ANNUAL REPORT

2023

KAROLINSKA DEVELOPMENT

2023

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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 growth in value 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 heart failure, serious viral infections, kidney disease, sepsis, pain, systemic inflammation, bone defects, women's health and liver diseases. Two of the companies have launched and are selling their first products.

www.karolinskadevelopment.com
LinkedIn: Karolinska Development

FINANCIAL SUMMARY

SEKm	2023	2022
Net profit/loss	5.4	-88.1
Cash, cash equivalents and short-term investments	85.3	189.8
Earnings per share (SEK)	0.0	-0.3
Net asset value per share (SEK)	4.6	4.6
Equity per share (SEK)	4.6	4.6
Share price at year end (SEK)	1.7	1.7
Investments in portfolio companies	103.0	110.3
Total portfolio fair value	**1,440.3**	**1,312.5**
Net portfolio fair value	**1,100.4**	**984.0**

THE PORTFOLIO COMPANIES' PROGRESS IN 2023 PROVIDES GOOD CONDITIONS FOR CONTINUED VALUE CREATION

Listed companies

Promimic

New sales records and a strong development of the share price, which increased by 180 percent during the year.

MODUS THERAPEUTICS

Positive results from phase 1b study of sevuparin in well-established sepsis/septic shock disease model and expansion of development program to anemia.

OSSDSIGN®

Streamlined its operations to fully **focus on OssDsign Catalyst** – a fast-growing orthobiological product with high gross margin. This company also recorded a new sales record and a strong development in the share price.

APREA THERAPEUTICS

First patient dosed in a phase 1/2a clinical study of ATRN-119 – a drug candidate for the treatment of cancer patients with specific gene mutations.

Biosergen

Positive results from phase 1 study of drug candidate BSG005 – a potential new treatment for invasive fungal infections.

KAROLINSKA DEVELOPMENT

Private companies

Umecrine cognition

Initiated phase 2 study of golexanolone in patients with primary biliary cholangitis and showed promising effect of the same drug substance in a preclinical model of Parkinson's disease.

AnaCardio

First patient recruited to a phase 1b/2a study of AC01 – a potential new treatment for heart failure.

PHARMNOVO

Positive results from the first clinical study of the company's drug candidate for nerve pain.

SVF VACCINES

Phase 1 clinical study initiated with a universal vaccine candidate against covid-19.

Dilafor

Tafoxiparin showed a dose-dependent, **sustained positive effect** on cervical ripening in an extension study.

Henlez

Continued progress in the development of a topical, enzyme-based treatment for hidradenitis suppurativa.

2023 WAS A YEAR when our portfolio companies reported significant progress, when both promising preclinical and clinical results were reported, and several successful capitalisations achieved. The year was a particularly outstanding one for our MedTech holdings, where not only did sales accelerate and the companies achieve new levels, but we also saw no signs of a slowdown in growth. The innovations being driven within the portfolio companies have very real potential and every chance of developing into new treatments in therapeutic areas where effective treatments are currently lacking, and we are impressed by their advances.

MedTech successes

Our portfolio companies in the MedTech sector enjoyed a very successful year. In September, **OssDsign** announced that they are streamlining their operations to focus exclusively on Catalyst, a synthetic bone graft used by surgeons as an implant, primarily in the interbody space. This decision by the company was reached in the light of the strong growth in sales in recent years for this high gross margin product whose manufacturing process entails excellent scalability. The full year figures for sales of Catalyst underline the logic behind the strategic shift – the product reported a growth of 260 percent, year on year, with sales totalling SEK 65 million. The autumn's successful directed share issue to a value of SEK 150 million for reputable institutional investors has strengthened the company's financial position, and the company's financial goal is now to achieve a positive cashflow in the medium term. The decision by the US Food & Drugs Administration, the FDA, to expand market clearance for OssDsign Catalyst to include its use in the interbody space is expected to further boost growth as there is considerable need for the use of synthetic bone grafts in the interbody space.

Promimic has also experienced an impressive growth journey during the year. The company, which develops and markets a nanometre-thin surface coating that can be applied to orthopaedic and dental implants to stimulate bone growth, has reported a three-figure growth in sales over the past year. The increase in sales was driven by a strong sales performance in the USA and has resulted in a substantial improvement in the operations' cash flow. The share price has also performed impressively, with the company's share price rising by almost 100% (up to and including Jan 2024) since the IPO in the spring of 2022. Given Promimic's increasing market presence and planned investments in scaling up production capacity, we predict a bright future for the company, with increased organic growth and new commercial opportunities.

Stronger financial positions in several portfolio companies

Karolinska Development took part in OssDsign's capital acquisition process during the year, and also in the investment rounds carried out by **AnaCardio**, **Umecrine Cognition** and **Modus Therapeutics**. AnaCardio secured SEK 50 million within the frameworks of its previously announced Series A investment round for a total of SEK 150 million. The investment round will defray the cost of the continued development of the company's candidate drug, AC01, and the ongoing clinical phase 1b/2a study of patients with heart failure. Umecrine Cognition raised a combined total of just over SEK 60 million in two investment rounds in the form of a convertible loan for the continued development of golexanolone. The candidate drug is being evaluated in an ongoing clinical phase 2 study of primary biliary cholangitis, PBC, and in preclinical studies as a potential new treatment for Parkinson's Disease. Modus Therapeutics carried out a rights issue that yielded just under SEK 20 million for the company – capital that will finance an expansion of the development program for its candidate drug, sevuparin. Another portfolio company, **Aprea**, also secured funding during the year in the form of an underwritten public offering carried out in February and which yielded USD 5.5 million before issue costs. The funding will finance the continued development of Aprea's innovative treatments for cancer, targeting tumours' DNA damage response (DDR) pathways. We are particularly pleased that the various capital acquisition processes have been successful during a financially challenging period and believe that this provides a further validation of our investments.

A long line of positive study results during the year

In October, our portfolio company, **PharmNovo**, completed a clinical phase 1 study that presented positive results. The study evaluated the company's candidate drug, PN6047, as a potential new treatment for neuropathic pain, a difficult-to-treat form of pain that often develops into a chronic condition. PN6047 demonstrated clear benefits over conventional analgesics, with, in particular, no signs of addictive effects noted. The company is now preparing a planned phase 2 study which is expected to start at the end of 2024.

Umecrine Cognition began the year strongly when the US Food & Drug Administration (FDA) granted Orphan Drug Designation for the company's candidate drug, golexanolone, in primary biliary cholangitis (PBC). Spring saw the company initiate its clinical phase 2 study evaluating the candidate drug in PBC patients by enrolling the first patient. The study will be carried out at several centres in Europe and is designed to document the drug's pharmacodynamics and safety profile and to analyse early efficacy signals. Topline results from the study are expected at the end of 2024. The company has also presented a number of preclinical findings indicating that golexanolone has a normalising effect on cognitive symptoms such as fatigue, impaired motor skills, neuroinflammation, and neural signalling in a preclinical model of cholestasis, together with positive results from a study in a preclinical model of Parkinson's disease.

SVF Vaccines initiated a clinical phase 1 study of its universal Covid-19 vaccine, SVF-002 in February. SVF-002 is a therapeutic vaccine which, unlike prophylactic vaccines, has the potential to cure already infected patients. The study is being carried out within the framework of the OpenCorona consortium in collaboration with the phase 1 unit at the Karolinska University Hospital.

Modus Therapeutics presented positive results from a clinical phase 1b study of sevuparin at the beginning of the year, in which the candidate drug's safety profile and efficacy were evaluated in a well-established disease model for sepsis and septic shock. The results of the study formed the basis for defining dosage and the design of a phase 2 study. The fact that the study showed sevuparin has the potential to break the progression of these serious and life-threatening conditions in patients in the study is extremely promising.

Aprea has evaluated its candidate drug, ATRN-119, as a treatment for solid tumours during the year. Patients were enrolled on a rolling basis in a dose-escalation component of a clinical phase 1/2a study with the aim of evaluating tolerability, pharmacokinetics, and tumor-inhibiting effects.

In February, **Dilafor** reported maintained effect in an extension study of tafoxiparin that had previously shown positive effects on cervical ripening in first-time mothers who were scheduled for planned start of labour. The company also observed a clear dose-response relationship for the doses under evaluation.

Biosergen presented positive results from a clinical phase 1 study of its candidate drug, BSG005, which is being developed as a treatment for mucormycosis, a difficult-to-treat systemic fungal infection with high mortality rates.

AnaCardio began enrolling patients for a clinical phase 1b/2a study of its candidate drug, AC01 – a potential new treatment for heart failure – during the year. The candidate drug has a unique mode of action that has been shown capable, in previous studies, of increasing the heart's capacity without increasing the risk of many of the adverse events associated with today's heart failure treatments and which can lead to life-threatening conditions.

Promising trend continues in 2024

With a strong 2023 behind us, we are now looking forward to what lies ahead for the remainder of 2024. A number of ongoing studies are expected to report their results and other studies will be initiated. We are also, at the same time, seeing signs that the financial climate is starting to improve, and can hope that interest rates will turn around and the stock market climate will become more favourable. We are convinced that the portfolio companies' strong performance during the harsh market climate of recent years will gain further pace when the macroeconomic conditions improve, thereby increasing the potential for delivering significant research progress for patients with very real medical needs.

Solna, 22 March 2024

Viktor Drvota
Chief Executive Officer

Karolinska Development offers a unique opportunity to invest in potentially ground-breaking life science projects

SIFTING THE WHEAT FROM THE CHAFF is no easy thing when it comes to the wide range of investment opportunities in the Nordic life sciences sector. Identifying the scientific and commercial potential of individual projects demands both extensive prior knowledge and a lot of time. And the long investment horizon means that continuously monitoring companies' development to ensure you are ready at all times to review your holdings is a challenge in its own right. How should, for example, the results of a clinical trial be interpreted? How are the products' intellectual property progressing? What do amended regulatory guidelines mean in terms of the potential for market approval? Is taking part in the next rights issue a good idea? There are any number of questions, but Karolinska Development's investment team has the wide-ranging international experience and expertise needed to identify promising new investment opportunities, to actively support their portfolio companies during their journey, and to take well-considered decisions on both supplementary investments and divestments. The team also has extensive international networks, not only in the scientific and financial world, but in the global life science sector, too, of which it makes maximum use while conducting this vital work.

From initial investments to value creating exits

1. Identifying projects with the potential for major medical breakthroughs

Karolinska Development hand picks most of its investments from the flood of medical innovations from the Karolinska Institute and other highly respected universities and research institutions in the Nordic region. The company invests in pharmaceutical projects and MedTech products that have the potential to revolutionize the treatment of diseases where there is a substantial need for new therapies. Every new investment is preceded by a carefully structured evaluation of the project's scientific strength and commercial potential.

The ability to assess whether the biological or technical concept behind a life science project is sufficiently strong to ultimately result in a product with market approval 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 is based.

But even if a life science project is based on groundbreaking research, it does not necessarily mean that the market is prepared to pay a high price for the end product. Karolinska Development conducts a detailed analysis of a potential new portfolio company's commercial potential, i.e. the probability that its products can be out-licensed, sold, or launched in-house with a good profit margin, before any investment is made.

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. This means, that as a shareholder in Karolinska Development, you have the opportunity to piggyback on professional investors' early investments in as yet unlisted companies.

2. Active support for portfolio companies in maximizing their commercial potential

Developing a new pharmaceutical or MedTech product takes a long time and requires substantial investments. There is a significant risk of an individual project failing to make it to market, but the enormous potential for growth in value in those companies that do 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 method for optimizing the commercial potential of the portfolio companies. One important starting point for this optimization process involves identifying the specific potential spheres of use at an early stage, when the relationship between necessary investments, development time, and sales potential is most favorable.

3. Optimizing development programs to reduce the risk

One way of reducing the risks of a project falling by the wayside as a result of negative clinical trial results is to implement broad development programs with multiple potential spheres of use for a single candidate drug or medtech product. All research and development work is, after all, conducted specifically because the results are not known in advance and 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 optimizing the design of their 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.

4. Continuous monitoring of the total portfolio risk

Investments in small and medium-sized life science companies entail significant risks, in that the outcome of a development project is often binary. A good risk spread requires a broad and diversified 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 portfolio of both listed and unlisted life science companies in different stages of development and operating spheres, in both the pharmaceutical and MedTech sectors. To date, two of the total of eleven portfolio companies have launched their products in the market.

Karolinska Development's experienced investment team provides strategic support for the portfolio companies and continuously monitors their development. Decisions on potential additional investments are taken during the holding period, and the holdings are divested, either in stages or in their entirety, at the times calculated to result in the optimum return for shareholders.

5. Exit strategy established when the initial investment is made

Karolinska Development's involvement in its portfolio companies is a long-term one. Companies operating in the pharmaceutical development sector are normally held until proof of concept is demonstrated in phase 2 studies. The reasoning here is that this is an attractive time to do business, e.g. in the form of revenue-generating partnerships with global pharmaceutical companies, in that positive phase 2 results demonstrate that a candidate drug has the anticipated biological effect. This substantially reduces the development risk going forward and hence significantly increases 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 have become cash flow positive. Opportunities for entering into cash-flow-generating licensing agreements, conducting stock market flotations, or divesting projects, are, however, evaluated continuously throughout the companies' development.

When maximizing value creation, it is important to plan how the holding will be divested already when the investment is first made. Karolinska Development works purposefully to optimize the portfolio companies' preconditions for commercializing their projects, e.g. by ensuring that the companies' Boards and management teams have the right expertise, enhancing the contact interfaces with potential international investors, and assisting the companies in their efforts to be ready for a corporate transaction or IPO at an appropriate time. Of Karolinska Development's eleven portfolio companies, five are listed. A total of nine portfolio companies have been introduced on the stock exchange under Karolinska Development's ownership, of which the first IPO took place in 2017. A further seven companies have been listed after disposal and one company has been sold to industrial actors.

Karolinska Development from a shareholder's perspective

Five reasons to invest in Karolinska Development

FROM AN INVESTOR STANDPOINT evaluating a research project's level of innovation and quality can be difficult and time-consuming without in-depth knowledge in 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.

Early access to groundbreaking life science projects

Karolinska Development's extensive network in the Nordic life science sector enables us to offer ongoing opportunities to invest in companies with potentially groundbreaking life science projects, even while they are still unlisted.

Professional due diligence

Karolinska Development conducts professional and detailed analyses of the projects' scientific strength and commercial potential ahead of every new investment. A suitable exit strategy, based on the individual company's preconditions, is also defined at this early stage in the proceedings.

Active value creation

Karolinska Development contributes to the portfolio companies' development by placing its expertise at their disposal, often by taking seats on the companies' Boards. The company also employs its broad international contact network to open doors that may facilitate future fund-raising, licensing deals, and divestments.

Continuous monitoring of projects

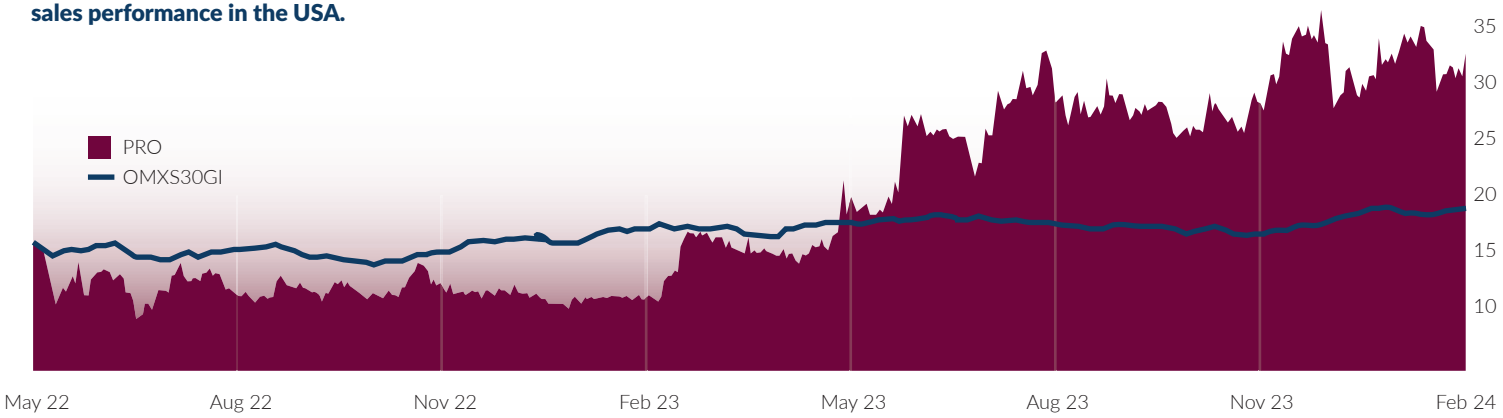
Karolinska Development's experienced investment team continuously monitors the portfolio companies' development and makes decisions on any additional investments. The holdings are divested, either in stages or in their entirety, at the times calculated to result in the optimum return for shareholders.

