition[1)]	36,086	0.21	-33,509	-0.19	+/-105,682	+/-0.6	+/-211,364	+/-1.2

1) Sensitivity to rNPV value in performed external valuation based on the assumed sales price of the drug candidate.

Note 17 continued

Impact on the portfolio's fair value of the agreement with Rosetta Capital

"Potential distribution to Rosetta Capital" is the amount of SEK 342.9 million that KDev Investments, according to the investment agreement between Karolinska Development and Rosetta Capital, is obligated to distribute to Rosetta Capital from the proceeds received by KDev Investments (KDev Investments' fair value). The amount includes repayment of SEK 2.4 million that Rosetta Capital currently has invested in KDev Investments' portfolio companies and dividends on Rosetta Capital's preference and common shares. With its current shareholding, Karolinska Development's proportion of dividends will be 0% for accumulated dividends up to SEK 220 million, 65% for accumulated dividends between SEK 220 million and SEK 880 million, 75% for accumulated dividends between SEK 880 million and SEK 1,320 million, and 92% for accumulated dividends above SEK 1,320 million

The distribution to Rosetta Capital will take place only when KDev Investments distributes a dividend. KDev Investments will only distribute dividends after all accounts payable and outstanding liabilities have been repaid.

KDev Investments' partial divestment of Aprea Therapeutics in September and December 2021, which yielded SEK 23.2 million for KDev Investments, enabled KDev Investments to pay a dividend to Rosetta Capital in 2021 of SEK 13.2 million, out of which Karolinska Development received SEK 0.7 million in order to redeem the remaining part of a receivable held by Karolinska Development against Rosetta Capital for a delayed purchase price payment. The dividend continued the winding up of the waterfall by a corresponding amount.

Expanded fair value calculations taking into consideration the portfolio valuation and potential distribution to Rosetta Capital

SEK 000	2021-12-31	2020-12-31
Fair value of Karolinska Development portfolio (unlisted companies)	652,377	732,554
Fair value of Karolinska Development portfolio (listed companies)	73,920	37,766
Fair value of KDev Investments portfolio	566,807	162,916
Total Portfolio Fair Value[1]	**1,293,104**	**933,236**
Potential distribution to Rosetta Capital of fair value in KDev Investments[2]	-342,934	-162,916
Net Portfolio Fair Value (after potential distribution to Rosetta Capital)[3]	**950,170**	**770,320**

1) "Total Portfolio Fair Value" is indicated in Note 1.
2) SEK 43.6 million repayment of Rosetta Capital's investments in KDev Investments and SEK 119.3 million distribution of dividends on common and preference shares.
3) "Net Portfolio Fair Value (after potential distribution to Rosetta Capital)" is indicated in Note 1.

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. See Note 1 Accounting policies, Valuation methods.

Effect on earnings of change in price, currency and interest rate

	+/-5%		+/-15%		+/-30%	
	Earnings/equity		Earnings/equity		Earnings/equity	
Change in:	**SEKm**	**SEK/share**	**SEKm**	**SEK/share**	**SEKm**	**SEK/share**
Change in share price on shares in portfolio companies at fair value through profit or loss	54.8	0.3	164.3	0.9	447.4	2.6
Currency	1.1	0.0	3.4	0.0	6.9	0.0
Interest	0.0	0.0	0.0	0.0	0.0	0.0

Financial risks

Through its activities, the Investment Entity is exposed to various financial risks. Financial risks refer to fluctuations in operating results and cash flow as a result of changes in exchange rates, interest rates, refinancing and credit risks. Responsibility for the Investment Entity's financial transactions and risks rests with both the Parent Company's finance department and the local subsidiaries. The overarching objective of the finance function is to provide cost-effective financing and to minimize adverse effects on the Investment Entity's earnings from market fluctuations.

Price risk

The Investment Entity is exposed to share price risk on the Investment Entity's holdings in portfolio companies measured at fair value (shares in associated companies, joint ventures and other long-term securities holdings). The Investment Entity otherwise is not exposed to valuation risk.

Currency risk

Currency risk is the risk that changes in exchange rates will negatively impact the Investment Entity. The Investment Entity's foreign exchange exposure consists of transaction exposure resulting in exposure in foreign currency linked to the contractual cash flows and balance sheet items where changes in exchange rates affect the results and cash flows.

Interest risk

Interest risk is the risk that changes in market interest rates affect cash flow or the fair value of financial assets or liabilities. The Investment Entity's investment guideline regarding cash and cash equivalents are to invest in fixed income funds or interest-bearing instruments with low risk, because of which the risk associated with interest rate changes is low. The interest risks are due to short-term and long-term borrowing. Borrowing with floating interest rate exposes the Investment company to interest risk regarding cash flow. As of the end of the accounting period there are no loans with floating interest rate.

Note 17 continued

Credit risk

Credit risk is the risk that the counterparty to a transaction fails to fulfill its obligations under the contract and that any guarantee does not cover the Investment Entity's claim. Maximum credit risk exposure is equivalent to the book value of financial assets.

The credit risk on other financial assets is limited as the Investment Entity's counterpart is the global pharmaceutical company Organon. The credit risk in cash and cash equivalents and short-term investments are limited as the Investment Entity's counterparties are banks with high credit ratings. Therefore, is no reserve for expected credit losses on these made.

Assets exposed to credit risk

SEK 000	2021-12-31	2020-12-31
Other financial assets	61,799	41,181
Accounts receivable	–	3
Receivables from group company	–	80
Receivables from portfolio companies	505	243
Other current receivables	768	768
Short-term investments throug profit or loss	50,005	–
Cash and cash equivalents	42,398	75,869
Maximum exposure to credit risk	**155,475**	**118,144**

Liquidity risk

Liquidity risk is the risk that the Investment Entity cannot meet its short-term payment obligations. The Investment Entity's guidelines state that the liquidity reserve must remain at such a level that it meets the Investment Entity's ongoing liquidity requirements and requirements for investments in portfolio companies for the following 12 months.

2021 SEK 000	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Current interest liabilities		124,603			124,603
Accounts payable	1,674				1,674
Other current liabilities	2,156				2,156
Total	**3,830**	**124,603**	–	–	**128,433**

2020 SEK 000	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Current interest liabilities		75,864			75,864
Accounts payable	617				617
Other current liabilities	1,373				1,373
Total	**2,701**	**75,864**	**0**	**0**	**78,565**

Management of capital risks

The Investment Entity's capital management objective is to ensure the Investment Entity's capacity to continue operations, generate reasonable returns for shareholders and provide benefits to other stakeholders. The Investment Entity's policy is to minimize the risks in asset management. In accordance with the Investment Entity's investment guidelines, surplus liquidity is managed by an external manager. The portfolio will maintain an average term of no longer than 1.5 years and invest in fixed income funds or interest-bearing instruments.

Note 18 Pledged assets and contingent liabilities

SEK 000	2021-12-31	2020-12-31
Pledged assets		
Contingent liabilities		
Investment commitment in portfolio companies	12,927	–
Total pledged assets	**12,927**	–

Endowment insurance

Individual pension undertakings have been guaranteed in the form of Company-owned endowment insurance policies regarding one previous employee. The Investment Entity (which includes the Parent Company) has no further obligation to cover possible shortfalls in the endowment insurance or to pay any amount in excess of the premiums paid, due to which the Investment Entity considers these pension plans to be defined contribution pension plans. Accordingly, payment of premiums corresponds to final settlement of the undertaking vis-à-vis the employee.

In accordance with IAS 19 and the regulations for defined contribution pension plans, the Investment Entity and the Parent Company therefore report neither assets nor liabilities, with the exception of special payroll contributions, related to these endowment insurance policies.

Note 19 Related parties

Affiliates

Investmentbolaget The Investment Entity has a related party relationship with its subsidiaries, joint ventures, associated companies and with all the companies that form part of invoX Pharma Group (invoX Pharma is a wholly owned subsidiary tof Sino Biopharmaceutical Ltd).