Well-balanced portfolio

The investment portfolio currently comprises eleven companies with, to some extent, different profiles and maturity levels – everything from early-stage pharmaceutical projects to MedTech companies that are already in the commercialization phase. The common denominator is that all of the projects and products have the potential to substantially improve people's quality of life in comparison with existing treatment options.

Nano surface forms basis for success story

The MedTech company Promimic reported a three-digit growth in sales for the past year, generating a substantially improved cashflow from its operations. The growth is driven by a strong sales performance in the USA.



The market has been characterised by a number of challenges in the wake of the Corona pandemic, such as interest rate rises, economic turbulence, and various forms of austerity. This challenging market climate has not, however, impacted Promimic, which has posted new sales records, quarter after quarter.

"For us, it's been the exact opposite. We're expanding and investing in product development. We're growing like crazy at the moment," says Magnus Larsson, CEO of Promimic which, in late 2023, moved to larger premises in Gothenburg's new innovation cluster, GoCo Health Innovation City.

Promimic develops and markets HA^{nano} Surface, a nanometer-thin implant surface that stimulates bone growth, resulting in faster and stronger bone healing and integration. The unique surface comprises hydroxylapatite crystals that can be applied to all types of implant material and geometries, including porous materials and 3D-printed structures – examples of surfaces where traditional, thicker HA-coatings can block the pores.

Case Study: Promimic

The technique is FDA-approved in the USA, allowing new implants with HA^{nano} Surface to reach the market quickly via a 510(k) process, which has generated opportunities for rapid growth. The spinal implant market is currently the company's strongest segment.

Promimic has 17 clients in the orthopaedic and dental implant market segments. The client relationships take the form of long-term partnerships based on licensing agreements with milestone-based revenues during the development period and royalty-based revenues when the implant is sold to the end-user.

Promimic has successively, contract by contract, built up a stable market presence and has now reached a level where value development is proceeding apace. To continue its growth journey and enable it to meet future increases in demand, the company is planning to make a number of important investments, using its existing liquidity.

"We approached the stock market last year and raised SEK 80 million to develop the operations and to focus on the US market. This is the platform on which we're now building our success story,"
says Magnus Larsson.

One important investment in 2024 involves the expansion of the company's US production facility to enable the surface treatment of more implants. This expansion, coupled with increased production capacity in Sweden and investments in market and product development, will enable the company to continue its organic growth and to exploit new commercial opportunities.

"Our strategic focus is on the implant market in the US, where we are seeing strong growth with high margins," says Magnus Larsson.

Promimic posted sales of SEK 37.1 million (16.2) in 2023. The company has a sales target of SEK 100 million by 2026 with a profit margin of 40%.

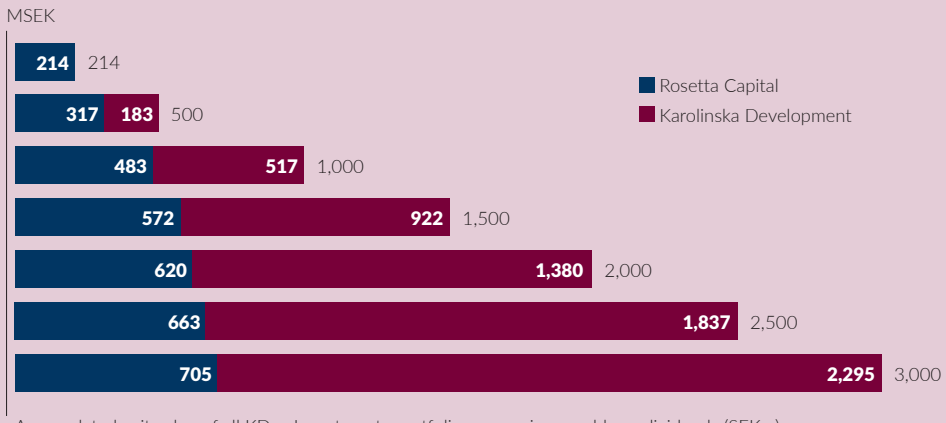
Karolinska Development has been involved in Promimic since 2007 and has supported the company as active owners during it's journey, including in conjunction with the IPO in April 2022. Karolinska Development's seat on Promimic's Board of Directors has enabled us to be instrumental both in implementing managerial changes and on strategic issues in respect of both commercial operations and financing.

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 additional 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 percent for accumulated dividends up to SEK 220 million, 65 percent for accumulated dividends between SEK 220 million and SEK 880 million, 75 percent for accumulated dividends between SEK 880 million and SEK 1,320 million, and 92 percent for accumulated dividends above SEK 1,320 million.

KDev Investments has so far paid SEK 50 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).

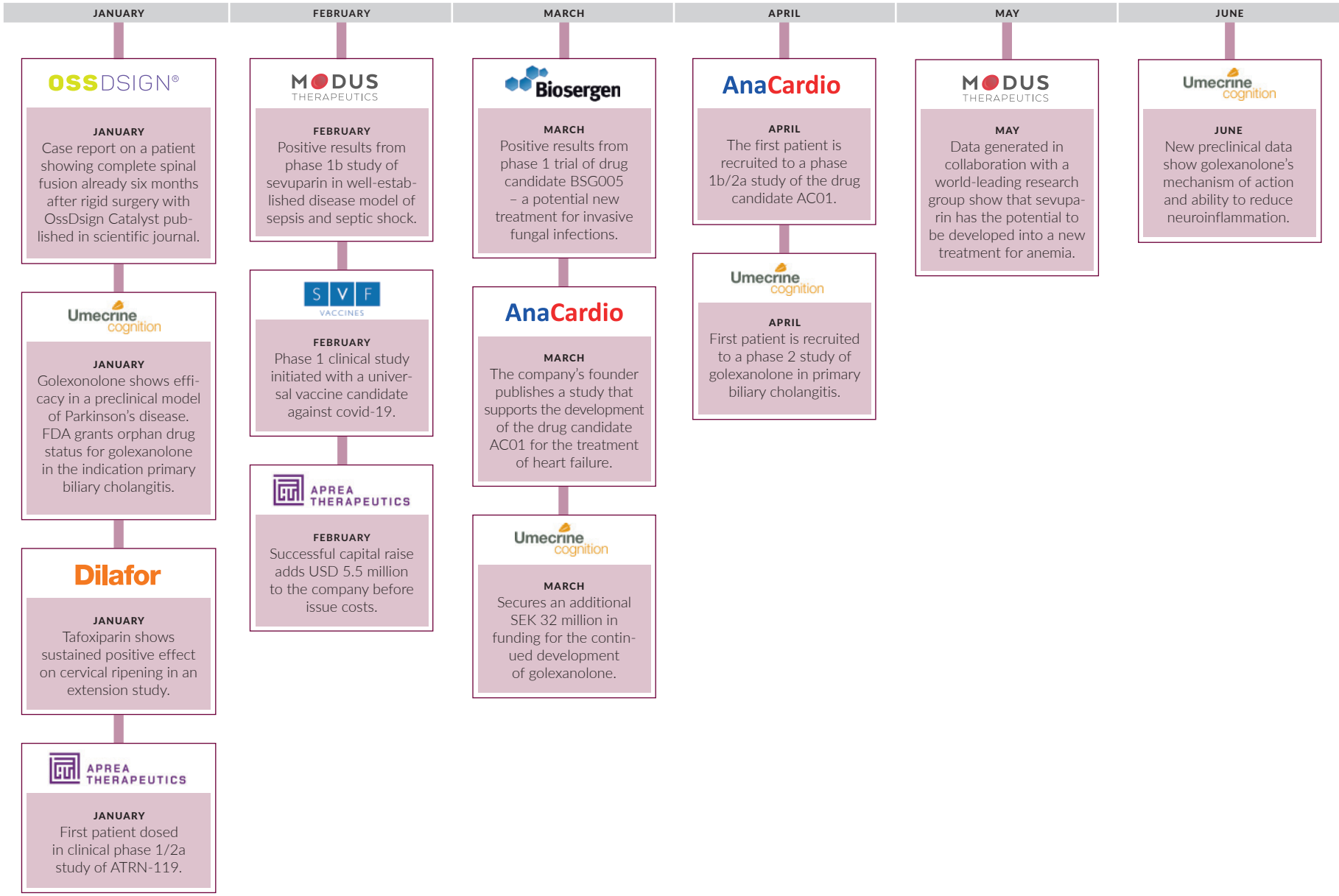
*When calculating distribution of dividends, any dividends previous distributed will be taken into account, accumulated paid dividend amounts to SEK 50 million.

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.

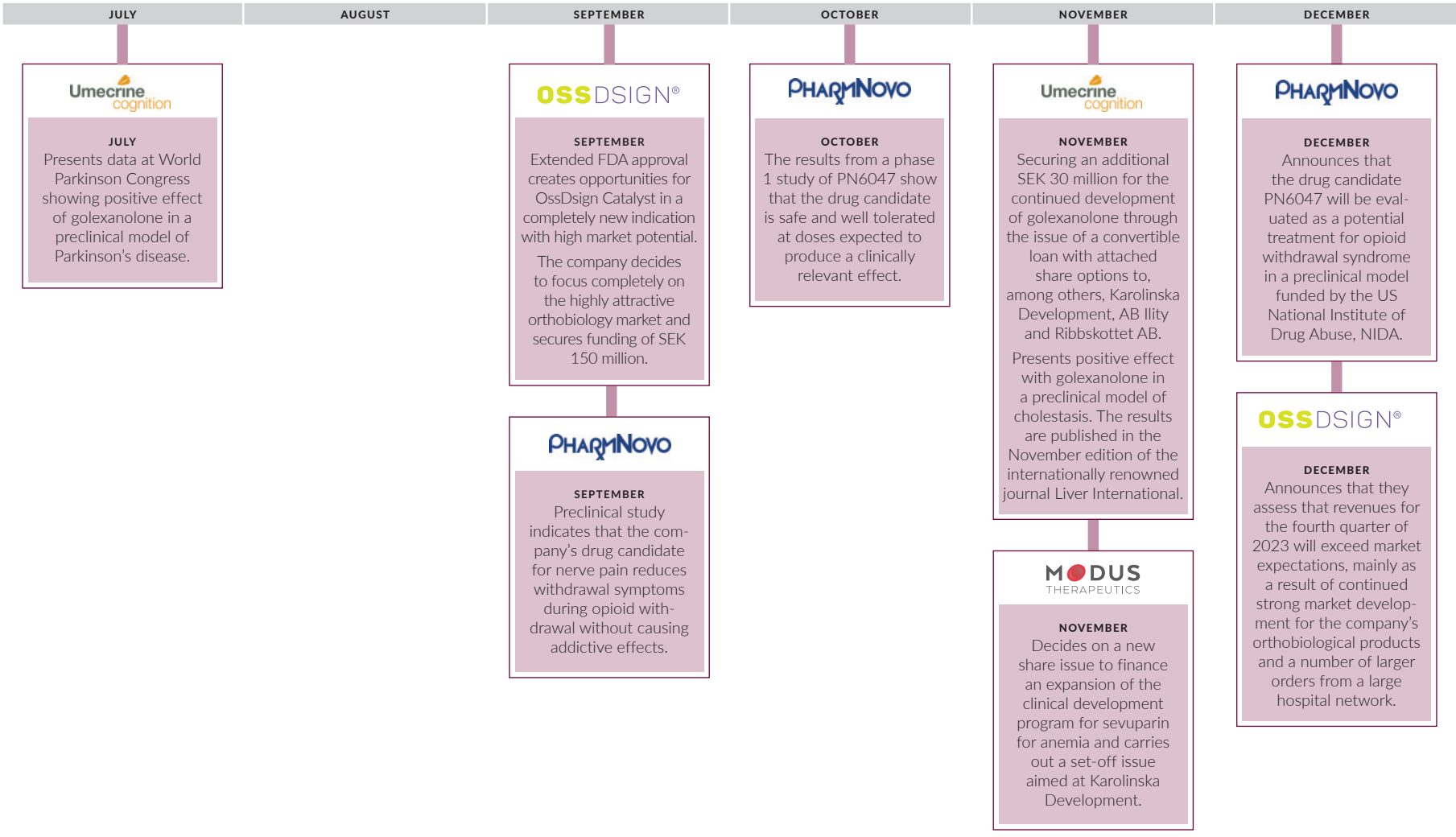
The Portfolio Companies

2023



The Portfolio Companies

2023



Value creation through sustainable business

Karolinska Development's core operations focus on enabling the development of innovations that improve people's health. Our investments concentrate on areas where there is a current lack of effective treatments, including rare diseases, women's health, and a range of infectious diseases. We contribute to society's development by being part of the innovation system that develops new pharmaceuticals and medical technology products. The pharmaceutical products under development by our portfolio companies have the potential – if they reach the market – to positively impact millions of people's lives. We have implemented a number of sustainability-related policies and, as active owners in our portfolio companies, we contribute to building an understanding of ESG (Environment, Social, Governance) aspects and how these can be managed. Thereby we ensure responsible business operations, both from an impact and a business perspective.

One of the prerequisites for our investments, according to our investment criteria, is that the portfolio companies' existing products and development programs have the potential to revolutionize the treatment of illnesses where there is a real need for new therapies. With this approach, we create long-term value for human health. Our investment process consequently targets projects and companies engaged in ground-breaking development work in areas where there are currently no effective treatment alternatives. Karolinska Development's investment criteria also include that the companies we invest in must have clear strategies for development and growth, as well as a competent team that can drive the work forward efficiently. Our investment criteria aim to identify companies with great success potential that can create value both for patients and for Karolinska Development's shareholders.

Responsible ownership

As an active owner, a large part of our impact on people and the environment takes place through the companies we own and in which we invest. 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, where we take an active role in contributing to strong corporate governance, developing value creation, and ensuring satisfactory management of sustainability aspects. In our involvement with the portfolio companies, we put particular focus on social aspects such as helping the companies to ensure a long-term supply of skills and good management of gender equality aspects.

Continuous policy work

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. Our gender equality and equal opportunities policy is based on the fundamental view that all people have equal value. We work actively to counteract discrimination, both direct and indirect, as well as harassment due to age, gender, gender identity or expression, ethnic affiliation, belief, sexual orientation, or disability. We also act to take advantage of opportunities that can increase diversity in the company and in the portfolio companies in which we have active ownership.

Limiting environmental impact

Karolinska Development conducts business that entails investments in life science projects that should provide a high return to its shareholders, and also take into account fundamental values such as human rights, democracy, and sustainable development. Our goal is to, within the framework of active ownership, ensure that the portfolio companies live up to the legal requirements that exist in the environmental area and apply rules that limit the environmental impact as a result of the companies' operations.

Although Karolinska Development's business is conducted primarily from an office and has a limited environmental impact, Karolinska Development believes that the environment is an important aspect of promoting sustainable development in society and thus also an important aspect for the parent company and its portfolio companies. According to the company's environmental policy, Karolinska Development's management and decision makers shall consider environmental impact in operational issues, when relevant, and Karolinska Development's personnel shall be informed about and constitute a natural part of the environmental management; environmental legislation shall be considered as a minimum level in the environmental management; environmental impact shall be considered for procurements and purchases, when relevant; and the environmental management shall strive for continuous improvements. An example of how Karolinska Development minimizes environmental impact is through its' digital way of working, which contributes to fewer trips per employee per year. The digital way of working also contributes to less use of material resources.

OUR SUSTAINABILITY-RELATED POLICIES

- Code of ethics
- Data protection policy (GDPR)
- Dividend policy
- Environmental policy
- Gender equality and equal opportunities policy
- Human resources policy
- Information and insider policy
- PDMR reporting policy
- Investment policy
- IT security policy
- Payment routines
- Rules of procedure and instructions
- Transactions with related parties policy

Corporate Governance and Skills supply

As a Swedish limited company, whose shares are traded on a stock market, and as a follower of the Swedish Code of Corporate Governance, Karolinska Development's operations are covered by an extensive set of regulations. Karolinska Development's corporate governance report (p.86) describes in detail how the company is formally governed, who the largest owners are and what the composition of the board looks like, including their independence in relation to owners and management. The corporate governance report also describes the company's risks and how personnel and competence issues are handled. These are issues linked to social sustainability that Karolinska Development ascribes great importance to and that the company works on continuously in order to ensure that we have a strong team, with good skills, and that we provide a good working environment for employees and consultants.

3. Good health and well-being:
We invest in innovative pharmaceutical projects and medical products that improve human health.

5. Gender equality:
We work actively to increase gender equality, both internally and externally, and through active ownership of our portfolio companies.

16. Peace, justice and strong institutions:
Through our active ownership efforts, we work to combat corruption and ensure ethical and transparent corporate governance in our portfolio companies.

8. Decent work and economic growth:
We promote economic productivity and create increased economic growth through our investments and active ownership.