Karolinska Development has rendered services to the portfolio companies in the areas of management, communication, finance and administration, including legal and analytical operations. Prices of services rendered have been market based.

Karolinska Development has a license to use the brand Karolinska, which expires December 2025.

In November 2009, Karolinska Development and the European Investment Fund ("EIF") entered into an agreement whereby EIF invests in parallel with Karolinska Development in portfolio companies. The investments are made through KCIF Co-Investment KB ("KCIF"). KCIF will invest in parallel with Karolinska Development at a ratio of 27:73 (KCIF: Karolinska Development) on the condition that certain stated investment criteria are fulfilled. The investors and limited partners in KCIF are EIF, which has committed EUR 12.9 million, and Karolinska Development, which has committed EUR 4.5 million. The amounts are paid to KCIF as needed to make investments, to cover KCIF's expenses, and to pay an annual management fee to KCIF Fund Management AB ("FMAB"), a limited partner responsible for the operation of KCIF. The management fee for the financial year 2021 amounted to SEK 128 thousand (SEK 241 thousand). As of 16 November 2021 liquidation of KCIF has started, whereby existing holdings will be distributed to Karolinska Development and EIF.

FMAB is currently 75 per cent owned by Karolinska Development and 25 per cent by KIAB. The parties have entered into a shareholder agreement regarding FMAB.

Compensation and profit distribution

FMAB is entitled to an annual management fee corresponding to 2.5 per cent of the capital committed to KCIF during the investment period and 1 per cent of invested capital thereafter. In practice, FMAB fulfills its obligations to manage the operations of KCIF by purchasing services from Karolinska Development according to a service agreement. The service agreement entitles Karolinska Development to annual compensation equivalent to what remains of the management fee after deducting FMAB's other expenses and a certain buffer for future expenses in FMAB. Any dividends from KCIF will essentially be distributed as follows. First, EIF and Karolinska Development will receive an amount corresponding to the portion of the committed capital paid to KCIF at the time of the dividend payment and annual interest of 6 per cent on this amount. Secondly, 80 per cent of the remaining funds will be distributed to EIF and Karolinska Development in proportion to their capital investment. The remaining 20 per cent will be distributed to Karolinska Development on the condition that 25 per cent of the amount is redistributed to KIAB and at least 37.5 per cent is redistributed to the investment managers through Karolinska Development's profit-sharing programme (which comprises only former employees). Through its ownership and managerial role, Karolinska Development has concluded that it controls FMAB and therefore considers FMAB to be a subsidiary. The indirect ownership in the portfolio companies through KCIF holding has been included in Karolinska Development's share of the portfolio companies, Note 33.

	2021				2020			
SEK 000	Sale of services	Interest income	Purchase of services	Interest expenses	Sale of services	Interest income	Purchase of services	Interest expenses
Associate relationship								
Owner: Karolinska Institutet Holding Group							741	
(of which rental cost)							(714)	
Owner: invoX Pharma Ltd[1)]				6,239				5,693
Portfolio companies	2,160	6,402			2,186	897		
Total	**2,160**	**6,402**	**–**	**6,239**	**2,186**	**897**	**741**	**5,693**

	2021-12-31		2020-12-31	
SEK 000	Liability to associates	Receivable from associates	Liability to associates	Receivable from associates
Associate relationship				
invoX Pharma Ltd[1)]	124,603		75,864	
Subsidiaries			79	80
Portfolio companies		4,303		68,188
Total	**124,603**	**4,303**	**75,943**	**68,268**

1) The Bridge loan amounting to SEK 70 millin from Sino Biopharmaceutical has been transferred to the wholly owned subsidiary invoX Pharma Ltd. The interest rate amounts to 8% respectively 5% on the new bridge loan amounting to SEK 42.5 million. The interest falls due on 31 December 2022.

Note 20 Significant events after the closing date

Karolinska Development

- At the Extraordinary General Meeting of Karolinska Development held on January 12, 2022, the following resolutions were passed: Election of a new member of the Board of Directors, approval of the Board of Directors' resolution to issue shares with preferential rights for existing shareholders and amendment of the articles of association (January 2022).
- Karolinska Development publishes a prospectus which has been approved and registered by the Swedish Financial Supervisory Authority due to the upcoming rights issue (January 2022).
- Karolinska Development announced definitive outcome in rights issue. Karolinska Development's rights issue with preferential rights for shareholders is completed. The rights issue was subscribed to 76.9 per cent and Karolinska Development has received SEK 378 million before transaction costs and set-off of loans. The issue proceeds will finance the continued development of existing investments, new investments, and general corporate purposes. In total, the rights issue was subscribed to 76.9 per cent, of which 74.5 per cent was subscribed with subscription rights and 2.4 per cent without the support of subscription rights. No guarantee undertakings were claimed. Karolinska Development directs gratefulness to existing shareholders for their participation in the rights issue and at the same time welcomes a number of new shareholders, including Swedbank Robur Microcap and Nyenburgh Holding B.V.

  The subscription price in the rights issue was SEK 4.00 per share. Through the rights issue, the share capital in Karolinska Development increases by SEK 944,121.85, through the issue of 1,052,163 shares of class A and 93,360,022 shares of class B, to a total of SEK 2,700,775.94 allocated to 270,077,594 shares, of which 2,555,261 shares are of class A and 267,522,333 shares are of class B (February 2022).
- Karolinska Development announced that the number of shares and votes changed during February 2022 as a result of the rights issue resolved by the Board of Directors on December 10, 2021 and approved at the Extraordinary General Meeting on January 12, 2022. On the last trading day of February there were 270,077,594 shares, representing a total of 293,074,943 votes outstanding in the company, distributed among 2,555,261 shares of series A (with 25,552,610 votes) and 267,522,333 shares of series B (with 267,522,333 votes) (February 2022).

The portfolio companies

- The portfolio company Svenska Vaccinfabriken has appointed Richard Bethell as new CEO. He will assume the position immediately. Richard Bethell holds a D.Phil in Biological Chemistry from the University of Oxford, has thirty years of experience in the biopharmaceutical industry and has worked primarily in the development of new products for the treatment and prophylaxis of infectious diseases (January 2022).
- The Portfolio company Umecrine Cognition has presented results from a preclinical study showing that the drug candidate golexanolone has a suppressive effect on neuroinflammation in the cerebellum, leading to the cessation of disease-related motor disturbances. The study further enhances understanding of golexanolone's mechanism of action and highlights its potential to treat symptoms related to movement and coordination. The study was carried out in collaboration with Dr Vincente Felipo at the Laboratory of Neurobiology, Centro de Investigación Principe Felipe, Valencia (January 2022).
- The portfolio company AnaCardio has completed a fundraising of SEK 33 million comprised of a convertible loan. Karolinska Development participated in this important funding, which enables AnaCardio to proceed with the clinical development plans for the company's lead asset AC01 (February 2022).

Note 21 Parent Company's accounting policies

Parent Company's accounting policies

The Parent Company's annual report has been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and recommendation RFR 2 Accounting for Legal Entities from the Swedish Financial Reporting Board. Statements UFR 7 and 9 from the Swedish Financial Reporting Board have been applied as well. Application of RFR 2 means that the Parent Company will apply all EU-approved IFRS as far as possible within the framework of the Annual Accounts Act and the Pension Obligations Vesting Act and take into consideration the relationship between reporting and taxation. The policies described in Note 1 regarding the Investment Entity also apply to the Parent Company unless otherwise indicated below.

This means, among other things, that the following accounting principles has been applied:

Subsidiaries

Shares in subsidiaries are recognized at fair value through profit or loss in the Parent Company's financial statements.

Associated companies and joint ventures

Shares in associated companies and joint ventures are recognized at fair value through profit or loss in the Parent Company's financial statements. Dividends are recognized as revenue when they are adopted by the Annual General Meeting.

Other long-term securities holdings

Shares in other long-term securities holdings are recognized at fair value through profit or loss in the Parent Company's financial statements.

Change in fair value of shares in portfolio companies

The Company recognizes its holdings in subsidiaries, joint ventures, associated companies and other long-term securities holdings at fair value through profit or loss. If the value of a holding in subsidiaries, joint ventures, associated companies or other long-term securities holdings is lower or higher than its acquisition cost on the closing date, the holding is valued at fair value.

Note 22 Information on the Parent Company

Karolinska Development AB (publ), Corporate Identity Number 556707-5048, is a Swedish limited liability company with its registered office in Solna.

Subsequent notes relate to the Parent Company.

Note 23 Revenue distribution

Services rendered are comprised of invoiced services provided to portfolio companies in Sweden. These services consist of management, communication, finance and administration, including legal and analytical operations.

SEK 000	2021	2020
Other revenue	2,170	2,651
Total revenue	**2,170**	**2,651**

Note 24 Change in fair value of shares in portfolio companies

SEK 000	2021	2020
Change in fair value of shares in subsidiaries	0	0
Change in fair value of shares in joint ventures and associated companies	234,819	-211,670
Change in value of other long-term securities holdings	-11,616	-3,708
Total	**223,203**	**-215,378**

Note 25 Change in fair value of other financial assets

SEK 000	2021	2020
Change in fair value av other financial assets and liabilities	-33,891	43,077
Total	**-33,891**	**43,077**

Note 26 Other external expenses

Auditor fees

SEK 000	2021	2020
EY		
Audit services	1,334	1,162
Audit related services	125	129
Tax consulting	67	216
Total	**1,526**	**1,507**

Auditor fees refer to the auditor's remuneration for the statutory audit. The work includes the examination of the annual report and accounting records, the administration by the Board and the CEO, and fees for auditing advice in connection with the audit assignment. Audit related services primarily relate to quality assurance services other than the statutory audit.

Note 27 Leases

The Parent Company has chosen to finance premises through leases. The parent company applies the exemption rule in RFR 2 and recognises lease payments as a cost on a straight-line basis over the lease term. Expensed leasing payments and future contractual leasing payments are indicated below.

SEK 000	2021	2020
Expensed leasing payments during the period	714	714
Future leasing payments		
Within one year	711	711
Between one year and five years	–	–
Total future leasing payments	**711**	**711**

Note 28 Employees and personnel costs

See Note 5 for further information.

Average number of employees

	2021			2020		
Full-time equivalent	Antal	Of whom women	Of whom men	Antal	Of whom women	Of whom men
Investment Entity	7	35%	65%	7	29%	71%
Total	**7**	**35%**	**65%**	**7**	**29%**	**71%**

Employee benefits

SEK 000	2021	2020
Salaries and remuneration	14,638	15,671
Social security costs/payroll tax	4,884	5,246
Pension costs	2,485	2,344
Total	**22,007**	**23,261**

Salaries and other remuneration distributed between Board members, etc. and other employees

	2021		2020	
SEK 000	Board and CEO	Other employees	Board and CEO	Other employees
Salaries and remuneration	11,621	3,009	11,506	2,989
Pension costs	1,785	700	1,729	615
Total	**13,406**	**3,709**	**13,235**	**3,604**

Note 29 Interest income and similar income

SEK 000	2021	2020
Interest income from loan to portfolio companies	6,406	908
Financing fee	9,997	–
Total	**16,403**	**908**

Note 30 Interest expenses and similar expenses

SEK 000	2021	2020
Interest expense loans from related parties	-6,239	-5,690
Exchange rate losses	–	-234
Total	**-6,239**	**-5,924**

Note 31 Taxes

SEK 000	%	2021	%	2020
Profit before tax		170,840		-207,466
Income tax expense at applicable rate in the Parent Company	20.6%	-35,193	21.4%	44,398
Tax effect of				
Non-deductible expenses		-507		-6,661
Tax-exempt income		8		9
Issue costs		448		–
Fair value change, non-taxable		38,998		-36,872
Increase in tax losses carried forward without corresponding capitalization of deferred tax		-3 754		-873
Recognized tax	**0.0%**	**0**	**0.0%**	**0**

Unrecognized deferred tax assets

Deductible temporary differences and tax losses carried forward for which deferred tax assets have not been recognized through profit or loss or the balance sheet mainly refer to the deficits incurred in the Parent Company. Any future gains on the sale of business-related shares and participations in the portfolio companies are tax-exempt profit. Deferred tax assets have not been recognized for these deficits as it is unlikely that Karolinska Development AB will be able to offset the amounts against future taxable profits, despite that there is no time limit on the tax losses carried forward. Unrecognized deferred tax assets for Karolinska Development as of 31 December 2021 amounted to SEK 169,181 thousand (170,834), and SEK 0 thousand (SEK 0 thousand) refers to the tax effect of deficits that are restricted by Group contributions and mergers.

Note 32 Shares in subsidiaries

SEK 000	2021	2020
Accumulated book value		
At the beginning of the year	0	0
Sales during the year	–	–
Closing balance, book value	**0**	**0**

No investments in subsidiaries were made in 2021 or 2020.

Specification of holdings in subsidiaries

	Total holding[1])		Book value in Parent Company	
SEK 000	**2021-12-31**	**2020-12-31**	**2021-12-31**	**2020-12-31**
KCIF Fund Management AB	75%	75%	–	–
KD Incentive AB	100%	100%	–	–
Total book value			**0**	**0**

1) Including indirect ownership interest through portfolio company. Ownership interest corresponds to formal voting rights according to the participating interest. In addition, a shareholder agreement has been entered into in some cases giving Karolinska Development controlling interest.

Note 33 Shares in joint ventures and associated companies

SEK 000	2021	2020
Accumulated book value		
At the beginning of the year	732,554	1,043,156
Investments during the year	40,792	39,954
Reclassification to other long-term securities holding	–	-37,030
Divestments during the year	-108,566	-101,856
Fair value measurement through profit or loss	234,820	-211,670
Closing balance, book value	**899,600**	**732,554**

Note 33 continued

Specification of holdings in joint ventures

	Total holding	Fully diluted[1]	Total holding	Book value in Parent Company	
SEK 000	**2021-12-31**		**2020-12-31**	**2021-12-31**	**2020-12-31**
Karolinska Development portföljen					
Umecrine Cognition AB	72.59%	70.00%	74.47%	623,048	639,220
Modus Thrapeutics Holding AB	38.17%	31.00%	39.52%	23,350	43,876
KDev Investments AB[2)]	90.12%		90.12%	223,873	0
Aprea Therapeutics Inc	5.53%	5.53%	8.40%		
Biosergen AS	3.21%	3.21%	4.14%		
Dilafor AB	30.34%	30.00%	30.54%		
Modus Therapeutics Holding AB	17.10%	13.00%	32.01%		
Promimic AB	20.38%	20.38%	20.38%		
Total book value				**870,271**	**683,096**

1) Ownership with full dilution according to current investment plans.
2) Karolinska Development owns 90.12 per cent (90.12 per cent) of KDev Investments, which in turn owns the shares in the portfolio companies.

Specification of holdings in associated companies

	Total holding	Fully diluted[1]	Total holding	Book value in Parent Company	
SEK 000	**2021-12-31**		**2020-12-31**	**2021-12-31**	**2020-12-31**
AnaCardio Holding AB	20.94%	19.30%	–	3,389	–
Dilafor AB	0.74%	0.74%	–	12,014	–
Forendo Pharma Oy	–	–	8.87%	–	39,878
Svenska Vaccinfabriken Produktion AB	30.84%	30.84%	20.00%	6,827	3,827
KCIF Co-Investment Fund KB			26.00%	7,099	5,753
Forendo Pharma Oy	–	–	3.27%		
OssDsign AB	0.81%	0.81%	2.08%		
Total book value					**49,458**

1) Ownership with full dilution according to current investment plans.
2) Reclassification to other long-term securities holdings 2020 due to decreased ownership.