9. Industry, innovation and infrastructure:
Our focus on innovative projects and products contributes to increased access to capital for companies and projects in the early stages of development.

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

INCREASED REPORTING ON SUSTAINABILITY MEASURES

As of 2023, Karolinska Development participates in Nasdaq's ESG data portal, where ESG measures on the environment, social aspects, corporate governance and future sustainability goals are reported in a standardized format. The data is available to all recipients of Nasdaq's stock market data feeds. Going forward, Karolinska Development will optimize the reporting of data in this portal.

In the coming years, Karolinska Development will also prepare our reporting according to the CSRD (Corporate Sustainability Reporting Directive), which will come into effect from the 2026 financial year.

Financial position of the Investment Entity – summary

Investments: January – December 2023:

Karolinska Development's investments in the portfolio companies during the period January–December 2023 totalled SEK 103.0 million (SEK 110.3 million in 2022), of which SEK 98.6 million comprised cash investments and SEK 4.4 million comprised non-cash investments Investments from external stakeholders totalled SEK 291.5 million (SEK 354.6 million 2022).

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 127.8 million to SEK 1,440.3 million at the end of the year. The positive change in fair value is attributed to the net investment and fair value changes.

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 11.4 million to SEK 339.9 million. This, in turn, resulted in a net increase in the net fair value of the portfolio by SEK 116.4 million in 2023 to SEK 1,100.4 million.

Effect on the profit of the increase in portfolio value, January – December 2023

The total result of the Changes in portfolio fair value, via the Income Statement, was SEK 15.2 (SEK -76.1) million and the Change in fair value of other financial assets and liabilities, earn-out agreements, was SEK 8.9 (SEK 20.4) million.

Revenues and profit/loss

Revenues totalled SEK 2.0 million during the year, compared to SEK 2.3 million in 2022 and primarily comprised income from services provided to portfolio companies.

The Investment Entity's operating profit/loss totalled SEK -3.5 million compared to SEK -87.3 million in 2022.

The Investment Entity's profit/loss for the full year of 2023 totalled SEK 5.4 million compared to SEK -88.1 million in 2022, or SEK 0.02 per share in 2023 compared to SEK -0.34 in 2022.

Financial position

The Investment Entity's equity amounted to SEK 1,246.8 million on 31 December 2023 compared to SEK 1,241.5 million on 31 December 2022. No interest-bearing liabilities existed on December 31, 2022 or 2023.

On 31 December 2023, cash and bank balances (including short-term investments) totalled SEK 85.3 million compared to SEK 189.8 million at the end of 2022. The net debt thus amounted to SEK -85.3 million on 31 December 2023 compared to SEK -189.8 million on 31 December 2022.

Equity/assets ratio and net asset value

The equity/assets ratio of the Investment Entity amounted to 99 percent by 31 December 2023, the same as by 31 December 2022. The net asset value amounted to SEK 4.6 per share at the end of 2023, the same as at the end of 2022.

Accounting principles

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

Upcoming milestones can create attractive opportunities for divestitures or license deals

KAROLINSKA DEVELOPMENTS 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 eleven companies focused on developing innovative treatment methods for severe or life-threatening diseases where there is currently a great need and there is a lack of effective treatment alternatives.

Nine of the portfolio companies have drug candidates in ongoing or planned clinical trials and two companies have MedTech products in early commercial phases. During the period 2024–2025, two portfolio companies are expected to present data from phase 1 studies and six portfolio companies are expected to present data from phase 2 studies. Additionally, one company is preparing to start a phase 3 study. 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 (SEK) for the individual projects.

Over the years, the portfolio companies have been strengthened with people who have a track record of carrying out international business transactions in life science.

Earn-out agreements

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. In the case of Forendo Pharma the deal with the acquirer Organon stipulates significant milestone payments, provided milestones are met, in both the drug development phase as well as in the commercial phase

oncopeptides — Fas 3

FORENDO PHARMA — Fas 2

Our current portfolio – potential for value inflection

Company	Net Ownership*	Preclinical	Phase 1	Phase 2	Phase 3
Therapeutics					
Umecrine cognition	KD 62%	Primary biliary cholangitis		2024	
		Parkinson's disease		2025	
Dilafor	KD 2% KDev Invest 29%	Priming of labor			2026
		Pre-eclampsia		2024	
MODUS THERAPEUTICS	KD 66% KDev Invest 8%	Sepsis / septic shock		2025	
		Anemia chronic inflammation / kidney disease		2024	
		Severe malaria			
AnaCardio	KD 19%	Heart failure		2025	
PHARMNOVO	KD 13%	Neuropathic pain		2025	
SVF VACCINES	KD 34%	Hep. B/D	2024		
		Covid-19	2024		
Henlez	KD 15%	H. suppurativa			
APREA THERAPEUTICS	KDev Invest 2%***	DDR in oncology	2024		
Biosergen	KDev Invest 2%***	Systemic fungal infection		2024	

Medtech		Prototype	Development	PMA/510k	Market
Promimic	KD 2% KDev Invest 12%	Medical implant coatings			Expansion in the USA 2024
OSSDSIGN®	KD 10%**	Patient-specific bone substitutes			Expansion in the USA 2024

KD: Karolinska Development **KDev Invest**: KDev Investments
DDR: DNA damage repair **Hidradenitis:** Hidradenitis suppurativa
* 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)
Golexanolone (GR3027)

Primary indication
Primary biliary cholangitis (PBC)
Parkinson's Disease

Development phase
Phase 2b

Holding in company*
Karolinska Development 62%

Other investors
Fort Knox Förvaring AB
PartnerInvest

Origin
Umeå University

More information
umecrinecognition.com

* Fully-diluted ownership based on current investment plans.

Umecrine Cognition AB

Developing a new approach to alleviate cognitive impairment

Umecrine Cognition (Solna, Sweden) is developing golexanolone (GR3207), a candidate drug in a new class of pharmaceuticals that affect the GABA system, the chief inhibitory neurotransmitter in the central nervous system. The GABA system is suspected of being overactivated in liver failure and potentially other severe inflammatory diseases such as Parkinson's disease, causing very serious clinical symptoms. The over-activation is also thought to lay behind certain cognitive impairments and sleep disturbances. GABA-A-receptor modulating steroid antagonists, such as golexanolone, counter the increased activation of the GABA system and have been shown to restore different types of neurological impairments in experimental models.

Umecrine Cognition is developing golexanolone for two indications: Primary Biliary Cholangitis (PBC) and Parkinson's disease. The company has also conducted a phase 2a clinical study of golexanolone in patients with Hepatic encephalopathy (HE), which is a serious neuropsychiatric and neurocognitive condition that occurs in acute and chronic liver damage. The results showed that the drug candidate was well tolerated. One of the effect parameters used shows that the drug candidate exerts a significant effect on brain signaling, with a correlated positive effect on extreme daytime fatigue. Based on these study results, the company has established a plan for the further development of the drug candidate in PBC, where a phase 2 study is now also underway. Golexanolone has also been tested in a preclinical model of Parkinson's disease which showed positive effect both on symptoms and neuroinflammation.

THE MARKET

PBC (primary biliary cholangitis) is a rare autoimmune liver disease with about 190,000 patients globally where 9 out of 10 sufferers are women. Common symptoms include fatigue, cognitive impairment, itching and, in more advanced cases, even jaundice. The global PBC treatment market is estimated at USD 584 million in 2021 and is expected to grow to USD 3 billion by 2027.

Parkinson's disease is a neurodegenerative disorder that causes severe cognitive impairment as well as impaired motor functions. The Parkinson's Foundation estimates that around 10 million people suffer from the disease. Current medications are primarily focused on improving motor function, while there is an apparent lack of treatments to combat the devastating cognitive impairments caused by the disease. According to GlobalData, the Parkinson's disease market in the seven major markets was valued at USD 3.4 billion in 2019 and is expected to grow at a CAGR of more than 6 percent during the period 2019-2029

RECENT PROGRESS

- In January 2023, Umecrine Cognition was granted orphan drug designation by FDA within the indication PBC.
- In March 2023, Umecrine Cognition secured SEK 31.6 million in loan financing, in which Karolinska Development participated along with a number of other investors. A further SEK 30.4 million was secured in a subsequent tranche from the same investors. The capital will be used to finance the ongoing phase 2 clinical study of golexanolone in PBC and will be used as working capital.
- In April 2023, the first patient was included in the phase 2 study in PBC.
- In June 2023, data was presented, showing that golexanolone's mode-of-action and ability to reduce neuroinflammation.
- In July 2023, data on the positive effects of golexanolone shown in a preclinical model of Parkinson's disease from January 2023 were presented at the World Parkinson Congress.
- In November 2023, Umecrine Cognition presented new positive preclinical results indicating normalizing effects of golexanolone on PBC-like symptoms and neuroinflammation in the internationally renowned journal Liver International.
- In March 2024, Umecrine Cognition presented new nonclinical data elucidating golexanolone's mode-of-action in Parkinson's disease at the 18th International Conference on Alzheimer's and Parkinson's Diseases 2024 in Lisbon, Portugal.

EXPECTED MILESTONES

- Topline data from the Phase 2 study of golexanolone in patients with PBC are expected to be available in 2024.

Dilafor

Project (First-in-class)
Tafoxiparin

Primary indication
Priming of labor
Preeclampsia

Development phase
Phase 2b

Holding in company*
Karolinska Development 2%
KDev Investments 29%

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

Origin
Karolinska Institutet

More information
dilafor.com

* Fully-diluted ownership based on current investment plans.

Dilafor AB

Reduced complications with initiation of spontaneous labor

Dilafor (Solna, Sweden) is developing tafoxiparin for obstetric indications, with particular reference to protracted labor and associated complications. Up to 30 percent of all pregnant women undergo induction in labor. In just over half of all cases, the induction fails, leading to protracted labor that entails an increased risk for both mother and child due to medical complications. Between 25 and 40 percent of women who experience protracted labor eventually require an emergency caesarean section. Surgical intervention always entails not only a risk to the patient, but substantial health care costs. With the help of tafoxiparin, the patient suffering could be reduced, and valuable health care resources could be saved.

In 2021, the results of a placebo-controlled phase 2b study were presented, which showed that tafoxiparin has a significant positive effect on cervical ripening in first-time mothers who receive treatment to initiate labor. The study included 170 first-time mothers with immature cervixes, which are treated to ripen the cervix and thereby facilitate the onset of labor. 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 extended the phase 2b study, to document the effect of tafoxiparin also in two lower doses than what had been studied thus far. The extension study included 164 women, and positive results regarding dose response were presented in mid-February 2023.

THE MARKET

About a quarter of all pregnant women need labor induction. The current standard treatment includes administration of prostaglandins and oxytocin, but in over 50 percent of cases, the induction fails, leading to protracted labor, emergency caesarean sections, or other maternal and fetal 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.

RECENT PROGRESS

- In February 2023, Dilafor announced that the extended phase 2b clinical study of tafoxiparin had resulted in further positive data. The extension of the study met its objective, which was to ensure that the positive effect of tafoxiparin obtained in the phase 2b study persisted when the drug candidate was administered in additional doses.

EXPECTED MILESTONES

- Start of Phase 3 study with tafoxiparin for initiation of labor.

MODUS THERAPEUTICS

Project (First-in-class)
Sevuparin

Primary indication
Sepsis/septic shock
Anemia chronic inflammation/ kidney disease
Severe malaria

Development phase
Phase 2

Holding in company*
Karolinska Development 66%
KDev Investments 8%

Other investors
John Öhd
Nordnet Pensionsförsäkring
Hans Wigzell

Origin
Karolinska Institutet
Uppsala University

More information
modustx.com

* Fully-diluted ownership based on current investment plans.

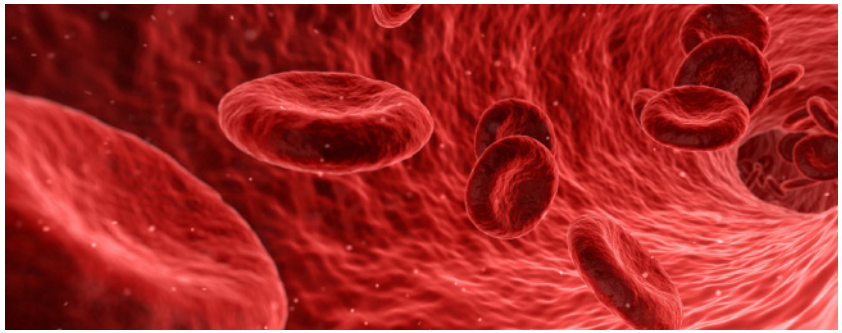
Modus Therapeutics AB

Develops sevuparin for patients with severe diseases and major medical needs

Modus Therapeutics AB (Stockholm, Sweden) is developing its patented polysaccharide sevuparin as a possible treatment for several major healthcare needs, including sepsis / septic shock and other conditions with severe systemic inflammation such as severe malaria and endotoxemia, as well as for anemia in chronic inflammation e.g kidney disease. In February 2023, the company presented positive results from a phase 1b clinical study of sevuparin, where the drug candidate's safety profile and efficacy have been evaluated in a well-established disease model for systemic inflammation (such as sepsis).

Preclinical research presented in 2023 also shows sevuparin's ability to counteract high levels of the iron-regulating hormone hepcidin (in cells, in mice and in humans), which points to the possibility of counteracting anemia in kidney disease and other conditions of chronic inflammation. In addition, in a model of chronic kidney disease in mice, sevuparin showed the ability to counteract both anemia and kidney damage in the disease model, with and without the addition of erythropoietin (standard treatment).

In December 2023, Modus carried out a rights issue that amounted to SEK 19.4 million. Karolinska Development participated with SEK 15 million. The raised capital will finance the clinical development of sevuparin in anemia and chronic kidney disease.



THE MARKET

Septic shock is a leading cause of death in intensive care units, with mortality rates often exceeding 30 percent. No specific drug treatment is yet available. This makes the condition one of the most costly to treat in hospital care. In 2019, US healthcare costs for patients with sepsis were estimated at USD 23 billion.

Approximately 10 percent of the world's population is believed to have grade 3-5 chronic kidney disease, and approximately 25 percent of these are expected to have anemia, which equates to approximately 4-5 million patients in the United States alone. Lack of treatment response to today's standard treatments often poses a problem in being able to maintain adequate treatment over time.

RECENT PROGRESS

- In February 2023, the company presented positive results from the clinical phase 1b study of sevuparin, in a well-established disease model for systemic inflammation e.g. sepsis.
- In May 2023, Modus announced that they have, in collaboration with a world-leading research group, generated data showing that sevuparin has the potential to be developed as a treatment for anemia in patients with certain chronic diseases.
- In December 2023, preclinical data were presented showing that sevuparin can counteract the anemia that occurs in a well-established preclinical model of chronic kidney disease in mice.
- In December 2023, Modus carried out a rights issue that amounted to SEK 19.4 million. Karolinska Development participated with SEK 15 million.

EXPECTED MILESTONES

- Phase 2a studies in patients with chronic kidney disease and anemia and sepsis with estimated starts in 2024/2025.

AnaCardio

Project (First-in-class)
AC01

Primary indication
Heart failure

Development phase
Phase 2a

Holding in company*
Karolinska Development 19%

Other investors
Flerie Invest
LLD Nybohov Invest
Industrifonden
3B Health Ventures

Origin
Karolinska Institutet
Karolinska universitetssjukhuset

More information
anacardio.com

* Fully-diluted ownership based on current investment plans.

AnaCardio

Developing a new potential treatment for heart failure

AnaCardio (Solna, 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 high blood pressure or vasoconstriction. The chronic phase is characterized by diffuse symptoms, such as tiredness or breathlessness, which leads to the illness often being diagnosed at a late stage. Acute heart failure results in an individual's health status becoming critical, necessitating hospitalization, but a major issue with existing pharmaceuticals is that they are not designed for long-term treatment.

AnaCardio is developing AC01, a small molecule that mimics the mechanism of action of the peptide hormone ghrelin. Treatment with ghrelin has been shown in previous studies to have a positive effect on the heart's pumping ability and can lead to a significant increase in the volume of blood pumped out of the heart. The drug concept is being developed to restore the heart's normal muscle function and blood circulation in a new and safer way. The Company's goal is to develop an oral drug that, in contrast to existing treatments, can affect the underlying cause of the disease. The drug candidate is based on research by Professor Lars Lund at Karolinska Institutet.

THE MARKET

It is estimated that more than 6 million individuals in the United States and nearly 100 million globally suffer from heart failure. The risk of developing a cardiovascular disease increases with age, and 10-20 percent of the elderly population is now estimated to suffer from chronic heart failure, which is now the most common reason for hospitalization amongst the elderly. Heart failure not only causes considerable individual suffering, but it also has significant economic consequences for society in the form of both direct costs from in-patient care and indirect costs such as productivity losses. The increased medical need is reflected in the sales value of heart failure treatments, which is expected to increase from USD 6.8 billion by 2021 to USD 18.7 billion by 2028 in the world's seven largest pharmaceutical markets.

RECENT PROGRESS

- In March 2023, AnaCardio's founder published an article that supports development of heart failure drug candidate AC01
- In April 2023, the first patient was included in the company's clinical phase 1b/2a study.
- In August 2023, AnaCardio received IND approval from the FDA for AC01.
- In January 2024, AnaCardio secured SEK 50 million in the second and final part of the previously announced series A financing round of a total of SEK 150 million. Karolinska Development participated in both parts of the financing.

EXPECTED MILESTONES

- Topline data from the phase 1b/2a study of drug candidate AC01 are expected to be available in 2025.

PharmNovo

New potential treatment of nerve pain

Project (First-in-class)
PN6047

Primary indication
Allodynia/Hyperalgesia

Development phase
Phase 1

Holding in company*
Karolinska Development 13%

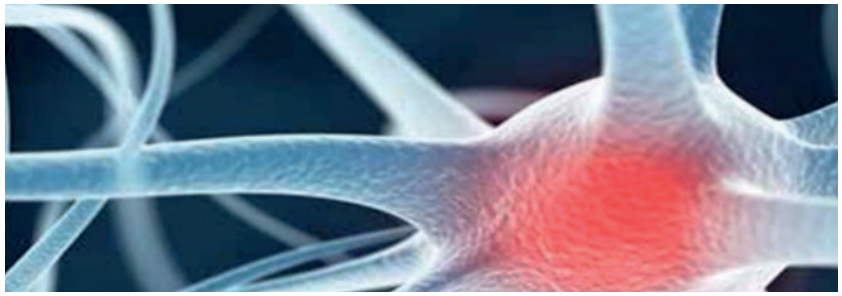
Origin
Start-up

More information
pharmnovo.com

* Fully-diluted ownership based on current investment plans.

PharmNovo (Lund, Sweden) is developing innovative drugs for the treatment of nerve pain (neuropathic pain), which is very hard to treat and often develops into a chronic condition. Neuropathic pain is one of the most prevalent types of chronic pain and affects up to 10 percent of the population. Common causes include nerve damage from type 2 diabetes, shingles and can also arise from trauma (including surgery), cancer and cancer treatments. PharmNovo's lead candidate, PN6047, focuses on allodynia and hyperalgesia, two common forms of nerve pain, affecting 15-20 percent of neuropathic pain patients. Allodynia is pain due to a stimulus that does not usually provoke pain, while hyperalgesia is increased pain from a stimulus that usually provokes pain. Current treatment options are deemed ineffective and are also associated with significant side-effects; particularly cardiovascular risks, and, with gabapentinoids or conventional opioids, a higher risk of suicide and drug abuse potential.

PharmNovo's novel drug candidate PN6047, which is based on a drug development project from AstraZeneca, targets a different receptor than conventional opiate drugs do; the delta opioid receptor, and thereby decreases the chronic pain without the side-effects associated with the current marketed opioids (constipation, physical dependence and, potentially, fatal respiratory depression). PN6047 has recently completed a clinical phase 1 study showing that PN6047 is safe and well-tolerated at doses predicted to have clinically relevant effects. PN6047 has also been tested in several mechanistic in vitro models and in animal models for neuropathic pain conditions, as well as for short-term tolerance and dependence. The drug candidate does not induce drug abuse behavior in non-clinical test models and indicates the capacity to reduce conventional opioid withdrawal symptoms, according to brand new results from a collaboration with researchers at the University of Washington and the University of Michigan, with financial support from the US National Institute of Drug Abuse (NIDA). PharmNovo is now preparing a phase 2 clinical study which is expected to start in 2024.



THE MARKET

The need for improved treatments for nerve pain is enormous. Around 10 percent of the world's population currently suffers from conditions characterized by this form of pain, leading to a severely reduced quality of life for the individual and substantial costs for society – estimated at nearly EUR 440 billion annually in Europe alone. The estimated global market value for nerve pain drugs is nearly USD 6 billion per year and the market for allodynia alone is around USD 1.25 billion per year and is expected to continue to grow, driven by an aging population and increased cancer survival.

RECENT PROGRESS

- In September 2023, new preclinical data were presented showing that there are no signs of abuse potential and that PN6047 alleviates symptoms of withdrawal caused by conventional opioids.
- In October 2023, positive phase 1 data were presented showing that PN6047 is safe and well tolerated at doses predicted to have clinically relevant effects.
- In December 2023, a collaborative project based on PN6047 received funding from the US research institute NIDA to evaluate the drug candidate as a new treatment for opioid withdrawal in a preclinical model.

EXPECTED MILESTONES

- The phase 2 study with PN6047 is expected to start in 2024.

Project (First-in-class)
SVF-001
SVF-002

Primary indication
Hepatitis B and D
SARS-CoV-2
and other coronaviruses

Development phase
Phase 1

Holding in company*
Karolinska Development 34 %

Origin
Karolinska Institutet

More information
svfvaccines.se

* Fully-diluted ownership based on current investment plans.

SVF Vaccines AB

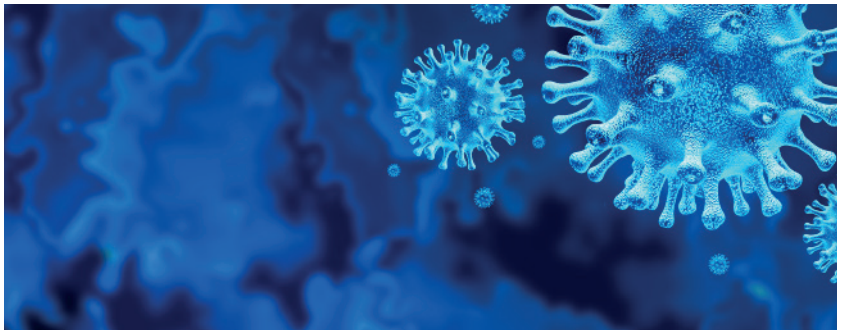
Develops therapeutic vaccines for the treatment of viral diseases

SVF Vaccines (Solna, Sweden) develops therapeutic proteins and DNA vaccines against, among other things, hepatitis B and D, as well as vaccines to prevent infections by covid-19 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.

SVF Vaccines uses a proprietary immunotherapy 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 and is now continuing its preclinical development with the goal of enabling a phase 1 study to be initiated in 2024.

Although coronavirus infections are usually mild, some virus types can lead to life-threatening conditions. To meet and prevent severe infections, SVF Vaccines has developed a platform that is expected to enable the production of vaccines against both current and future forms of coronavirus. The company also has had patents granted for chimeric antigens that can create an immune response against chronic hepatitis B and D infections. In February 2023, the company initiated a phase 1 study for its vaccine candidate against covid-19, SVF-002 and filed a patent application specifically for a potential vaccine against covid-19.



THE MARKET

SVF Vaccines 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 research report, "Global Hepatitis Drug Market & Clinical Trials Insight 2023" by KuicK, estimated the value of the annual global market for hepatitis B at USD 4-5 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 like SVF Vaccines has increased markedly in recent years. This is thought to be due to an increased awareness of the potential for the commercialization 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.

RECENT PROGRESS

- In June 2022, the company presented preclinical study data indicating that the candidate therapeutic vaccine SVF-001 has the potential to elicit an immune response in a preclinical disease model of chronic hepatitis B at the EASL International Liver Congress.
- In January 2023 the company changed its name to SVF Vaccines from Svenska Vaccinfabriken.
- In February 2023, the company began a phase 1 clinical study with the company's universal vaccine against covid-19, SVF-002.

EXPECTED MILESTONES

- Phase 1 studies of hepatitis B and D vaccines are expected to be initiated in 2024.

Project (First-in-class)
HEN-001

Primary indication
Hidradenitis suppurativa

Development phase
Preclinical

Holding in company*
Karolinska Development 15%

Other investors
Eir Ventures

Origin
Start-up

More information
henlez.com

* Fully-diluted ownership based on current investment plans.

Henlez ApS

Developing a topical treatment against hidradenitis suppurativa

Henlez (Copenhagen, Denmark) is a privately owned company developing a topical enzyme-based treatment of hidradenitis suppurativa. The company was founded 2019 by former Novozymes A/S scientist and current Henlez CEO Jeppe Mouritsen.

Henlez' pre-clinical lead development program, HEN-001, is an enzyme-based, topical application directed towards hidradenitis suppurativa – a highly stigmatizing and chronic inflammatory condition characterized by severe pain, malodorous wound fluid and permanent scarring of the armpits and groin. Despite an increasing number of drug trials, the available treatment options are still insufficient. Patients and key opinion leaders unanimously identify a large unmet need for novel treatments, a problem Henlez is poised to meet.

In October 2022, the company raised EUR 1 million in seed financing from Nordic venture capital firms Eir Ventures and Karolinska Development. The proceeds will cover the formulation development of topical HEN-001 to facilitate a forthcoming clinical evaluation of the product as well as an expansion of the patent portfolio.

RECENT PROGRESS

- In October 2022, Karolinska Development's seed financing of Henlez was made in syndication with the Nordic venture capital firm Eir Ventures, where the two parties have contributed EUR 0.5 million each.

THE MARKET

An estimated 1 percent of the world's population is affected by hidradenitis suppurativa. The global market for therapeutic treatments of the disease is projected to reach USD 1.8 billion by 2028. Available medical treatment options for the condition mainly comprise repurposed, palliative drugs for systemic administration that are limited in both numbers, safety, and effect.

Aprea Therapeutics Inc.

Cancer treatment that prevents tumor cells' DNA repair

Project (First-in-class)
ATR inhibitor ATRN-119
ATR inhibitor ATRN-W1051

Primary indication
Solid tumor malignancies

Development phase
Phase 1

Holding in company*
KDev Investments 2%

Other investors
Morgan Stanley
The Vanguard Group
BlackRock
Geode Capital Management

Origin
Karolinska Institutet

More information
aprea.com

* Fully-diluted ownership based on current investment plans.

Aprea Therapeutics (Doylestown, USA and Stockholm, Sweden) is focused on developing and commercializing novel drugs to combat various types of cancer by affecting the proteins involved in the ability of tumors to repair damage in their DNA. The company's primary focus is on the development of ATRN-119, a development project that was acquired by the biotech company Atrin Pharmaceuticals in 2022.

ATRN-119 is an orally bioavailable, highly potent and selective small molecule inhibitor of ATR, a protein with key roles in response to DNA damage. ATRN-119 is being evaluated in a phase 1/2a clinical study in cancer patients with malignant solid tumors and defined gene mutations – both as monotherapy and in combination with today's standard treatment. The study aims to determine the recommended dose for a clinical phase 2 study and results from the dose-escalating phase 1 part of the study are expected in the first quarter of 2024. The aim is to start patient recruitment for the dose expansion part of the study in the second quarter of 2024.

Aprea is also developing ATRN-W1051, an orally bioavailable, highly potent and selective small molecule inhibitor of WEE1, a key regulator of multiple phases of the cell cycle. In September 2023, preclinical data for ATRN-W1051 in ovarian cancer were presented indicating that the selective properties of ATRN-1051 may make it a more effective cancer therapy than other WEE1 inhibitors in development and that it has a promising safety profile. Complete pre-clinical results are planned to be presented in the beginning of 2024. The company expects that an application for the start of the first clinical trial can be submitted early in 2024 and that the study will be able to start in the first half of the year.

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

THE MARKET

Targeting DNA Damage Repair, several commercially available Poly ADP-ribose polymerase (PARP) inhibitors induced substantial response in patients with DNA repair defects and have received Breakthrough Therapy Designation by the US Food and Drug Administration, FDA, for several cancer indications. The notable commercial success of these PARP inhibitors has made DNA Damage and Response a clinically and commercially validated therapeutic approach. Targeting ataxia telangiectasia and Rad3-related protein (ATR) represents an emerging strategy to treat a broad spectrum of cancers, most notably those that currently lack fully effective treatments.

RECENT PROGRESS

- In January 2023, the first patient in the phase 1/2 clinical trial of the drug candidate ATRN-119 was dosed.
- In February 2023, a guaranteed new share issue was carried out that will finance the company with USD 5.5 million before transaction costs.
- In September 2023, preclinical results for ATRN-1051 were presented with positive in vivo activity and safety profile.
- In October 2023, early clinical results for ATRN-119 were announced, showing that no hematologic or liver function toxicities in the heavily pretreated solid tumor patients have been observed in the first three cohorts to date.
- In March 2024, Aprea Therapeutics received FDA approval of the company's IND application for the drug candidate APR-1051. Aprea has also secured funding up to USD 34 million through a financing round led by Sphera Healthcare. With the approval and financing in place, the company will be able to start the first clinical study with APR-1051.

Biosergen AB

Broad treatment of systemic fungal infections

Project
BSG005

Primary indication
Systemic fungal infections

Development phase
Phase 1

Holding in company*
KDev Investments 2%

Other investors
Östersjöstiftelsen
Sintef Venture II AS
Rosetta Capital**

Origin
SINTEF and Norweigan University of Science and Technology

More information
biosergen.se

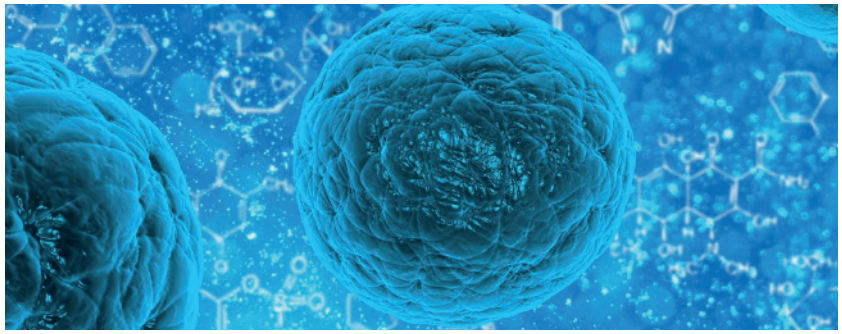
* Fully-diluted ownership based on current investment plans.
** Co-ownership with KDev Investments

Biosergen (Solna, Sweden) is conducting a development program, based on it's expertise in biosynthetic technology and targeting systemic fungal infections with their candidate drug, BSG005.

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 anti-mycotic 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.

In March 2023, the company presented data from their phase-1 study which showed that the drug candidate BSG005 has a good safety profile. In September 2023, Biosergen announced a co-development and licensing agreement with one of the largest pharmaceutical companies in India, Alkem Laboratories Ltd and in December 2023, Alkem Laboratories submitted a clinical trial application for a first patient study of BSG005 in invasive fungal infections in India as a rescue therapy. Alkem will fund all phase 2 and 3 patient trials in India except the first patient trial with 15 patients. The studies are expected to cover up to 70 percent of all patients required for a global regulatory process. Biosergen will retain the rights for the rest of the world outside the Indian market.



THE MARKET

Fungal infections kill more than 1.5 million globally each year and the numbers continue to increase. In the past 10 years, only one new anti-fungal 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

RECENT PROGRESS

- In March 2023, the company presented data from their phase-1 study which showed that the drug candidate BSG005 has a good safety profile.
- In eptember 2023, Biosergen announced a co-development and licensing agreement with one of the largest pharmaceutical companies in India, Alkem Laboratories.
- In March 2024, Biosergen published a prospectus for the issue of units that was approved during an extraordinary general meeting on March 1, 2024.

EXPECTED MILESTONES

- Read-out of Phase 2 trial in India expected during 2024.

Promimic AB

Nanocrystals of synthetic bone shorten the healing time of implants

Project
HA^{nano} Surface

Primary indication
Implant surface coatings

Development phase
Marketed

Holding in company*
Karolinska Development 2%
KDev Investments 12%

Other investors
K-Svets Ventures
Chalmers Ventures
Riepen LCC
Andra AP-fonden

Origin
Chalmers University of Technology

More information
promimic.com

* Fully-diluted ownership based on current investment plans.

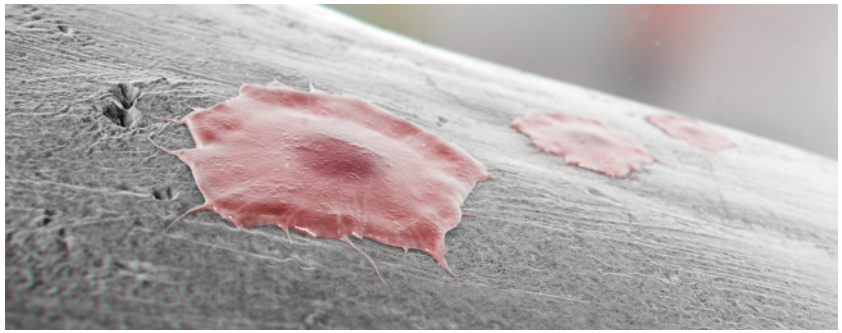
Promimic (Gothenburg, Sweden) is the company behind HA^{nano} Surface, a surface treatment that is currently used clinically on approximately 1.5 million implants.