Investments in joint ventures and associated companies

SEK 000	2021	2020
AnaCardio Holding AB	3,000	–
Dilafor AB	12,014	–
KDev Investments AB	3,800	2,240
Modus Therapeutics Holding AB	12,575	8,100
Svenska Vaccinfabriken Produktion AB	3,000	3,500
Umecrine Cognition AB	6,403	26,114
Total investments in joint ventures and associated companies	**40,792**	**39,954**

Non-cash investments in joint ventures and associated companies

SEK 000	2021	2020
Accrued interest		
Umecrine Cognition AB	6,403	897
Financing fee from		
Modus Therapeutics AB	10,000	–
Total non-cash investments	**16,403**	**897**

Note 34 Other long-term securities holdings

SEK 000	2021	2020
Accumulated book value		
At the beginning of the year	37,766	4,444
Investments during the year	28,362	–
Reclassification from associated companies	–	37,030
Divestments	-3,941	–
Fair value measurement	-11,617	-3,708
Closing balance, book value	**50,570**	**37,766**

Specification of holdings in other long-term securities

	Total holding		Book value in Parent Company	
Name	**2021-12-31**	**2020-12-31**	**2021-12-31**	**2020-12-31**
Lipidor AB	–	1.10%	–	3,642
OssDsign AB	10.18%	9.71%	50,570	34,124
Total book value			**50,570**	**37,766**

Non-cash investments in other long-term securities holdings

SEK 000	2021	2020
Reclassification from associated companies	–	37,030
Fair value measurement	-11,617	-3,708
Total non-cash investments	**-11,617**	**33,322**

Note 35 Parent Company's holdings in subsidiaries, joint ventures and associated companies

Company	Registered office	Corporate Identity Number	Number of shares	Equity, SEK 000	Profit/loss, SEK 000
Karolinska Development					
AnaCardio Holding AB	Stockholm	559343-3559	183	79	–
- AnaCardio AB	Stockholm	559110-7825	874	3,588	-3,063
Dilafor AB	Stockholm	556642-1045	9,931	19,431	-29,076
KD Incentive AB	Solna	556745-7675	100,000	149	–
KCIF Fund Management AB	Solna	556777-9219	75,000	220	–
Modus Therapeutics Holding AB	Stockholm	556851-9523	6,144,821	15,734	-20,691
Svenska Vaccinfabriken Produktion AB	Stockholm	559001-9823	223	4,152	-870
Umecrine Cognition AB	Umeå	556698-3655	10,777,564	61,844	-16,623
KCIF Co-Investment Fund KB	Solna	969744-8810	26	27,353	14,994
OssDsign AB	Uppsala	556841-7546	461,184	262,722	-93,918
KDev Investments AB	Solna	556880-1608	2,188,578	566,121	412,498
Aprea Therapeutics Inc	Boston	7312119	1,180,691	483,072[1)]	-269,408[2)]
Biosergen AB	Solna	559304-1295	901,334	29,915[1)]	-19,284[2)]
Dilafor AB	Stockholm	556642-1045	403,310	19,431	-29,076
Modus Therapeutics Holding AB	Stockholm	556851-9523	2,752,516	15,734	-20,691
Promimic AB	Göteborg	556657-7754	2,523,920	21,916	-15,266

1) As of 30 September 2021
2) As of 1 Januari – 30 September 2021

Note 36 Other financial assets

SEK 000	2021-12-31	2020-12-31
Receivable earn-out agreement Forendo Pharma Oy, see also note 10	61,799	–
Receivable earn-out agreement Oncopeptides, se see also note 10	0	40,459
Receivable Rosetta Capital	–	722
Total	**61,799**	**41,181**

Note 37 Other current receivables and prepaid expenses and accrued income

Other current receivables

SEK 000	2021-12-31	2020-12-31
Tax assets	673	673
Other	95	95
Total	**768**	**768**

Prepaid expenses and accrued income

SEK 000	2021-12-31	2020-12-31
Prepaid rental expenses	179	179
Insurance premiums	314	262
Prepaid rights issue costs	2,172	–
Other	275	488
Total	**2,940**	**929**

Note 38 Short-term investments at fair value through profit or loss

SEK 000	2021-12-31	2020-12-31
Aquisitioons of short-term interest funds with low risk	50,000	–
Fair value measurement	5	–
Total	**50,005**	**–**

Note 39 Proposed appropriation of profit

SEK 000	2021-12-31
Retained loss	-1,579,841,908
Share premium reserve	2,378,373,033
Net profit for the year	170,839,891
Total	**969,371,016**

The Board of Directors proposes that profits brought forward be appropriated as follows:

Share premium reserve	2,378,373,033
Retained loss	-1,409,002,017
To be carried forward	**969,371,016**

Note 40 Other financial liabilities

SEK 000	2021-12-31	2020-12-31
Liability earn-out payment regarding Aprea Therapeutics, see also note 14	1,756	5,726
Closing balance	**1,756**	**5,726**

Note 41 Current interest-bearing liabilities to related party

SEK 000	2021-12-31	2020-12-31
Short-term loan debt invoX Pharma Ltd[1)]	70,000	70,000
Short-term loan debt invoX Pharma Lt[1)]	42,500	–
Accrued interest invoX Pharmal Ltd[1)]	12,103	5,864
Total	**124,603**	**75,864**

1) See note 15 and 19.

Note 42 Accrued expenses and prepaid income

SEK 000	2021-12-31	2020-12-31
Salaries and remuneration to personnel	3,676	2,637
Remuneration to Board of Directors	632	282
Auditor and consulting fees	813	611
Payroll tax and accrued pension costs	1,163	1,161
Social security costs	676	481
Other	306	353
Total	**7,268**	**5,525**

Note 43 Related parties

Affiliates

The Parent Company has a related party relationship with its subsidiaries, joint ventures, associated companies and the companies in the invoX Pharma Ltd Group (Sino Biopharmaceutical Ltd).

Karolinska Development Karolinska Development has rendered services to portfolio companies on technical studies and administration. The prices of these services rendered are market based.

	2021				2020			
SEK 000	Sale of services	Interest income	Purchase of services	Interest expenses	Sale of services	Interest income	Purchase of services	Interest expenses
Associate relationship								
Karolinska Institutet Holding Group							714	
(of which rental cost)							*(714)*	
invoX Pharma Ltd				6,239				5,693
Subsidiaries	89				175			
Joint ventures and associated companies	2,071	6,402			2,011	897		
Total	**2,160**	**6,402**	**–**	**6,239**	**2,186**	**897**	**714**	**5,693**

	2021-12-31		2020-12-31	
SEK 000	Liability to associate	Receivable from associate	Liability to associate	Receivable from associate
Associate relationship				
Owner: Sino Biopharmaceutical Ltd	124,603		75,864	
Subsidiaries				80
Joint ventures and associated companies		4,303		68,188
Total	**124,603**	**4,303**	**75,864**	**68,268**

Signing of the annual financial statements

The Board of Directors and CEO hereby certify that the annual report has been prepared according to the Annual Accounts Act and RFR 2 and provides a true and fair view of the Company´s financial position and results and that the administration report provides a true and fair overview of the Company´s operations, financial position and results, and that it describes significant risks and uncertainties facing the Company. The Board of Directors and CEO hereby certify that the Investment Entity report has been prepared according to the International Financial Reporting Standards (IFRS), as adopted by the EU, and provides a true and fair overview of the Investment Entity's financial position and results, and that the administration report for the Investment Entity provides a true and fair overview of the Investment Entity's operations, financial position and results, and that it describes significant risks and uncertainties facing the Investment Entity.

The annual report and the Investment Entity report have been approved for presentation by the Board on 22 March 2022. The Investment Entity's and Parent Company's income statements and balance sheets will be presented for adoption by the Annual General Meeting of shareholders on 12 May 2022.

Björn Cochlovius Chairman	Anna Lefevre Skjöldebrand Board member	Benjamin Toogood Board member
Philip Duong Board member	Theresa Tse Board member	Viktor Drvota CEO

Our Auditor's Report was presented on 25 March 2022

Ernst & Young AB

Oskar Wall
Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders of Karolinska Development AB (publ), corporate identity number 556707-5048

Report on the annual accounts for the parent company and the financial statements for the investment entity

Opinions

We have audited the annual accounts for the parent company and the financial statements for the investment entity of Karolinska Development AB (publ) for the year 2021. The annual accounts for the parent company and the financial statements for the investment entity are included on pages 30-83 this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The financial statement for the investment entity have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the investment entity as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and the financial statement.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the investment entity.