HA^{nano} Surface is a nanometer-thin coating of hydroxylapatite crystals that helps stimulate the growth of bone cells. This provides a stronger anchoring in bone tissue and better healing. The surface is unique in that it can be applied to all types of implant materials and geometries, including porous materials and 3D printed structures – examples of surfaces where traditional thicker HA coating can clog pores.

In the Brazilian market, Promimic collaborates with Sistema de Implante Nacional (S.I.N), a leading supplier of dental implants, which commercializes dental implants coated with HA^{nano} Surface.

In the United States, the technology is approved by the FDA, which means that new implants with HA^{nano} Surface can be quickly brought to market via a 510(k) process. This has enabled strong growth – in the last two years, the number of approved implants for clinical use has increased from 5 to 26.

Promimic has a sales office in Austin, Texas and several partnerships for development and commercialization in the US market for orthopedic implants. Currently, the market for spinal implants is the company's strongest segment. The collaboration with the company's customers includes the development and commercialization of products treated with HA^{nano} Surface technology in various application areas.



THE MARKET

Promimic focuses on two main segments, namely the markets for orthopedic and dental implants. Together, these segments represent a global market opportunity for Promimic worth up to USD 600-800 million in 2025. Within these segments, the company's target group is medium to large-sized implant companies and the main market is the United States.

RECENT PROGRESS

- In February 2023, Promimics' customer Curiteva received FDA approval for a 3D-printed PEEK implant for rigid spine surgery.
- At the end of 2023, Promimic moved into the GoCo Health Innovation City.

EXPECTED MILESTONES

- In 2024, the company is expected to run development projects with both existing and new customers, and further product launches and license agreements will be finalized and announced.

OSSDSIGN®

OssDsign AB

Creating the next generation bone replacement products

Project
OssDsign® Catalyst

Primary indication
Bone grafts

Development phase
Marketed

Holding in company*
Karolinska Development 10%**

Other investors
TAMT
Linc AB

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 in bone regeneration. Since September 2023, the company is focusing its entire business on the orthobiologics market in the USA. This strategy is against a background of an outstanding commercial success for the nanosynthetic bone graft OssDsign Catalyst, an "off the shelf" product with very good scalability and a high gross margin.

About 20 percent of all low back pain surgeries fail due to poor fusion between the implant and the spine. When surgeons perform the procedure, they use a combination of screws and metal braces to fix the vertebrae and bone replacement material to stimulate bone growth. OssDsign Catalyst is an innovative synthetic bone graft consisting of a proprietary nanocrystalline structure of calcium phosphate. OssDsign Catalyst mimics the body's own bone mineral structure and provides a favorable biological environment for rapid and reliable bone formation. OssDsign Catalyst can be produced with high scalability, has an attractive profit margin and great potential in the market for standardized surgical procedures. OssDsign Catalyst received FDA approval in 2020 and launched in the US in August 2021.

OssDsign's financial goal is to reach sales of SEK 150-200 million in the mid-term, at which point the company is also expected to be cash flow positive.

THE MARKET

The orthobiologics market is valued at USD 5 billion, by 2022. The market segment that OssDsign Catalyst specifically targets is valued at USD 1.8 billion and is expected to have an annual growth rate of 8 percent.

RECENT PROGRESS

- In January 2023, a first patient report from the TOP FUSION clinical study was published, showing a complete spinal fusion six months after surgery with OssDsign Catalyst.
- In September 2023, the company announced its' new strategy to become a pure orthobiologics company with a focus on the US market.
- In September 2023, SEK 150 million was raised in a targeted new issue to a number of reputable institutional investors. Karolinska Development participated with SEK 10 million.
- In December 2023, OssDsign announced that they believe that the fourth quarter revenue will exceed market expectations.
- In January 2024, OssDsign reported exceptional data from its TOP FUSION clinical study. The top-line results, reviewed by independent radiologists, show a fusion rate of 93 percent 12 months after surgery with the new OssDsign Catalyst nanosynthetic bone graft.

Ownership structure

On December 31, 2023, Karolinska Development had 15,104 shareholders. International investors controlled approximately 66.1 percent of the share capital and approximately 60.9 percent 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 2023 was SEK 1.7 and at the year end, the share traded at SEK 1.7. No dividends have been paid in 2023.

Share capital

At year-end 2023, the share capital amounted to SEK 2.7 million distributed among 270,077,594 shares. The nominal value is SEK 0.01 per share.

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	128,736,384	47.67%	43.93%
Worldwide International Investments Ltd	0	28,007,077	10.37%	9.56%
Swedbank Robur Microcap fond	0	8,750 000	3.24%	2.99%
Styviken Invest AS	0	5,236,206	1.94%	1.79%
Avanza pension	0	4,707,022	1.74%	1.61%
Stift För Främjande & Utveckling	2,555,261	1,755,818	1.60%	9.32%
Coastal Investment Management LLC	0	2,470,541	0.91%	0.84%
Handelsbanken fonder	0	1,401,581	0.52%	0.48%
Nordnet Pensionsförsäkringar	0	1,400,141	0.52%	0.48%
Adis Holding	0	1,200,000	0.44%	0.41%
Sum Top 10 Shareholders	**2,555,261**	**183,664,770**	**68.95%**	**71.39%**
Sum Other Shareholders	**0**	**83,857,563**	**31.05%**	**28.61%**
SUM ALL SHAREHOLDERS	**2,555,261**	**267,522,333**	**100.00%**	**100.00%**

Björn Cochlovius

Board member since 2020 and Chairman since 2020.

Born 1968. Doktorat (Dr.rer.nat) from Universität des Saarlandes, Assoc. Prof Universität Heidelberg.

Current assignments: CEO Eleva Biologics GmbH, Interim-CEO Medraxa Therapeutics GmbH, Chairman of the Board of Directors of Sapreme Technologies BV, President at Biocure Technologies Ltd and General Manager at BC BioMed Consulting GmbH.

Previus assigments include i.a.: Chairman of the Board of Isogencia Ltd, Senior Director Development Asia-Pacific at Abbvie Inc., Head Oncology at Otsuka, Director Business Development Oncology at Roche AG, CEO at OnTarget Neurology AS, Head R&D at Affitech AS and SVP Business Development at Atriva Therapeutics GmbH.

Independent of the company, its executive management and independent in relation to the company's major shareholders.

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.

Independent of the company and its executive management. Not independent 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. Master of Laws from Uppsala University.

Other appointments: CEO Swedish Medtech Service AB. Current board assignments include: Sweden Medtech-4Health AB (chairwoman), Swecare and St Eriks ögonsjukhus.

Previous assignments include: 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, Medtech Europe and COCIR, Life Science office of Sweden. She has also been a member of the board in the Board for Public Procurement.

Independent of the company, its executive management and independent in relation to the company's major shareholders.

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, CEO invoX Pharma Limited, Director of 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).

Independent of the company and its executive management. Not independent 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 appointments: Head of Overseas BD & Alliance at Sino Biopharmaceuticals Limited, member of the board at Treadwell Therapeutics.

Previous assignments: Deutsche Bank AG (Hong Kong Branch).

Independent of the company and its executive management. Not independent in relation to the company's major shareholder.

No holdings in Karolinska Development.

Viktor Drvota

Chief Executive Officer
Appointed as CEO 2017 and previously Chief Investment Officer since 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: 209,996 shares.

Johan Dighed

Chief Legal Officer and Deputy CEO
Appointed Chief Legal Officer 2020 and Deputy CEO 2021.

Born 1973. Master of Laws.

Johan Dighed has over 20 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: 400,192 shares.

Hans Christopher "HC" Toll

Chief Financial Officer
Appointed 2022.

Born 1968. MSc in Business and Economics.

HC Toll has more than 25 years of experience as business controller and CFO, in different industries, both in Sweden and internationally. HC has i.a. been CFO in AIK Fotboll AB and QuiaPEG AB. HC is since 2021 part time CFO in the KD portfolio company Umecrine Cognition AB. In addition to life science, HC has experience in a range of industries, such as heavy manufacturing, retail, gaming, etc.

Holdings in Karolinska development: 35,000 shares.

Per Aniansson

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 was responsible in several significant fundraisings, IPOs and exits. Between 2011 and 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 and Cure Cancer Foundation.

Holdings in Karolinska Development: 160,006 shares.

John Öhd

Chief Scientific Officer/Venture Partner
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.

No holdings in Karolinska Development.

Elisabet Gimbringer

Financial Manager
Employed since 2015.

Born 1965. Economics and Business education from Stockholm University.

Elisabet Gimbringer has worked as a financial manager, business controller and financial controller for a number of different companies and fields for the last 25 years and before that as an approved public accountant for 10 years.

Holdings in Karolinska Development: 36,000 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 and 15 years within Life Science.

Other appointments: Finance manager in Dilafor AB and Pharmanest AB.

Holdings in Karolinska Development: 33,071 shares.

Linda Spahiu

Investment Manager
Employed 2021.

Born 1985. M.Sc. in Biotechnology, Ph.D.

Linda Spahiu has 14 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

Investment Manager
Employed 2022.

Born 1990. M.Sc. in Public Health & Health Inequalities.

Mikaela Sörman has 10 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 2023 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 science companies with substantial commercial opportunities. All of the portfolio companies are developing potentially groundbreaking 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 2 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 in 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

At Karolinska Development's Annual General Meeting, it was decided, among other things, to adopt the profit and loss statement and the balance sheet, to approve the allocation of the result, proposed by the Board of Directors and the CEO and to re-elect all members of the board, Björn Cochlovius, Philip Duong, Anna Lefevre Skjöldebrand, Ben Toogood and Theresa Tse, and to re-elect Björn Cochlovius Chairman of the Board (May 2023).

Important events in the portfolio companies

AnaCardio

- AnaCardio's founder published an article that supports development of heart failure drug candidate AC01 (February 2023).
- AnaCardio included the first patient in the company's clinical phase 1b/2a study of the drug candidate AC01 – a new potential treatment of heart failure (April 2023).

Aprea Therapeutics

- Aprea Therapeutics dosed the first patient in a clinical phase 1/2a study of the drug candidate ATRN-119, which is being evaluated as a treatment for advanced solid tumors by affecting a signaling pathway important for tumor DNA repair (January 2023).
- Aprea Therapeutics closed an underwritten public offering of USD 5.5 million before deducting underwriting discounts, commissions, and related expenses (February 2023).

Biosergen

- Biosergen presented positive results from a clinical phase 1 study of its drug candidate BSG005, which is being developed as a treatment of fungal infection mucormycosis (February 2023).

Dilafor

- Dilafor reported positive results from the extension of the clinical phase 2b study of the drug candidate tafoxiparin. The extension part of the study included 164 women and the results show a positive effect on cervical ripening and a clear dose-response relationship for the evaluated doses (February 2023).

Modus Therapeutics

- Modus Therapeutics presented positive results from the company's clinical phase 1b study of sevuparin, where the drug candidate's safety profile and efficacy were evaluated in a well-established systemic inflammation disease model. The results of the study will be used to define a dose and determine the design of a planned phase 2 study of sevuparin in patients with sepsis expected to start during 2024 (February 2023).
- Modus Therapeutics, in collaboration with a world-leading research group, generated data showing that its drug candidate sevuparin has the potential to be developed as a treatment for anemia in patients with certain chronic diseases. The results were presented at the European Hematology Association's annual meeting on June 8-11 (May 2023).
- Modus Therapeutics carried out a rights issue that raised SEK 19.4 million before issue costs. The capital injection will primarily be used to finance the company's continued operations and an expansion of the clinical development program for the drug candidate sevuparin to the area of anemia in chronic kidney disease (November 2023).

OssDsign

- OssDsign published the first case report on a patient that underwent spinal fusion surgery with OssDsign Catalyst in the TOP FUSION study. The article is published in the Biomedical Journal of Scientific & Technical Research and shows a complete spinal fusion six months after the surgery (January 2023).
- OssDsign received clearance from FDA for the use of OssDsign Catalyst in interbody cages in spinal surgery (September 2023).
- OssDsign successfully completed a directed share issue to a value of approximately SEK 150 million. The net proceeds will be used to finance a strategic shift to fully focus its operations on the orthobiologic business in the U.S., in light of the extraordinary commercial performance of its high-margin nanosynthetic bone graft OssDsign Catalyst (September 2023).
- OssDsign announced that they expect revenues for the fourth quarter of 2023 to exceed market expectations. Preliminary total revenues for the period October – November amount to SEK 25.2 million, mainly attributable to a continued strong market performance of the company's orthobiologic franchise and some extraordinary orders from a large hospital system (December 2023).

PharmNovo

- PharmNovo reported promising results in a preclinical study of the company's drug candidate PN6047. The results reaffirm existing safety profile data of PN6047 (September 2023).
- PharmNovo successfully completed its clinical phase 1 study with PN6047, a drug candidate developed as a potential treatment for neuropathic pain. The results from the study show that PN6047 is safe and well-tolerated at doses predicted to have clinically relevant effects. Furthermore, PN6047 seems to offer a different safety profile compared to conventional opioids (October 2023).
- PharmNovo announced that its drug candidate PN6047 will be evaluated as a potential treatment for opioid withdrawal syndrome. The U.S. National Institute of Drug Abuse, NIDA, has funded a collaboration project to investigate PN6047, a novel and highly selective Delta Opioid Receptor Agonist (DORA), in a preclinical model (December 2023).

SVF Vaccines

- SVF Vaccines initiated a clinical phase 1 study of the company's universal Covid-19 vaccine, SVF-002. The aim of the study is to evaluate the safety profile and immunogenicity of the vaccine candidate (February 2023).

Umecrine Cognition

- Umecrine Cognition presented promising preclinical data of the company's most advanced drug candidate golexanolone in a widely used model of Parkinson's disease. The results indicate that golexanolone could improve several symptoms of Parkinson's disease and further increase the understanding of the drug candidate's potential role in treating this progressive and debilitating central nervous system disease (January 2023).
- Umecrine Cognition was granted Orphan Drug Designation by the U.S. Food & Drug Administration (FDA) for the company's most advanced drug candidate golexanolone in primary biliary cholangitis (PBC). The designation will play a vital role in the planned clinical development of golexanolone (January 2023).
- Umecrine Cognition secured additional funding for the continued development of the company's drug candidate golexanolone. Karolinska Development participated in the financing round as part of an investor consortium that brings Umecrine Cognition a total of SEK 31.6 million, implemented as a convertible loan with attached share options (March 2023).
- Umecrine Cognition included the first patient in the company´s clinical phase 2 study in primary biliary cholangitis (PBC) (April 2023).
- Umecrine Cognition announced results from a preclinical model of cholestasis that elucidates the mechanism-of-action of the company's clinical drug candidate golexanolone in cholestatic liver disease. The results were presented as a poster at the International Liver Congress EASL in Vienna, June 21-24 (June 2023).
- Umecrine Cognition presented results from a study on a preclinical model of Parkinson's disease at the 6th World Parkinson Congress in Barcelona, Spain, July 4-7. The results shows how the company's clinical drug candidate golexanolone has an effect on fatigue, anxiety, depression, and some cognitive and motor changes in the disease model (July 2023).
- Umecrine Cognition conducted a capital raise, implemented as a convertible loan with attached share options, for the continued development of its drug candidate golexanolone. Karolinska Development participates as part of an investor consortium in the financing round that brings Umecrine Cognition a total of SEK 30.4 million (November 2023).
- Umecrine Cognition presented positive results from a study of the company's drug candidate golexanolone in a preclinical model of PBC-like symptomology and neuroinflammation. The results indicate a normalizing effect on cognitive symptoms, such as fatigue, motor impairments, neuroinflammation, and neural signaling. The results are published in the November issue of the internationally renowned journal Liver International (November 2023).

Earn-out deals

Forendo Pharma's former shareholders, including Karolinska Development, are entitled to contingent earn-out payments totaling USD 870 million (linked to milestones in the development, registration and commercialization of Forendo Pharma's drug candidates). Karolinska Development received SEK 18.3 million in 2023. Additional payments are expected to be paid out during the period 2024 – 2034.

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 paid when Karolinska Development (indirectly through KDev Investments AB) divest holdings in Aprea Therapeutics. No divestment was made during 2023.

Divestments

No divestments were made during 2023.

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 separated 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 has 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 2023 (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 2023, investments from external investors and Karolinska Development totaled SEK 394 million. In 2020, 2021 and 2022, total investments in portfolio companies amounted to SEK 146 million, SEK 456 million and SEK 465 million respectively, giving a total investment amount of SEK 1,461 million in the four-year period 2020–2023.

Karolinska Development's investments in portfolio companies amounted to SEK 103.0 million, of which SEK 98.6 million were cash investments and SEK 4.4 million were non cash investments (accrued interest on loans).

Karolinska Development invested in six companies: Umecrine Cognition SEK 31.4 million, Modus Therapeutics SEK 23.5 million, Dilafor SEK 16.3 million, PharmNovo SEK 13.7 million, OssDsign SEK 10.0 million and SVF Vaccines SEK 8.1 million.

Investments in Karolinska Development's portfolio companies in 2023

SEK million	Karolinska Development	External Investors	Total Invested 2023
Umecrine Cognition	31.4	31.9	63.3
Modus Therapeutics	23.5	4.4	27.9
Dilafor	16.3	24.0	40.3
PharmNovo	13.7	28.0	41.7
OssDsign	10.0	140.0	150.0
SVF Vaccines	8.1	0.0	8.1
Aprea	0.0	57.8	57.8
Biosergen	0.0	5.4	5.4
Total	**103.0**	**291.5**	**394.5**

Portfolio Fair Value

Fair Value of the portfolio companies owned directly by Karolinska Development increased by SEK 86.0 million in 2023. Fair value increased mainly due to investmets in all portfolio companies but also due to upturn int listsed holdings OssDsign and Promimic. Fair value was reduced by the dilutive effect of the transaction in Umecrine Cognition and the downturn in share price in the listed holding Modus Therapeutics.

Fair value of the portfolio companies owned indirectly via KDev Investments increased by SEK 41.8 million in 2023. The main reason for the increase in fair value was the upturn in the share price of the listed holding Promimic.

Total Fair Value of portfolio companies owned directly by Karolinska Development as well as indirectly via KDev Investments increased by SEK 127.8 million during 2023.

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 11.4 million, resulting in a net increas in Net Portfolio Fair Value by SEK 116.4 million in 2023.

SEK million	2023-12-31	2022-12-31	2023 jmf 2022
Fair value in Karolinska Development portfolio (unlisted companies)	741.4	704.4	37.0
Fair value in Karolinska Development portfolio (listed companies)	124.6	75.5	49.1
Fair value in KDev Investments portfolio	574.3	532.5	41.8
Total Portfolio Fair Value	**1,440.3**	**1,312.5**	**127.8**
Potential distribution to Rosetta Capital of fair value in KDev Investments	-339.9	-328.5	-11.4
Net Portfolio Fair Value (after potential distribution to Rosetta Capital)	**1,100.4**	**984.0**	**116.4**

Total Portfolio Fair Value at 31 december 2023 amounted to SEK 1,440.3 million. After the potential distribution to Rosetta Capital of SEK 339.9 million, Net Portfolio Fair Value amounted to SEK 1,100.4 million at 31 December 2023.

Results 2023
(comparable figures refer to 2022)

Karolinska Development's revenues primarily consist of services provided to portfolio companies, which amounted to SEK 2.0 million 2023 (SEK 2.3 million).

The result of Changes in Portfolio Fair Value through profit or loss amounted to SEK 15.2 million (SEK -76.1 million) in 2023.

Other financial assets and liabilities, earn-out agreements, increased in fair value by SEK 8.9 million (SEK 20.4 million) in 2023. Other external expenses decreased to SEK 7.0 million (SEK 6.8 million). Personnel costs increased to SEK 21.8 million (SEK 26.6 million), mainly due to outcome in bonus schemes.

Operating profit/loss was SEK -3.5 million (SEK -87.4 million) in 2023.

In 2023, interest income from bank funds and debt financing provided for five portfolio companies. The interest income in total amounted to SEK 7.3 million (SEK 1.4 million). The change in value of short term investments amounted to SEK 1.6 million (SEK -1.3 million). The investment company has had no interest-bearing debts during the year, which is why the interest expense amount to SEK 0.0 million (SEK -0.8 million). Net financial costs amounted to SEK 8.9 million (SEK -0.7 million) in 2022.

The Investment Entity's profit/loss before tax amounted to SEK 5.4 million (SEK -88.1 million) in 2023. The main reason for the negative result was the negative changes in fair value of the portfolio companies.

Financial position

The net profit/loss of SEK 5.4 million led to an increase in retained earnings of SEK 5.4 million (increase of SEK 270.4 million), the share capital is unchanged (increased with SEK 0.9 million) and equity amounted to SEK 1,246.8 million (SEK 1,241.4 million) on 31 December 2023. Total assets amounted to SEK 1,258.4 million (SEK 1,251.6 million) at 31 December 2023 and the Investment Entity's equity to total assets ratio was 99 percent (99 percent).

The company has no interest bearing liabilities on December 2023 (SEK 0.0 million).

Cash and cash equivalents (including short-term investments) amounted to SEK 85.3 million (SEK 189.8 million) on 31 December 2022.

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 -24.0 million (SEK -31.3 million) in 2023, an improved cash flow of SEK 7.3 million compared to 2022.

During 2023, Karolinska Development invested SEK 98.6 million (SEK 109.2 million) in cash in its portfolio companies, received SEK 18.3 million from earn-out deals (SEK 5.4 million), sold short-term investments of SEK 60.3 million (acquired SEK 10.0 million). Together with changes in working capital, cash flow from operating activities amounted to SEK -44.9 million (SEK -146.3 million). Finacing activities in 2023 amounted to SEK -0.8 million (SEK 235.0 million) which provides a cash flow in 2023 of SEK -45.8 million (SEK 88.7 million) and cash and cash equivalents at the end of the year of SEK 85.3 million (SEK 131.1 million). Cash and cash equivalents together with short-term investments amounted to SEK 85.3 million at year-end 2023 (SEK 189.8 million).

Information on risks and uncertainties

Investment Entity and the Parent Company

Karolinska Development has identified a number of risk areas that are listed and described below. If one or more of these risks is actualized, there is a risk of the portfolio companies' and the Company's operations, results, financial position, and growth being negatively affected.

Political and general external risk

Russia's invasion of Ukraine, together with the war in Gaza and ensuing disruptions to maritime traffic through the Red Sea, are continuing to impact the economy and society as a whole, including Karolinska Development and its portfolio companies. The general downturn in the stock market since 2022 and the rise in interest rates have shifted the financial market's focus from growth companies to companies with positive operating cashflows, which has led to lower valuations in many previously highly valued growth companies. This impacts Karolinska Development and its opportunities not only to finance its portfolio companies, but also to divest them at a suitable time for Karolinska Development.

The value of listed companies can decline, delays in clinical trial programs may occur, and the opportunities for refinancing can be hampered. The Board monitors developments closely and Karolinska Development works intensively to manage the external impact on the value of our investments and continues to make use of different financing alternatives in order to secure the long-term capital requirement and thereby increase the degree of strategic and operational headroom going forward.

Medical risk

Karolinska Development often invests in companies with early-stage projects, before beneficial effects have been proven, in testing on animals or human beings, in what is known as "proof-of-principle" and "proof-of-concept". The majority of the portfolio companies' projects are, therefore, in the clinical phase of development and further research and development work is required before the companies' innovations and technologies can be commercialized. Examples of such work include testing 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 and 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 meet applicable regulatory standards.

Liquidity risks

Future investments in new and existing portfolio companies will require capital. There is no guarantee that capital can be obtained at 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.

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.

Loan financing, if available, may be expensive and may involve restrictive covenants or may otherwise constrain the Company's financial flexibility.

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.

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 on the part 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 willing and able to participate, co-investors may not be willing to participate on the same terms and conditions.

Regulatory risk

The portfolio companies and their collaborating partners will not be able to market any of their products without first obtaining the required authorizations from the appropriate regulatory authorities. The regulatory process to obtain marketing authorization for a new pharmaceutical product may take many years and often requires significant financial and other resources. In order to obtain regulatory approvals for commercial sales of the portfolio companies' products, the portfolio companies and their collaborating partners may be required to complete clinical trials to demonstrate the safety and efficacy of the products. The portfolio companies and their collaborating partners may fail to obtain 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 chemical ingredients in pharmaceutical products and the nature of their manufacturing process mean that the pharmaceutical industry may be subject to extensive environmental protection regulation. 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.

Market risk

The time required for a product candidate to complete the entire research and development process, establish strong patent protection, satisfy all regulatory requirements, and find strong marketing and distribution partners, is often underestimated. This can lead to milestone payments and royalty income being delayed or lapsing entirely.

The markets for the portfolio companies' product candidates and new technologies 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 portfolio companies' markets and may hold competitive advantages.

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.

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. Changes in pricing principles may impair the value of the products, technologies, and services developed by the portfolio companies.

Karolinska Development has a relatively narrow portfolio, limiting the potential that one or more projects can be commercialized successfully enough to entail significant dividends or exit proceeds for Karolinska Development.

Intellectual property risk

The success of the portfolio companies is, to a large extent, dependent on their 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, and 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, the portfolio company's patent application may consequently not have priority, which in turn could result in the patent protection being considerably less extensive than that for which the application was submitted.

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 a court or an authority, leading to insufficient patent protection vis-à-vis other innovations. Granted patents must, furthermore, be properly transferred from the inventor/inventors to the portfolio company in question.

The formulation of patent legislation means that 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. Where this is the case, 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 cost of pursuing

intellectual property litigation, even those ultimately resolved in the portfolio company's favor, could, therefore, be substantial.

There is a risk that the portfolio companies' granted patents may not entail sufficient legal or commercial protection against financially strong competitors that, despite the patent, may use the portfolio company's methods and technologies. Only a few of the portfolio companies may have registered trademarks. Without the requisite 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.

The respective portfolio companies may also be dependent on trade secrets that are not protected by patents which cannot be protected by other intellectual property rights. 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 companies do generally have an obligation of confidentiality towards the portfolio company in question. Someone with access to information of great value for the portfolio company in question may, however, disclose or use this information in a manner that impairs the portfolio company's market position.

Reputational risk

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

There is, therefore, a risk of the portfolio companies incurring liability for damages or costs of remediation, decontamination, or control of environmental problems.

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.

The portfolio companies may conduct tests on both animals and people during the various development phases. If these tests are not handled professionally or the result of these tests harms the test participants, it can damage the reputation of the portfolio companies and, potentially, of Karolinska Development too.

Expertise risk

It is vital that Karolinska Development and its portfolio companies succeed in retaining their key employees and are able, when necessary, to recruit new employees. Stringent demands will consequently be placed on these companies' professional leadership, on maintaining the distinctive profiles of Karolinska Development and its portfolio companies, and on the forecast development being realized. Karolinska Development and its portfolio companies face competition for personnel from other companies, investment funds, universities, public and private research centers, and government entities and other organizations.

Financial risks

Financial risks are described in Note 16.

Financial Development for the Parent Company in 2023

(Amounts in SEK million, comparable figures refer to 2022).

During 2023, the Parent Company's operating profit/loss amounted to SEK -3.6 million (SEK -87.5 million), which is an improvement of SEK 83.9 million compared to 2022. The Parent Company's net profit/loss for the year amounted to SEK 5.2 million (SEK -88.1 million).

The equity increased from SEK 1,241.5 million at 31 December 2022 to SEK 1,246.7 million at 31 December 2023, an increase in equity amounted to SEK 5.2 million in 2023.

Corporate governance report

The Corporate Governance Report, which is separate from the annual report, is presented on page 86–90.

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 2023 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 2.7 million, distributed among 270,077,594 shares with a par value of SEK 0.01, of which 2,555,261 were A shares (with 10 votes each) and 267,522,333 were B shares (with one vote each). The largest shareholders were invoX Pharma Ltd with a total of 128,736,384 B shares representing 47.67 percent of the capital and 43.93 percent of the votes, Worldwide International Investments Ltd with a total of 28,007,077 B shares representing 10.37 percent of the capital and 9.56 percent of the votes, Swedbank Robur Microcap fond with a total of 8,750,000 B shares representing 3.24 percent of the capital and 2.99 percent of the votes, Styviken Invest AS with 5,236,206 B-shares representing 1.94 percent of the capital and 1.79 percent of the votes, Avanza pension with 4,707,202 B-shares representing 1.74 percent of the capital and 1.61 percent of the votes, Insamlingsstiftelsen för främjande och utveckling av medicinsk forskning vid KI with 2,555,261 A shares and 1,755,818 B shares representing 1.06 percent of the capital and 9.32 percent 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 programs. No repurchases or transfers occurred during the year.

The Annual General Meeting's authorization to the Board

The Annual General Meeting 2023 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.

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	2023	2022	2021	2020	2019	2018	2017
Income statement							
Revenue	2	2	2	3	3	3	2
Result from change in fair value	24	-56	189	-172	387	100	255
Operating expenses	-30	-34	-31	-33	-42	-29	-37
Operating profit/loss	**-4**	**-87**	**161**	**-202**	**348**	**74**	**221**
Financial net	9	-1	10	-5	-45	-44	-41
Profit/loss after financial items	**5**	**-88**	**171**	**-207**	**303**	**31**	**180**
Balance sheet							
Tangible non-current assets	3	1	1	1	1	–	–
Shares in portfolio companies	1,100	984	950	770	1,048	619	448
Loans receivable from portfolio companies	–	–	–	–	2	5	3
Other financial assets	57	60	62	–	–	27	41
Total non-current assets	**1,161**	**1,044**	**1,013**	**771**	**1,050**	**651**	**492**
Other current assets	12	18	4	43	64	58	2
Short-term investments	–	59	50	–	–	70	150
Cash and cash equivalents	85	131	42	76	52	16	19
Total current assets	**97**	**207**	**97**	**119**	**117**	**143**	**171**
Total assets	**1,258**	**1,252**	**1,109**	**890**	**1,167**	**794**	**663**
Equity	1 247	1,241	971	800	1,008	296	267
Long-term liabilities	–	–	–	–	–	11	384
Current liabilities	12	10	138	90	159	487	12
Total liabilities and equity	**1,258**	**1,252**	**1,109**	**890**	**1,167**	**794**	**663**
Cash flow							
Cash flow from operating activities and investing activities	-44	-146	-32	25	50	-3	11
Cash flow from financing activities	-1	235	-1	-1	-14	0	-3
Cash flow for the year	**-45**	**89**	**-33**	**24**	**36**	**-3**	**9**

Multi-year summary cont.

SEKm	2023	2022	2021	2020	2019	2018	2017
Key ratios[1)]							
Net asset value	1,253	1,249	978	806	1,027	247	277
Net debt	-85	-190	32	0	38	393	210
Capital employed	1,247	1,241	1,096	876	1,008	307	651
Return on equity	0%	-7%	18%	-26%	30%	10%	66%
Return on capital employed	0%	-7%	16%	-24%	30%	10%	27%
Equity to total assets ratio	99%	99%	88%	90%	86%	37%	40%
Average number of employees	8	8	7	7	7	7	7
Data per share							
Profit/loss after tax, SEK, after dilution	0.02	-0.34	0.97	-1.18	4.10	0.48	2.93
Profit/loss after tax, SEK, before dilution	0.02	-0.34	0.97	-1.18	4.10	0.48	2.93
Equity, SEK	4.6	4.6	5.5	4.6	15.7	4.6	4.2
Net asset value, SEK	4.6	4.6	5.6	4.6	5.9	3.8	4.3
Share price at year-end, SEK	1.7	1.7	5.3	1.8	3.5	6.2	5.8
Dividend, SEK	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share price/Equity per share	37%	37%	96%	40%	23%	135%	139%
Share price/Net asset value per share	37%	37%	95%	39%	60%	162%	133%
Number of shares at year-end	270,077,594	270,077,594	175,665,409	175,665,409	175,665,409	64,361,206	64,361,206
Weighted average number of shares before dilution	269,833,309	257,417,460	175,421,124	175,421,124	73,874,552	64,136,941	61,243,234
Weighted average number of shares after dilution	269,833,309	257,417,460	175,421,124	175,421,124	73,874,552	64,136,941	61,300,516

1) Definitions of key ratios, see page 92

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

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

SEK	2023-12-31
Retained loss	-1,497,103,139
Share premium reserve	2,735,903,004
Net profit/loss for the year	5,235,121
Total	**1,244,034,986**

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

SEK	2023-12-31
Share premium	2,735,903,004
Retained loss	-1,491,868,018
To be carried forward	**1,244,034,986**

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	2023	2022
Revenue	2	2,014	2,300
Change in fair value of shares in portfolio companies	16	15,185	-76,083
Change in fair value of other financial assets and liabilities	16	8,891	20,435
Other expenses	3,4	-6,963	-6,798
Personnel costs	5	-21,834	-26,585
Depreciation of right-of-use assets	4	-798	-690
Operating profit/loss		**-3,505**	**-87,421**
Interest income	6	7,297	1,416
Interest expenses	6	–	-844
Other financial gains and losses	6	1,594	-1,273
Financial net		**8,891**	**-701**
Profit/loss before tax		**5,386**	**-88,122**
Taxes	7	–	–
NET PROFIT/LOSS FOR THE YEAR		**5,386**	**-88,122**

Statement of comprehensive income for the Investment Entity

SEK 000	Note	2023	2022
Net profit/loss for the year		5,386	-88,122
Total comprehensive income/loss for the year		**5,386**	**-88,122**