Our opinions in this report on the annual accounts for the parent company and the financial statement for the investment entity are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the investment entity in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and financial statements of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and financial statements as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of shares in portfolio companies

Description

Carrying value for shares in portfolio companies, amounted to 950 MSEK as per 31 December 2021, corresponding to 86% of the Investment entity and parent entity's (hereafter collectively mentioned as Company) total assets.

The valuation of shares in portfolio companies is based on the International Private Equity, Venture Capital Valuation Guidelines (IPEV) and IFRS 13 Fair Value Measurement.

The Company has classified its shares in portfolio companies to fair value level 3 as defined by IFRS 13, which means that fair value is based on models where significant data is based on non-observable data or low market activity.

Information related to the Company's principles for accounting for shares in portfolio companies is described in Note 1 on pages 53–54 and in Note 17 on page 69–73 there is a detailed description of the valuation and classification of shares in portfolio companies.

The process of valuation of unlisted shares in portfolio companies requires management assessment. Changes in ownership strategy, the development of the portfolio companies and ownership shares have consequences for the method of valuing these shares and thus the carrying amount. As changes in these judgements affect the carrying amount, we have considered this as a particular important area in the audit.

How our audit addressed this key audit matter

In our audit we have gained an understanding of the valuation process and the key controls in this process. We have verified the Company's ownership in the portfolio companies, reviewed internal models regarding calculation of fair value and tested that the methodology is in accordance with the International Private Equity, Venture Capital Valuation Guidelines (IPEV) and IFRS 13 Fair Value Measurement.

We have audited the information presented in the annual report.

Other Information than the annual accounts for the parent company and the financial statement for the investment entity

This document also contains other information than the annual accounts and financial statement and is found on pages 1–29 and 88-96. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts for the parent company and the financial statement for the investment entity accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information

In connection with our audit of the annual accounts for the parent company and the financial statement for the investment entity, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts for the parent company and the financial statement for the investment entity. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts for the parent company and the financial statement for the investment entity and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the financial statements, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts for the parent company and the financial statement for the investment entity and that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts for the parent company and financial statement for the investment entity, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts for the parent company and the financial statement for the investment entity as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and financial statement.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts for the parent company and the financial statement for the investment entity, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts for the parent company and the financial statement for the investment entity. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the parent company and investment entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual for the parent company and the financial statement for the investment entity or, if such disclosures are inadequate, to modify our opinion about the annual accounts for the parent company and the financial statement for the investment entity. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts for the parent company and the financial statement for the investment entity, including the disclosures, and whether the annual accounts for the parent company and the financial statement for the investment entity represent the underlying transactions and events in a manner that achieves fair presentation.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts for the parent company and the financial statement for the investment entity, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts for the parent company and the financial statement for the investment entity, we have also audited the administration of the Board of Directors and the Managing Director of Karolinska Development AB (publ) for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the investment entity in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the investment entity's type of operations, size and risks place on the size of the parent company's and the investment entity's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions

undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts for the parent company and the financial statement for the investment entity, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts for the parent company and the financial statement for the investment entity in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Karolinska Development AB (publ) for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF 646e791e3609 a7de60d5d4bdaea0ec1fde0fea7222b848 cb42cd625efd0ea7b report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Karolinska Development AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts for the parent company and the financial statements for the investment entity.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the financial statement of financial performance, financial position, changes in equity and cash flow.

Ernst & Young AB, was appointed auditor of Karolinska Development AB by the general meeting of the shareholders on the 5 May 2021 and has been the company's auditor since the 20 May 2015.

Stockholm 25 March 2021
Ernst & Young AB

Oskar Wall
Authorized Public Accountant

Corporate Governance Report for 2021

This Corporate Governance Report has been prepared in accordance with the Swedish Code of Corporate Governance and the Swedish Annual Accounts Act.

Corporate Governance at Karolinska Development

Application of the Swedish Code of Corporate Governance

Karolinska Development complies with the Swedish Code of Corporate Governance (the Code), without deviations.

Information on the Company's website

On its website, the Company has a special section for corporate governance issues under the section Corporate Governance, https://www.karolinskadevelopment.com/en/corporate-governance

General meetings

Under the Swedish Companies Act, the general meeting is the Company's highest decision-making body. At the annual general meeting, which shall be held within six months from the end of the financial year, shareholders exercise their voting rights on issues such as the adoption of income statements and balance sheets, appropriation of the Company's profits or losses, resolutions to release the members of the board of directors and the chief executive officer from liability for the preceding financial year, the appointment of members of the board of directors and auditor and remuneration for the board of directors and the auditor.

Besides the annual general meeting, extraordinary general meetings may be convened. In accordance with the articles of association, all general meetings shall be convened through announcements in the Swedish Official Gazette (Sw. Post- och Inrikes Tidningar) and by posting the notice to the meeting on the Company's website. An announcement shall simultaneously be placed in Svenska Dagbladet with information that the meeting has been convened. Minutes from the general meetings are published on Karolinska Development's web page.

Shareholders who want to participate in shareholders' meetings and vote according to the number of shares they hold, shall be entered in the share register in accordance with aktiebolagslagen (the Swedish Companies Act), as well as notify the company at latest on the day which is specified in the notice to the meeting. Shareholders may attend general meetings in person or through a proxy and may also be accompanied by up to two assistants.

Composition of the Board and its' functions, etc.

The board of directors is the highest decision-making body after the general meeting. The board of directors' responsibility is regulated in the Swedish Companies Act, the Swedish Annual Accounts Act, the Company's articles of association, directions given by the general meeting and the procedure for the board of directors of the Company adopted by the board of directors. In addition, the board of directors shall comply with the Swedish Corporate Governance Code and Nasdaq Stockholm's Rule Book for Issuers, as well as other Swedish and foreign laws and regulations, as applicable.

Pursuant to the Swedish Companies Act, the board of directors is responsible for the Company's organization and the administration of the Company's affairs. Furthermore, the board of directors shall continuously assess the Company's and the group's financial situation, as well as see to that the Company's organization is formed in a way that the accounting, management of funds and the Company's financial conditions are controlled in a secure manner.

The assignments of the board of directors include, inter alia, to set objectives and strategies, see to that there are effective systems for follow-up and control of the Company's operations, and see to that there is a satisfactory control of the Company's compliance with laws and other regulations applicable to the Company's operations. The assignments of the board of directors also include to see to that required ethical guidelines are set for the Company's behavior and to see to that the Company's disclosure of information is characterized by transparency and is correct, relevant and reliable. In addition, the assignments of the board of directors include appointing, evaluating and if necessary, removing the chief executive officer.

Members of the board of directors are appointed annually by the annual general meeting for the period until the end of the next annual general meeting.

According to the Articles of Association, the general meeting shall appoint no less than three and no more than nine directors. Deputies shall not be appointed. At the annual general meeting 2021 five board members were appointed.

Regulations regarding the appointment and dismissal of directors and amendments to the Articles of Association

The Articles of Association contain no special regulations regarding the appointment and dismissal of directors and no special regulations regarding amendments to the Articles of Association.

Authorization to the Board to issue new shares or acquire its own shares

The Annual General Meeting 2021 authorized the board of directors to issue on one or several occasions without pre-emption rights for the shareholders new shares of series B up to a maximum of twenty percent of the share capital.

The Annual General Meeting also authorized the Board to decide on transfer of earlier acquired shares of series B amounting to 244,285.

Holdings of ten percent or more of the votes

There are two holdings that represents more than one tenth of the voting rights for all shares in Karolinska Development, Sino Biopharmaceutical Ltd with 40.03 percent of the votes (43.11 percent of the shares) and Worldwide International Investments Ltd med 14.80 percent of the votes (15.94 percent of the shares).