Earnings per share

SEK 000	Note	2023	2022
Earnings per share, weighted average, before dilution		0.02	-0.34
Number of shares, weighted average before dilution	13	269,833,309	257,417,460
Earnings per share, weighted average, after dilution		0.02	-0.34
Number of shares, weighted average after dilution	13	269,833,309	257,417,460

Statement of financial position for the Investment Entity

SEK 000	Note	2023-12-31	2022-12-31
Assets			
Tangible non-current assets			
Right-of-use assets	4	3,158	690
Financial non-current assets			
Shares in portfolio companies at fair value through profit or loss	8	1,100,398	983,995
Other financial assets	9,16	57,443	59,537
Total non-current assets		**1,160,999**	**1,044,222**
Current assets			
Receivables from portfolio companies		268	211
Other financial assets	9,16	10,386	15,970
Other current receivables	10	673	673
Prepaid expenses and accrued income	11	795	750
Short-term investments at fair value through profit or loss	12,16	–	58,742
Cash and cash equivalents	16	85,272	131,078
Total current assets		**97,394**	**207,424**
TOTAL ASSETS		**1,258,393**	**1,251,646**
Equity and liabilities			
Equity	13		
Share capital		2,701	2,701
Share premiun reserve		2,735,903	2,735,903
Accumulated losses including net profit/loss for the year		-1,491,780	-1,497,166
Total equity		**1,246,824**	**1,241,438**
Current liabilities			
Other financial liabilities	14,16	130	191
Accounts payable		1,323	439
Lease liabilities	4	3,070	753
Other current liabilities		674	654
Accrued expenses and prepaid income	15	6,372	8,171
Total current liabilities		**11,569**	**10,208**
Total liabilities		**11,569**	**10,208**
TOTAL EQUITY AND LIABILITIES		**1 ,258,393**	**1,251,646**

Statement of changes in the Investment Entity's equity

		Equity attributable to the Investment Entity's shareholders			
SEK 000	**Note**	**Share capital**	**Share premium reserve**	**Accumulated losses**	**Total**
Opening equity at 1 Jan 2023	13	**2,701**	**2,735,903**	**-1,497,166**	**1,241,438**
Net profit/loss for the year		–	–	5,386	5,386
Total comprehensive income/loss for the year		–	–	5,386	5,386
Closing equity at 31 Dec 2023		**2,701**	**2,735,903**	**-1,491,780**	**1,246,824**
Opening equity at 1 Jan 2022	13	**1,757**	**2,378,373**	**-1,409,044**	**97,086**
Net profit/loss for the year		–	–	-88,122	-88,122
Total comprehensive income/loss for the year		–	–	-88,122	-88,122
Rights issue		944	357,530	–	358,474
Closing equity at 31 Dec 2022		**2,701**	**2,735,903**	**-1,497,166**	**1 ,241,438**

Statement of cash flows for the Investment Entity

SEK 000	Note	2023	2022
Operating activities			
Operating profit/loss		-3,505	-87,421
Adjustments for non-cash items			
Depreciation	4	798	690
Change in fair value	16	-24,076	55,648
Other items		2,761	-206
Cash flow from operating activities before changes in working capital and operating investments		**-24,022**	**-31,289**
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in operating receivables		-104	416
Increase (+)/Decrease (-) in operating liabilities		-895	-1,661
Cash flow from operating activities		**-25,021**	**-32,534**
Investing activities			
Partial payment for earn-out deal		18,271	5,358
Acquisitions of shares in portfolio companies, loans to portfolio companies		-98,589	-109,166
Sales of short-term investments	12,16	60,336	–
Acquisitions of short-term investments	12,16	–	-10,000
Cash flow from investing activities		**-19,982**	**-113,808**
Financing activities			
Amortization of lease liabilities	4	-803	-714
Cash from rights issue		–	254,911
Prospectus costs		–	-19,175
Cash flow from financing activities		**-803**	**235,022**
Cash flow for the year		**-45,806**	**88,680**
Cash and cash equivalents at the beginning of the year	16	131,078	42,398
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	16	**85,272**	**131,078**

Income statement for the Parent Company

SEK 000	Note	2023	2022
Net sales	22	2,014	2,300
Revenue		**2,014**	**2,300**
Change in fair value of shares in portfolio companies	23	15,185	-76,083
Change in fair value of other financial assets and liabilities	24	8,891	20,435
Other external costs	25,26	-7,859	-7,513
Personnel costs	27	-21,834	-26,585
Operating profit/loss		**-3,603**	**-87,446**
Interest income and similar income	28	8,837	1,416
Interest expenses and similar expenses	29	–	-2,071
Financial net		**8,837**	**-655**
Taxes	30	–	–
NET PROFIT/LOSS FOR THE YEAR		**5,234**	**-88,101**

Statement of comprehensive income for the Parent Company

SEK 000	Note	2023	2022
Net profit/loss for the year		5,234	-88,101
Total comprehensive income/loss for the year		**5,234**	**-88,101**

Balance sheet for the Parent Company

SEK 000	Note	2023-12-31	2022-12-31
Assets			
Financial non-current assets			
Shares in subsidiaries	31	629,367	588,798
Shares in joint ventures	32	234,435	202,020
Shares in associated companies	32	79,327	100,568
Other long-term securities holdings	33	157,269	90,609
Other financial assets	35	57,443	59,537
Total non-current assets		**1,157,841**	**1,043,532**
Current assets			
Receivables from portfolio companies		268	211
Other financial assets	35	10,386	15,970
Other current receivables	36	673	673
Prepaid expenses and accrued income	36	795	750
Short-term investments	37	–	58,742
Cash and cash equivalents		85,272	131,078
Total current assets		**97,394**	**207,424**
TOTAL ASSETS		**1,255,235**	**1,250,956**
Equity and liabilities			
Equity			
Restricted equity			
Share capital	13	2,701	2,701
Unrestricted equity	38		
Share premium reserve		2,735,903	2,735,903
Accumulated losses		-1,497,103	-1,409,002
Net profit for the year		5,234	-88,101
Unrestricted equity		1,244,034	1,238,800
Total equity		**1,246,735**	**1,241,501**
Current liabilities			
Other financial liabilities	39	130	191
Accounts payable		1,323	439
Other current liabilities		674	654
Accrued expenses and prepaid income	40	6,373	8,171
Total current liabilities		**8,500**	**9,455**
Total liabilities		**8,500**	**9,455**
TOTAL EQUITY AND LIABILITIES		**1,255,235**	**1,250,956**

Statement of changes in equity for the Parent Company

		Restricted equity	Unrestricted equity			
SEK 000	Note	Share capital	Share premium reserve	Accumulated losses	Net profit/loss for the year	Total equity
Opening equity at 1 Jan 2023	13	**2,701**	**2,735,903**	**-1,409,002**	**-88,101**	**1,241,501**
Appropriation of profit		–	–	-88,101	88,101	0
Net profit/loss for the year		–	–	–	5,234	5,234
Closing equity at 31 Dec 2023		**2,701**	**2,735,903**	**-1,497,103**	**5,234**	**5,234**
Opening equity at 1 Jan 2022	13	**1,757**	**2,378,373**	**-1,579,842**	**170,840**	**971,128**
Appropriation of profit		–	–	170,840	-170,840	0
Net profit/loss for the year		–	–	–	-88,101	-88,101
Rights issue		944	357,530	–	–	358,474
Closing equity at 31 Dec 2022		**2,701**	**2,735,903**	**-1,409,002**	**-88,101**	**1,241,501**

Statement of cash flows for the Parent Company

SEK 000	Note	2023	2022
Operating activities			
Operating profit		-3,603	-87,446
Adjustments for non-cash items			
Change in fair value	23,24	-24,076	55,648
Other items		2,854	-205
Cash flow from operating activities before changes in working capital and operating investments		**-24,825**	**-32,003**
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in operating receivables		-104	416
Increase (+)/Decrease (-) in operating liabilities		-895	-1,661
Cash flow from operating activities		**-25 ,824**	**-33,248**
Investing activities			
Partial payment for earn-out deal		18,271	5,358
Acquisitions of shares in portfolio companies, loans to portfolio companies	33	-98,589	-109,166
Sales/ Acquisitions of short-term investments	37	60,336	-10,000
Cash flow from investing activities		**-19,982**	**-113,808**
Financing activities			
Cash from rights issue		–	254,911
Prospectus costs		–	-19,175
Cash flow from financing activities		**0**	**235,736**
Cash flow for the year		**-45,806**	**88,680**
Cash and cash equivalents at the beginning of the year		131,078	42,398
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**85,272**	**131,078**

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 Nanna Svartz väg 6A, S-171 65 Solna and the principal place of business is also Nanna Svartz väg 23A, S-171 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 annual report includes the parent company (Karolinska Developemt AB (publ)) as well as the financial reporting for the Investment Entity. 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.

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. Amendment has been made by IAS 1 Presentation of Financial Statements, the amendment aims to increase the usefulness of disclosures about applied accounting principles by encouraging that only material principles are described and that these descriptions explain how these principles are applied. 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 information regarding accounting policies

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.

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 shares.

Note 1 continued

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 investees' 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.
- 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.

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 would 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 16.

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 in 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 an 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 3 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.
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,

Note 1 continued

although the actual metric – post-money valuation – still can be the same as if only existing owners participate.

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., reached 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 includes 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 to 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 3) 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 2023, there are no portfolio companies valued by internal DCFs.

Recognition and measurement of financial instruments

The portfolio companies will continue to be measured at fair value through profit or loss (according to IFRS 9 Financial Instruments), 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 interest bearing debt, other financial liabilities and accounts payable.

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

Classification of financial instruments

IFR 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.

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)

Loans receivable and receivables from susidiaries

Loans receivable and receivables from subsidiaries are financial assets that are not derivates, have fixed or determinable payments and are not quoted on an active market. Loan receivables from portfolio companies are included in the total amount for the holding.

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 and other financial assets.

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.

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	2023	2022
Invoiced services	2,014	2,300
Total revenue	**2,014**	**2,300**

Note 3 Other external expenses

Fees and remuneration to the Investment Entity's auditors

SEK 000	2023	2022
EY		
Audit services	1,684	1,319
Audit related services	52	120
Total	**1,736**	**1,439**

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, which is the company's only leasing agreement (a three-year agreement with a three-year extension). Future contractual leasing payments are indicated below.

SEK 000	2023-12-31	2022-12-31
Future leasing payments		
Short-term - Within one year	803	711
Long-term - Between one year and five years	1,995	–
Total future leasing payments	**2,798**	**711**

Right-of-use assets

SEK 000	2023	2022
Accumulated acquisition cost		
At the beginning of the year	690	690
New periods	3,266	690
Depreciation	-798	-690
Closing balance	**3,158**	**690**

Lease liabilities

SEK 000	2023	2022
Accumulated acquisition cost		
At the beginning of the year	753	732
New periods	3,070	690
Amortization of lease liabilities during the year	-753	-669
Closing balance	**3,070**	**753**

Note 5 Employees and personnel costs

Average number of employees

Full-time equivalent	2023	Of whom women	Of whom men	2022	Of whom women	Of whom men
Investment Entity	8	50%	50%	8	50%	50%
Total	**8**	**50%**	**50%**	**8**	**50%**	**50%**

Remuneration expenses for employees

Salaries, other remuneration and social security costs

	2023		2022	
SEK 000	Salaries and remuneration	Social security costs	Salaries and remuneration	Social security costs
Investment Entity	16,601	5,246	20,158	5,845
(of which pension expenses)	*2,870*	*696*	*2 999*	*727*

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 2023 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 or in kind, 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 percent 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 programs (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, and which are clear, measurable and influenceable. The programs 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 program shall be limited to the equivalent of six months' salary. The cost, including social security contributions, at a maximum payout for STI 2023 amounts to SEK 4.4 million.

Information on the exit bonus and about the STI and LTI programs 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 percent. Correspondingly, the fixed salary constitutes at least 66 percent 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 year 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 shall also monitor and evaluate the program 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 prepares and decides on remuneration related 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, Investment director, 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.

2023

SEK 000	Base salary/ Board fee[1)]	Variable Remuneration	Other benefits and remuneration[2)]	Pension costs	Total remuneration
Viktor Drvota, VD	2,977	782	11	963	4,733
Other senior executives (3 persons), salaries etc	3,776	995	6	1,018	5,796
Other senior executives (1 person), invoiced fee	652				652
Total management	**7,405**	**1,777**	**17**	**1,981**	**11,181**
Björn Cochlovius, Chairman	400				400
Anna Lefevre Skjöldebrand, Board member	200				200
Ben Toogood, Board member	178				178
Philip Doung, Board member	200				200
Theresa Tse, Board member	0				0
Total, Board of Directors	**978**				**978**
Total	**8,383**	**1,777**	**17**	**1,981**	**12,159**

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

2022

SEK 000	Base salary/ Board fee[1)]	Variable Remuneration	Other benefits and remuneration[2)]	Pension costs	Total remuneration
Viktor Drvota, VD	2,856	1,785	2	920	5,563
Other senior executives (3 persons), salaries etc	4,380	2,752	6	1,169	8,307
Other senior executives (1 person), invoiced fee	257				257
Total management	**7,493**	**4,536**	**8**	**2,089**	**14,127**
Björn Cochlovius, Chairman	400				400
Tse Ping, Board member	0				0
Anna Lefevre Skjöldebrand, Board member	200				200
Ben Toogood, Board member	200				200
Philip Doung, Board member	114				114
Theresa Tse, Board member	0				0
Total, Board of Directors	**914**				**914**
Total	**8,407**	**4,536**	**8**	**2,089**	**15,041**

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.

	2023	2022
Board of Directors		
Men	3	3
Women	2	2
Total	**5**	**5**
CEO and senior executives		
Men	4	4
Women	0	0
Total	**4**	**4**

Compensation to the CEO

Pension terms

The contractual pension amounts to 32 percent 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 percent 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 2023 which is reported in the section "Annual incentive programs" 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 45.5 percent of 4 percent 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 2023 in the section "Incentive programs" below.

Incentive programs

Karolinska Development's long-term incentive programs (LTI) for the year 2010 and the Company's short-term incentive programs (STI) for the years 2022 and 2023 are described below.

Incentive program 2010

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

The program was designed as a combined warrant and profit-sharing program for the year 2010. The warrants have expired.

The profit-sharing plan is related to appreciation in the value of the portfolio companies and extends 15 years and is related to the Company's investments made in 2009.

Each sub-plan provides entitlement to a cash payment equivalent to a total of 5 percent 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 percent for the years 2009–2012 and 8 percent thereafter. On the "plus side" are the proceeds received from exits.

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

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

Short Term Incentive Program STI 2022

In 2022, the Board of Directors decided on a Short Term Incentive Program, STI 2022, for senior executives based on a number of specific corporate goals established by the Board for 2022. 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 2.5 million (SEK 3.3 million including social security costs). The expense is included as variable remuneration in the table on the previous page, year 2022.

Short Term Incentive Program STI 2023

In 2023, the Board of Directors decided on a Short Term Incentive Program, STI 2023, for senior executives based on a number of specific corporate goals established by the Board for 2023. 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 1.4 million (SEK 1.9 million including social security costs). The expense is included as variable remuneration in the table on the previous page, year 2023.