The chief executive officer

The chief executive officer reports to the board of directors. The chief executive officer's responsibility is governed by the Swedish Companies Act, the Swedish Annual Accounts Act, the Company's articles of association, directions given by the general meeting, the instruction for the chief executive officer and other internal directions and guiding principles adopted by the board of directors. In addition, the chief executive officer shall comply with the Swedish Corporate Governance Code and Nasdaq Stockholm's Rule Book for Issuers, as well as other Swedish and foreign laws and regulations, as applicable.

According to the Swedish Companies Act, the chief executive officer shall handle the day-to-day management pursuant to the board of directors' guidelines and instructions. In addition, the chief executive officer shall take any measures necessary in order for the Company's accounts to be maintained pursuant to law and that the management of funds is conducted in an appropriate manner. The division of work between the board of directors and the chief executive officer is described in the instruction for the chief executive officer.

The chief executive officer shall administrate the operative management and execute the resolutions passed by the board of directors. The chief executive officer shall control and supervise that the matters to be dealt with by the board of directors according to applicable legislation, the articles of association and internal instructions are presented to the board of directors, and shall continuously keep the chairman of the board of directors informed about the performance of the Company's operations, its earnings and financial position, as well as any other event, circumstances or condition that cannot be assumed to be irrelevant to the board of directors or the shareholders.

Nomination Committee

The nomination committee shall carry out its duties in accordance with the Swedish Corporate Governance Code. The nomination committee's main duties are to propose candidates for the positions as chairman of the board of directors and other members of the board of directors, as well as to propose fees and other remuneration to each members of the board of directors. The nomination committee is also to make proposals on the election of and remuneration to the auditor.

The five largest owners by voting rights, as set forth in the share register kept by Euroclear Sweden AB as of the last banking day August 2021), have the right each to appoint one member of the Nomination Committee for the Annual General Meeting 2022. The members of the Nomination Committee have elected the chairman of the Nomination Committee among themselves. The Nomination Committee consists of: Yan Cheng (Chairman), appointed by Worldwide International Investments Ltd; Jack Li, appointed by Sino Biopharmaceutical Ltd; Hans Wigzell, appointed by Insamlingsstiftelsen för främjande och utveckling av medicinsk forskning vid KI; Mattias Klintemar, appointed by Östersjöstiftelsen; Todd Plutsky, appointed by Coastal Investment Management LLC.

If a member of the Nomination Committee resigns or is prevented from pursuing his/her assignment, the shareholder that has appointed that member shall appoint a new member. In the event that the shareholding in the Company is materially changed, before the Nomination Committee has completed its assignment, the Nomination Committee may decide to change the composition of the Nomination Committee, as determined by the Nomination Committee (considering the principles applicable for the appointment of the Nomination Committee). No fees shall be paid to the members of the Nomination Committee. Out of pocket expenses shall be reimbursed by the Company.

Board of Directors

Composition of the Board

The Company's Board consists of the following five directors: Björn Cochlovius (Chairman), Theresa Tse, Anna Lefevre Skjöldebrand, Ben Toogood and Philip Duong. Tse Ping was deputy Chairman and board member up and until January 12, 2022. None of the directors are employed by the company.

Information on remuneration to Board as determined by the Annual General Meeting, can be found in the annual report under the note 5 "Employees and costs for employees".

Elected directors

Björn Cochlovius. Chairman since 2020. Born 1968. Doctorate (Dr.rer.nat) from Universität des Saarlandes und Habilitation, Assoc. Prof Universität Heidelberg. Other assignments: CEO Medraxa Therapeutics GmbH, Chairman of the Board of Directors of Sapreme Technologies BV, SVP Business Development at Atriva Therapeutics GmbH, President at Biocure Technologies Ltd and General Manager at BC BioMed Consulting GmbH. Prior assignments include i.a.: Chairman of the Board of Isogencia Ltd, Senior Director Development Asia-Pacific at Abbvie Inc., Head Oncology at Otsuka, co-founder and Interim-CEO and Chairman of the Board of Ciliatech AG, Director Business Development Oncology at Roche AG, strategy consultant at Alpharma AS (nowadays Axellia), CEO at OnTarget Neurology AS, Head R&D at Affitech AS. No holdings in Karolinska Development.

Theresa Tse. Board Member since 2017. Born 1992. Bachelor's Degree of Science in Economics from the Wharton School of University of Pennsylvania. Other appointments: Chairwoman of the Board and Executive Director of Sino Biopharmaceutical Ltd (listed at the Hong Kong stock exchange) and member of the Board of Directors of invoX Pharma Ltd., France Investment (China 1) Group Limited, Chia Tai Life Technology Limited and Yun On Investment Holding Limited. Holdings in Karolinska Development 128,736,384 shares (by related legal person).

Anna Lefevre Skjöldebrand. Board Member since 2021. Born 1969. Masters of Law from Uppsala University. Other appointments: CEO Swedish Medtech Service AB. Current board assignments include: Sweden Medtech4Health AB (Chairwoman), Swecare, St Eriks ögonsjukhus and COCIR, Life Science office of Sweden. Prior assignments include i.a.: Head of Legal Swedish Medtech Service AB, Advokat Delphi & Co, Advokat GLS Legal, Jurist Ernst & Young Law, Legal Counsel Front Capital Systems AB. Prevoius board assignments include i.a.: Dedicare AB, E-hälsomyndigheten, SIS AB and Medtech Europe. She has also been a member of the board in the Board for Public Procurement. No holdings in Karolinska Development.

Ben Toogood. Board Member since 2021. Born 1976. Bachelor of Pharmacy from Rhodes University. MSc. from University of Witwatersrand and Executive MBA from University of Cambridge. Other appointments: Head Global Business Development, Sino Biopharmaceuticals Limited, director of invoX Pharma Limited, Softhale BV and pHion Therapeutics. Previous assignments: Head Global BD & M&A Sandoz AG, Group New Business Development Executive Aspen Pharmacare Holdings, Vice President Global Business Development Pharmathen SA, International Licensing Executive Niche Generics (Unichem Laboratories) and Regulatory Affairs Merck Generics (Mylan). Holdings in Karolinska Development 64,001 shares.

Philip Duong[1]. Board Member since 2022. Born 1990, Bachelor's degree of Commerce from University of Toronto. Other appointments, Head of Investments at Sino Biopharmaceuticals Limited, member of the Board of Directors at Softhale BV and Treadwell Therapuetics. Previous assignments: Vice President at Deutsche Bank AG (Hong Kong Branch). No holdings in Karolinska Development.

1) Elected at the extra general meeting 2022.

Independence requirements

The table below shows which elected directors are considered independent in relation to the Company and its management as well as in relation to the Company's major shareholders, per definitions in the Code.

			Independent of:	
Name	**Function**	**Elected**	**company/ mgmt.**	**major holders**
Björn Cochlovius	Chairman	2020	yes	yes
Theresa Tse	director	2017	yes	no
Anna Lefevre Skjöldebrand	director	2021	yes	yes
Ben Toogood	director	2021	yes	no
Philip Duong	director	2022	yes	no

A major holder means a holder controlling, directly or indirectly, at least ten per cent of the shares or votes.

The Company meets the Code requirement that a majority of the elected directors must be independent in relation to the Company and its management and that a minimum of two of these must be independent in relation to major shareholders.

The Board's work etc.

According to the Rules of procedure, the Board shall normally meet six times per year. During 2021 the Board held 13 meetings, of which 3 meetings were per capsulam. Of the other 10 meetings Björn Cochlovius attended all meetings. Ben Toogood and Anna Lefevre Skjöldebrand attended 9 meetings. Tse Ping, member of the Board of directors up and until the extra general meeting January 12, 2022 has not attended any meeting. Theresa Tse has not attended any meeting.

The General Counsel of the company Johan Dighed is the secretary at the board meetings.

The Board annually adopts rules of procedure, an instruction on the delegation of work between the Board and the CEO, and an instruction on financial reporting to the Board. The Board also adopts policies, which constitute a foundation for the Company's internal control systems. These are the Information and Insider Policy, Equal Treatment Policy, Environmental Policy, HR Policy, Code of Ethics, Policy on Pre-Approval of Non-Audit Services by Auditor and Dividend Policy.

The board evaluation of the board work has been conducted through a questionnaire distributed to all directors. The aggregated result of the questionnaire has been distributed to the directors and been subject to internal discussion. The full result of the evaluation has been submitted to the Nomination Committee.

The board has three committees, an Audit Committee, a Remuneration Committee and an Investment Committee.

Audit Committee

Karolinska Development´s Audit Committee consists of three members: Björn Cochlovius (Chairman), Anna Lefevre Skjöldebrand and Ben Toogood, each being independent in relation to the Company's major shareholders and in relation to the Company and its management. Tse Ping and Theresa Tse were committee members until February 26, 2021.

The audit committee shall, without any other impact on the tasks and responsibilities of the board of directors:

- monitor the Company's financial reporting; and provide recommendations and suggestions to ensure the reliability of the reporting;
- in respect of the financial reporting, monitor the effectiveness of the Company's internal control, internal audit, and risk management;
- remain informed regarding the auditing of the group reporting and financial statements; and the conclusions of the Board of Auditors quality control;
- inform the board about the result of the audit and about how the audit contributed to the accuracy of the financial reporting and about the function of the Audit Committee;
- review and monitor the impartiality and independence of the auditor, and in that respect, pay particular attention to non-audit services provided by the auditor; and
- assist in the preparation of proposals to the annual general meeting's resolution regarding election of auditor.

The Audit Committee met 5 times during 2021. Tse Ping and Theresa Tse whom were committee members until February 26, 2021 did not attend any meeting. Björn Cochlovius attended 5 meetings, Anna Lefevre Skjöldebrand attended 4 meetings and Ben Toogood attended 2 meetings.

Remuneration Committee

Karolinska Development´s Remuneration Committee consists of three members: Björn Cochlovius (Chairman), Anna Lefevre Skjöldebrand and Ben Toogood, each being independent in relation to the Company's major shareholders and in relation to the Company and its management. Tse Ping and Theresa Tse were committee members until February 26, 2021.

The remunerations committee's main tasks are to:

- prepare the board of directors' decisions on issues concerning principles for salary, remuneration and other terms of employment for the executive management;
- monitor and evaluate programmes for variable remuneration for the executive management; and
- monitor and evaluate the application of the guidelines for remuneration to the management that the annual general meeting is legally obliged to decide on, as well as the current remuneration structures and levels in the Company.

The Remuneration Committee met 2 times during 2021 and all members were present at these meetings which took place after Tse Ping and Theresa Tse had resigned as committee members.

Investment Committee

Karolinska Development´s Investment Committee consists of three members: Björn Cochlovius (Chairman), Anna Lefevre Skjöldebrand and Ben Toogood, each being independent in relation to the Company's major shareholders and in relation to the Company and its management. Tse Ping and Theresa Tse were committee members until February 26, 2021.

The main tasks of the Investment Committee are to prepare and analyze investment proposals and submit recommendations to the Board of Directors.

The Investment Committee had no meetings during 2021.

Chief Executive Officer

Viktor Drvota. Appointed as CEO on June 1, 2017, and previously CIO since 2016. Born 1965 M.D, Ph.D. Associate Prof. In Cardiology. Viktor Drvota has over 20 years of Venture Capital experience in Life Science with several investments, significant fundraisings, IPOs and exits. He was responsible for Life Science at SEB Venture Capital 2002–2016. During his appointment at SEB VC he also served as a Board member in several biotech and Medtech companies such as Arexis AB, SBL Vaccin AB, Nuevolution AS, Index Pharma AB, Scibase AB, Airsonett AB among others. Before joining SEB, Dr Drvota worked as Senior Consultant and Associate Professor in Cardiology at the Karolinska Institutet/hospital, Stockholm. Dr Drvota has experience from preclinical as well as clinical research in drug development and medical devices. Dr Drvota has 29 published research articles. Holdings in Karolinska Development: 159,996 shares.

The main components of the Company's system for internal control and risk management in relation to financial reporting

Internal control and risk management at Karolinska Development

Internal control is designed to provide reasonable assurance as to the reliability of external financial reporting and compliance with the law, generally accepted accounting principles and rules for listed companies.

The key elements of the Company's system for internal control and risk management related to financial reporting are presented below. The Company's internal control comprises mainly the areas of Control Environment, Risk Assessment, Control Activities, Communications and Monitoring.

Control environment. The control environment constitutes the basis for the internal control. Karolinska Development has a flat organizational structure with a clear division of responsibilities and rights. There is an established system of governing documents in the form of Policies adopted by the board and Instructions adopted by the CEO. Within the framework of overarching policies, they govern decisions, authorization and processes involving purchases, payments and investments. Among these documents, the Valuation Guidelines, governing methods and processes for valuation of the portfolio, should be mentioned. The documentation is centrally accessible to all employees through the Company's internal IT network. The Company has employed personnel responsible for controlling and legal functions, who jointly work towards a well-functioning control environment as one of their specifically stated goals. These governing documents form the basis for how transactions should be handled, recorded and reported.

Risk assessment. The Company works continuously with a structured risk assessment with regard to issues which have an impact on the Company's financial position and result. Special attention is paid to the risk of irregularities and favoritism at the Company's expense. Risk assessment includes inter alia: (i) the existence, at a given date, of an asset or liability, (ii) that a business transaction or an event has occurred during the period and relates to the Company, (iii) that there are no assets, liabilities or business transactions which are not recorded or items for which the necessary information is missing, (iv) that each asset and liability is recorded and valued in accordance with law, generally accepted accounting principles and internal valuation rules; (v) that the business transactions are recorded at the correct amount and that profit and expenses are attributable to the correct period, (vi) that an asset or liability relates to the Company on a specified date and, (vii) that an item is classified and described in accordance with law, generally accepted accounting principles and listing rules.

Control Activities. The financial reporting is subject to control activities aimed at preventing, detecting and correcting errors and discrepancies. These consist of a specified allocation of work, documented and clearly described rules for how business transactions are to be approved as well as their traceability, the application of accounting and valuation principles, analytical monitoring, account reconciliation, monitoring of agreements, board resolutions, policies and certification procedures.

As relates to the portfolio, regular follow-ups are made of planned and implemented investments in terms of whether the companies have met the stipulated targets for further investments. Furthermore, evaluations are made, and priorities set among the companies' projects. Scientific results and business opportunities are both monitored. This is done continuously in regularly management meetings.

There is also a monthly analysis of how different activities in portfolio companies affect the valuation of these in the parent company and the consolidated financial statements. Valuation effects are reported to and finally approved by the CFO and the CEO.

Communications. The internal financial reporting complies with stipulated reporting plans. The Company's rules of procedure and the instruction on reporting to the Board include detailed descriptions as to when and what should be reported to and handled by the Board. The Company's CFO, with the support of controllers, is responsible for the financial reporting to the Board, which includes information on the Company's results and financial position. Reporting plans are aimed at ensuring complete, accurate and timely information to the Company's management and the Board.

The Company has quite few employees, all active at the same workplace, which enables quick and accurate internal communication and information.

Monitoring. Internal rules on internal control and risk management are updated at least annually and when necessary. Assessment of compliance is performed on a detailed level. The Audit Committee meets prior to Board meetings where interim reports are to be discussed. The auditors are present at the meetings of the Audit Committee and meet annually with the directors without anyone from management present.

Specific assessment of the need for internal audit

Karolinska Development has no internal audit function. The Board is of the opinion that there is no need for an internal audit function at present. The reasons are that the Company has relatively few employees, its business is established in only one location, the majority of significant transactions are similar in character and relatively straightforward, and there is a clear internal accountability within the Company.

Solna February 2022

Board of Directors of
Karolinska Development AB

Auditor's report on the corporate governance statement

To the general meeting of the shareholders of Karolinska Development AB (publ), corporate identity number 556707-5048

Engagement and responsibility

It is the Board of Directors who is responsible for the corporate governance statement for the year 2021 on pages 88-92 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm 25 March 2022
Ernst & Young AB

Oskar Wall
Authorized Public Accountant

Definitions

Definitions of Key Terms

After-tax earnings per share
Profit/loss after tax attributable to the Parent Company´s shareholders divided by the weighted average number of shares before and after dilution

Equity per share
Equity divided by the number of shares outstanding at year-end

Net Portfolio Fair Value (after potential distribution to Rosetta Capital)
The net aggregated proceeds that Karolinska Development will receive after KDev Investments' distribution of proceed to Rosetta Capital

Alternative Performance Measures
The Company presents certain financial measures in the annual report that are not defined under IFRS. The Company believes that these measures provide useful supplemental information to investors and the company's management as they allow for the evaluation of the company's performance. Because not all companies calculate the financial measures in the same way, these are not always comparable to measures used by other companies. Therefore, these financial measures should not be considered as substitutes for measures as defined under IFRS.

Portfolio companies
Companies operating in life science and are wholly or partially owned by Karolinska Development.

Total Portfolio Fair Value
The aggregated proceeds that would be received by Karolinska Development and KDev Investments if the shares in their portfolio companies were sold in an orderly transaction between market participants at the year-end.

Capital employed
Total equity and interest-bearing liabilities.

Equity to total assets ratio
Equity divided by total assets.

Return on equity
Profit/loss after financial items divided by equity.

rNPV
(Risk adjusted Net Present Value) is a risk adjusted capital budgeting formula that calculates the present value of the cashflows of a project or potential investment.

Return on capital employed
Profit/loss after financial items divided by capital employed.

Net asset value and net asset value per share
Net Portfolio Fair Value of the total portfolio (SEK 950.2 million), cash and cash equivalents (SEK 42.4 million), short-term investments (SEK 50.0 million) the net of financial assets and financial liabilities minus interest-bearing liabilities (SEK 60.0 million minus SEK 124.6 million). Net asset value per share: the net asset value in relation to the number of shares outstanding, excluded repurchased shares (175,421,124) on the closing date (31 December 2021). t descendants.

Net debt
Interest bearing liabilities reduced with interest bearing assets, cash and cash equivalents and short-term investments.

Other definitions

Karolinska Development
Karolinska Development AB (publ.),
Corporate Identity Number 556707-5048

Karolinska Institutet
Karolinska Institutet,
Corporate Identity Number 202100-2973
Karolinska Institutet is one of the world's leading medical universities and awards the Nobel Prize in Physiology or Medicine.

KIAB
Karolinska Institutet Innovations AB,
Corporate Identity Number 556528-3909
KIAB, which is owned (indirectly via KIHAB) by Karolinska Institutet, identifies projects with high commercial potential at an early stage by actively seeking new ideas from Karolinska Institutet and other Nordic universities. KIAB leads and also finances the project development in early phases, where the objective is to establish a licensing agreement or a start-up company.

KIHAB
Karolinska Institutet Holding AB,
Corporate Identity Number 556525-6053
KIHAB is owned by Karolinska Institutet. KIHAB is the Parent Company of a group of five wholly owned subsidiaries, including Karolinska Institutet Innovations AB (KIAB).

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.

Karolinska Development applies the accounting principles of fair value 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.

The part of the Fair Value that is related to the value of Karolinska Development's portfolio companies is named Portfolio Fair Value or Fair Value of the portfolio. The calculation of the Portfolio Fair Value is based on IFRS 13 standards of deciding and reporting fair value and the International Private Equity and Venture Capital Valuation Guidelines (IPEV Valuation Guidelines) decided by the IPEV board that represent the current best practice, on the valuation of private equity investments.

The Portfolio Fair Value is divided into *Total Portfolio Fair Value* and *Net Portfolio Fair Value* (after potential distribution to Rosetta Capital).

Glossary

Antagonist
A drug that blocks or dampens the biological response of a receptor by binding to it.

Anti adhesive
Any medical substance or compound that reduces contact between host tissues and pathogens (organisms that can produce disease), either by prevention or reversal of adhesion of the infectious agent.

Antimycotic
Active against fungal growth, antifungal.

Autoimmune (disease)
A condition in which the body's own immune system mistakenly attacks the body's own cells.

Biosynthetic
Process that is catalysed by proteins (so-called enzymes) in cells through which more complicated products are produced from simpler building blocks.

CNS
Central Nervous System (CNS), including the brain and spinal cord.

EEG
Electroencephalography (EEG) is a test of the electric activity of the cerebral cortex in the investigation of diseases of the central nervous system.

First-in-class
Drugs which use a new and unique mechanism of action to treat a medical condition. These products are innovative and offer new treatment options for patients.

GABA
Gamma aminobutyric acid is the most common inhibitory neurotransmitter in the central nervous system. It is one of the signal substances that moves the information of short-term memory to long-term memory.

Hematopoietic
Relating to haematopoiesis, the formation of blood or blood cells

Immunotherapy
Treatment that strengthens the immune system's inherent ability to attack foreign or diseased cells.

In vitro
From the Latin "in glass" refers to research or "test tube experiments" in a lab with e.g. cells or proteins.

Liver cirrhosis
Scarring of the liver caused by long-time liver damage, preventing the liver from working properly.

Multimodal (mechanism)
Which works in several ways or in several forms or with an impact on several targets.

Mutation
An alteration in the genetic material of a cell of a living organism or a virus, which is more or less permanent and that can be transmitted to the cell's or the virus's descendants.

Obstetrics
The field of study of pregnancy, childbirth, postpartum (time after birth) and related conditions during or after pregnancy and childbirth.

Orphan Drug Designation
A status given to certain drugs, which show promise in rare diseases affecting a very limited part of the population.

Oxytoxcin
Peptide hormone that is secreted in the central nervous system and acts on the cells of smooth muscles, e.g. in the womb. Oxytocin plays an important role in labor and is used as a medicine to accelerate a slow birth by augmenting uterine contractions.

Placebo controlled (study)
A clinical study testing a medical therapy in which, in addition to a group of subjects that receives the treatment to be evaluated, a separate control group receives a sham "placebo" treatment which is specifically designed to have no real effect.

Polysaccharide
Polysaccharides are carbohydrates that are made up of a large number of sugars (monosaccharides).

Preeclampsia
Pregnancy complication characterized by high blood pressure during the latter half of pregnancy and effects on the foetus.

Programmed cell death
A suicide mechanism a cell may go through if it is somehow damaged.

Proof-of-concept
Relates to clinical development and typically refers to the demonstration of a drug candidate desired effect in a patient group, for example by the candidate having a certain effect and safety profile in patients.

Prostaglandins
Short-lived, hormone-like compounds that are fatty acid derivatives and regulate cell activity affecting e.g. blood pressure and smooth muscle control.

Protein
Large molecules built from sequences of amino acids. Proteins are used in many different ways in an organism; they provide structure for cells and tissues, they catalyse chemical reactions in the form of enzymes and they are involved in the signalling in and between cells.

Randomized (study)
A study in which the trial participants are randomly allocated into two or more treatment groups that are prescribed a specific treatment or placebo.

Receptor
A large molecule, usually a protein, which is attached to cell membranes and binds to a target molecule. The target molecule can be a hormone that has a certain effect on the cell to which it binds to.

Sepsis / Septic chock
Life-threatening condition triggered by a dysregulated response to infection, which affects the whole body and prevents important organs from functioning properly.

Steroids
Type of organic molecules that among other things include natural hormones.

Subcutaneous (injection)
Anatomical term meaning "under the skin".

Systemic inflammation
A serious condition in which there is inflammation throughout the whole body.

Publication dates for financial information

Interim Report January – March 2022	29 April 2022
Interim Report January – June 2022	19August 2022
Interim Report January – September 2022	18 November 2022
Year-end Report January – December 2022	February 2023
Annual Report 2022	March 2023

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