Note 6 Interest expenses and other financial gains and losses

Interest income

SEK 000	2023	2022
Interest income, loans to portfolio companies	4,391	1,128
Interest income, other	2,906	288
Total	**7,297**	**1,416**

Interest expenses

SEK 000	2023	2022
Interest expenses, loans from related party	–	-799
Interest expenses, other	–	-45
Total	**0**	**-844**

Other financial gains and losses

SEK 000	2023	2022
Fair value change in short-term investments	1,594	-1,268
Exchange rate gains and losses	–	-5
Total	**1,594**	**-1,273**

Note 7 Taxes

Reconciliation of effective tax rate

SEK 000	%	2023	%	2022
Profit or loss before tax		5,293		-88,122
Income tax expense at applicable rate in the Parent Company	20.6%	-1,090	20.6%	18,153
Tax effect of				
Non-deductible expenses		-103		-369
Tax-exempt revenue		13		13
Issue costs		–		3,502
Changes in fair value, non-taxable		4,960		-11,463
Increase in tax losses carried forward without corresponding capitalization of deferred taxes		-3,779		-9,836
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 182,804 thousand (SEK 179,012 thousand) at 31 December 2023, 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	2023-12-31	2022-12-31
Accumulated acquisition cost		
At the beginning of the year	983,995	950,170
Investments during the year	102,980	110,294
Sales during the year	-1,763	-386
Changes in fair value in net profit/loss for the year	15,185	-76,083
Closing balance	**1 ,100,398**	**983,995**

Specification of holdings in portfolio companies 31 december 2023

Company	Registered office	Corporate Identity Number	Number of shares
Karolinska Development			
AnaCardio Holding AB	Stockholm	559343-3559	530
Dilafor AB	Stockholm	556642-1045	29,801
Henlez ApS	Köpenhamn	40632026	9,259
Modus Therapeutics Holding AB	Stockholm	556851-9523	23,801,390
OssDsign AB	Uppsala	556841-7546	9,135,478
PharmNovo AB	Lund	556739-7368	543,478
Promimic AB	Mölndal	556657-7754	312,500
SVF Vaccines AB	Stockholm	559001-9823	275
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	2,239,340
Aprea Therapeutics Inc	Boston	7312119	59,034
Biosergen AB	Solna	559304-1295	901,334
Dilafor AB	Stockholm	556642-1045	403,970
Modus Therapeutics Holding AB	Stockholm	556851-9523	2,752,516
Promimic AB	Mölndal	556657-7754	2,323,920

Specification of shares in portfolio companies, at fair value through profit or loss 31 december 2023

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	23,801,390	91,764	-50,469	41,295
OssDsign	9,135,478	98,616	-25,532	73,084
Promimic	312,500	5,000	5,219	10,219
Total listed companies (level 1)		**195,380**	**-70,782**	**124,598**
Unlisted companies (level 3)				
AnaCardio		29,675	15,465	45,140
Dilafor		40,297	5	40,302
Henlez		5,506	51	5,557
PharmNovo		33,664	–	33,664
SVF Vaccines		20,680	327	21,007
Umecrine Cognition		244,303	343,769	588,072
KCIF Co-Investment Fund KB[4]		-9,707	17,330	7,623
KDev Investments		554,372	-319,937	234,435
Total unlisted companies (level 3)		**918,790**	**57,010**	**975,800**
Closing balance den 31 december		**1,114,170**	**-13,772**	**1,100,398**

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 16 Fair value, for a description of valuation models
4) Acquisition cost, acc: Net of acquisition cost of 10,198 KSEK and received payments of -19,905 KSEK.

Specification of shares in portfolio companies, at fair value through profit or loss 31 december 2022

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	68,257	-39,308	28,951
OssDsign	7,381,093	88,616	-45,660	42,958
Promimic	312,500	5,000	-1,375	3,625
Total listed companies (level 1)		**161,873**	**-86,343**	**75,534**
Unlisted companies (level 3)				
AnaCardio		29,675	15,465	45,139
Dilafor		24,026	–	24,026
Henlez		5,506	80	5,586
PharmNovo		20,000	–	20,000
SVF Vaccines		12,540	327	12,867
Umecrine Cognition		212,930	375,868	588,798
KCIF Co-Investment Fund KB[4]		-7,944	15,973	8,025
KDev Investments		554,372	-350,352	204,020
Total unlisted companies (level 3)		**845,599**	**57,688**	**908,461**
Closing balance den 31 december		**1 ,007,472**	**-28,655**	**983,995**

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 16 Fair value, for a description of valuation models
4) Acquisition cost, acc: Net of acquisition cost of 10,198 KSEK and received payments of -18,142 KSEK.

Note 9 Other financial assets

	2023-12-31			
SEK 000	Earn-out agreement Forendo Pharma, non-current asset	Earn-out agreement Forendo Pharma, current asset	Earn-out agreement Oncopeptides	Total
At the beginning of the year	59,537	15,970	0	75,507
Partial payment	–	-16,508	–	-16,508
Change in fair value in net profit or loss for the year	-2,094	10,924	–	8,830
Closing balance	**57,443**	**10,386**	**0**	**67,829**

	2022-12-31			
SEK 000	Earn-out agreement Forendo Pharma, non-current asset	Earn-out agreement Forendo Pharma, current asset	Earn-out agreement Oncopeptides	Total
At the beginning of the year	61,799	–	0	61,799
Partial payment	-5,485	–	–	-5,485
Current part of non-current financial asset	-15,970	15,970	–	–
Change in fair value in net profit or loss for the year	19,193	–	–	19,193
Closing balance	**59,537**	**15 970**	**0**	**75 507**

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 and payments during 2022 and 2023, to SEK 67.8 million (SEK 75.5 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 previous shareholders are entitled to additional future payments totalling USD 870 million upon the achievement of certain development, registration and commercial milestones pertaining to Forendo Pharma's drug candidates. During 2024, SEK 10.4 million is expected to be received, which is why they are considered as current.

Earn-out agreement Oncopeptides

Karolinska Development is entitled to a 5 percent 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 (SEK 0.0 million), maximum residual value amounts to SEK 40,6 million.

Note 10 Other current receivables

SEK 000	2023-12-31	2022-12-31
Tax assets	673	673
Total	**673**	**673**

Note 11 Prepaid expenses and accrued income

SEK 000	2023-12-31	2022-12-31
Insurance premiums	310	297
Other	485	453
Total	**795**	**750**

Note 12 Short-term investments at fair value through profit or loss

SEK 000	2023-12-31	2022-12-31
At the beginning of the year	58,742	50,005
Acquisitions of short-term interest funds with low risk	-60,336	10,000
Change in fair value in net protif or loss	1,594	-1,263
Total	**0**	**58,742**

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	Share issue	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	Share issue	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	Share issue	65,082	32,541		65,082	0.5	0.5
Total per 31 Dec 2015		**53,449,640**	**26,724,820**	**1,503,098**	**51,946,542**		**0.5**
September 2016	Share issue	15,358	7,679		15,358	0.5	0.5
Total per 31 Dec 2016		**53,464,998**	**26,732,499**	**1,503,098**	**51,961,900**		**0.5**
April 2017	Share issue	10,871,698	5,435,849		10,871,698	6.17	0.5
June 2017	Reduction in share capital	0	-31,524,981		–		0.01
July 2017	Share issue	564	6		564	22	0.01
August 2017	Share issue	23,840	238		23,840	0.01	0.01
October 2017	Share issue	106	1		106	22	0.01
Total per 31 Dec 2017		**64,361,206**	**643,612**	**1,503,098**	**62,858,108**		**0.01**
Juni 2018	Share issue	57,531	575		57,531	0.01	0.01
Total per 31 Dec 2018		**64,418,737**	**644,187**	**1,503,098**	**62,915,639**		**0.01**
November 2019	Share issue	78,770,586	787,706		78,770,586	3.74	0.01
December 2019	Share issue	32,476,086	324,761		32,476,086	3.74	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**
February 2022	Share issue	94,412,185	944,122	1,052,163	93,360,022	4	0.01
Total per 31 Dec 2022		**270,077,594**	**2,700,776**	**2,555,261**	**267,522,333**		**0.01**
Total per 31 Dec 2023		**270,077,594**	**2,700,776**	**2,555,261**	**267,522,333**		**0.01**

Note 13 continued

Net asset value per share

	Investment Entity	
SEK 000	**2023-12-31**	**2022-12-31**
Net assets		
Cash and cash equivalents	85,272	131,078
Short-term investments	–	58,742
Net financial assets and liabilities	67,699	75,316
Total net assets	**152,971**	**265,136**
Estimated fair value of portfolio companies	1,100,398	983,995
Total net asset value	**1,253,369**	**1,249,131**
Number of shares	**269,833,309**	**269,833,309**
Net asset value per share	**4.64**	**4.63**

Share structure

The number of shares amounts to 270,077,594, of which 2,555,261 are series A shares and 267,522,333 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. The shares were repurchased to cover the social security costs in the PSP incentive programs.

Other contributed capital

Relates to capital contributed by the owners.

Retained earnings including net profit for the year

Retained earnings including current year results and 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	**2023**	**2022**
Net profit/loss for the year	5,293	-88,122
Weighted average number of shares before dilution	269,833,309	257,417,460
Earnings per share, SEK, before dilution	**0.02**	**-0.34**
Weighted average number of shares after dilution	269,833,309	257,417,460
Earnings per share, SEK, after dilution	**0.02**	**-0.34**

Note 14 Other financial liabilities

SEK 000	2023-12-31	Of which affect cash flow	2022-12-31	Of which affect cash flow
Earn-out agreement regarding Aprea Therapeutics				
Accumulated acquisition cost				
At the beginning of the year	191		1,756	
Paid compensations	–	–	-324	-324
Fair value change in net profit/loss for the year	-61		-1,241	
Closing balance	**130**	**–**	**191**	**-324**

Earn-out agreement Aprea Therapeutics

At a divestment of Karolinska Developments holding in Aprea Therapeutics, Industrifonden, according to the share swap agreement, is entitled to 5 percent of Karolinska Developments revenue, with a cap of SEK 80 million. Residual value amounts to SEK 71.2 millions (SEK 71,2) at 31 December 2023.

Note 15 Accrued expenses and prepaid income

SEK 000	2023-12-31	2022-12-31
Salaries and remuneration to personnel	3,345	4,564
Remuneration to Board of Directors	460	438
Auditor and consulting fees	767	707
Payroll tax and accrued pension costs	1,318	1,349
Social security costs	458	914
Other	24	199
Total	**6,372**	**8,171**

Note 16 Financial assets and liabilities, financial risk management

Financial assets and liabilities by category

2023

	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	1,100,398				1,100,398	1,100,398
Other financial assets, non-current part	57,443				57,443	57,443
Other financial assets, current part	10,386				10,386	10,386
Receivables from portfolio companies		268			268	268
Cash and cash equivalents		85,272			85,272	85,272
Total	**1,168,227**	**85,540**			**1,253,767**	**1,253,767**
Other financial liabilities			130		130	130
Accounts payable				1,323	1,323	1,323
Total			**130**	**1,323**	**1,453**	**1,453**

2022

	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	983,995				983,995	983,995
Other financial assets, non-current part	59,537				59,537	59,537
Other financial assets, current part	15,970				15,970	15,970
Receivables from portfolio companies		211			211	211
Short-term investments at fair value through profit or loss	58,742				58,742	58,742
Cash and cash equivalents		131,078			131,078	131,078
Total	**1,118,244**	**131,289**			**1,233,563**	**1,233,563**
Other financial liabilities			191		191	191
Accounts payable				439	439	439
Total			**191**	**439**	**630**	**630**

Note 16 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 observable 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 2023

SEK 000	Level 1	Level 2	Level 3	Total
Financial assets				
Shares in portfolio companies at fair value through profit or loss	124,598		975,800	1,100,398
Other financial receivables, non-current and current			67,829	67,829
Cash and cash equivalents	85,272			85,272
Total	**209,870**		**1,043,629**	**1,253,499**
Financial liabilities				
Other financial liabilities			130	130
Total			**130**	**130**

Investment Entity's assets and liabilities at fair value as of 31 december 2022

SEK 000	Level 1	Level 2	Level 3	Total
Financial assets				
Shares in portfolio companies at fair value through profit or loss	75,534		908,461	983,995
Other financial receivables, non-current and current			75,507	75,507
Cash and cash equivalents and short-term investments	189,820			189,820
Total	**265,354**		**983,968**	**1,249,322**
Financial liabilities				
Other financial liabilities			191	191
Total			**191**	**191**

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 portfolio companies (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 percent. 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 16 continued

Changes in financial assets and liabilities on Level 3 in 2023

SEK 000	Shares in portfolio companies	Other financial assets	Other financial liabilities
At the beginning of the year	908,461	75,507	191
Acquisitions	69,477	–	–
Disposals/compensation	-1,764	-16,508	–
Gains and losses realized in profit or loss	-376	8,830	-61
Carrying amount at year-end	**975,800**	**67,829**	**130**
Realized gains and losses for the period included in profit or loss	793	16,508	–
Unrealized gains and losses for the period included in profit or loss	-1,168	-7,678	61

There were no transfers between Level 1 and 2 in 2023.

Changes in financial assets and liabilities on Level 3 in 2022

SEK 000	Shares in portfolio companies	Other financial assets	Other financial liabilities
At the beginning of the year	876,250	61,799	1,757
Acquisitions	86,276	–	–
Disposals/compensation	-390	-5,485	-325
Gains and losses realized in profit or loss	-53,675	19,193	-1,241
Carrying amount at year-end	**908,461**	**75,507**	**191**
Realized gains and losses for the period included in profit or loss	751	–	–
Unrealized gains and losses for the period included in profit or loss	-54,426	19,193	1,241

There were no transfers between Level 1 and 2 in 2022.

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 2023

SEK 000	Shares in portfolio companies	Other financial assets and liabilities
Result level 1		
Listed companies, realized	–	
Listed companies, unrealized	15,561	
Total level 1	**15,561**	
Result level 3		
Unlisted companies, realized	793	
Unlisted companies, unrealized	-1,169	
Total level 3	**-376**	
Result level 3		
Other financial assets, unrealized		8,830
Other financial liabilities, unrealized		61
Total level 3		**8,891**
Gains and losses realized in profit or loss	**15,185**	**8,891**

Change in fair value, gains and losses realized in profit or loss 2022

SEK 000	Shares in portfolio companies	Other financial assets and liabilities
Result level 1		
Listed companies, realized	–	
Listed companies, unrealized	-22,408	
Total level 1	**-22,408**	
Result level 3		
Unlisted companies, realized	751	
Unlisted companies, unrealized	-54,426	
Total level 3	**-53,675**	
Result level 3		
Other financial assets, unrealized		19,193
Other financial liabilities, unrealized		1,241
Total level 3		**20,435**
Gains and losses realized in profit or loss	**-76,083**	**20,435**

Note 16 continued

Shares in portfolio companies (level 3) on 31 december 2023

KSEK	Ownership	Fair value	Valuation model[1)]
AnaCardio	20.7%	45,140	Post-money valuation
Dilafor	2.2%	40,302	Post-money valuation
Henlez	13.5%	5,557	Post-money valuation
PharmNovo	13.1%	33,664	Post-money valuation
SVF Vaccines	34.8%	21,007	Post-money valuation
Umecrine Cognition	72.6%	588,072	External valuation[2)]
KCIF Co-Investment Fund KB	26.0%	7,623	A combination of share price listed company and fair value of financial asset[3)]
KDev Investments	90.1%	234,435	A combination of post-money valuation and share price listed company[4)]
Total level 3		**975 800**	

1) See Note 1 Valuation of portfolio companies at fair value, for a description of valuation models.
2) Risk adjusted external valuation dated December 2022 by an independent valuation institute. The external valuation resulted in an rNPV value (see definitions page 92) which has been risk adjusted to reflect an assumed split in risk and revenues in con-junction with a license deal and also to incorporate the financial risk that Umecrine will not manage to finance fully the final parts of the reasearch program.
3) KCIF Co-Investment Fund KB holds 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 85 percent 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 2022

KSEK	Ownership	Fair value	Valuation model[1)]
AnaCardio	20.7%	45,138	Post-money valuation
Dilafor	1.5%	24,026	Post-money valuation
Henlez	13.5%	5,586	Post-money valuation
PharmNovo	13.1%	20,000	Post-money valuation
SVF Vaccines	34.8%	12,867	Post-money valuation
Umecrine Cognition	72.6%	588,799	External valuation[2)]
KCIF Co-Investment Fund KB	26.0%	8,025	A combination of share price listed company and fair value of financial asset[3)]
KDev Investments	90.1%	204,020	A combination of post-money valuation and share price listed company[4)]
Total level 3		**908,461**	

1) See Note 1 Valuation of portfolio companies at fair value, for a description of valuation models.
2) Risk adjusted external valuation dated December 2022 by an independent valuation institute. The external valuation resulted in an rNPV value (see definitions page 92 which has been risk adjusted to reflect an assumed split in risk and revenues in con-junction with a license deal and also to incorporate the financial risk that Umecrine will not manage to finance fully the final parts of the reasearch program.
3) KCIF Co-Investment Fund KB holds 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 91 percent of total fair value in KDev Investments. The potential distribution to Rosetta Capital of fair value is also taken into account.

Sensitivity analysis of significant holdings, 2023

	5%		–5%		+/–15%		+/–30%	
	Result/equity		Result/equity		Result/equity		Result/equity	
KSEK	MSEK	SEK/share	MSEK	SEK/share	MSEK	SEK/share	MSEK	SEK/share
Umecrine Cognition[1)]	31,713	0.1	-34,078	-0.1	+/-99,748	+/-0.4	+/-198,436	+/-0.7
KDev Investments[2)]	19,008	0.1	-19,008	-0.1	+/-55,949	+/-0.2	+/-112,000	+/-0.4

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, 2022

	5%		–5%		+/–15%		+/–30%	
	Result/equity		Result/equity		Result/equity		Result/equity	
KSEK	MSEK	SEK/share	MSEK	SEK/share	MSEK	SEK/share	MSEK	SEK/share
Umecrine Cognition[1)]	31,100	0.1	-34,732	-0.1	+/-99,811	+/-0.4	+/-198,560	+/-0.7
KDev Investments[2)]	17,307	0.1	-17,307	-0.1	+/-51,934	+/- 0.2	+/-103,849	+/-0.4

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.

Note 16 continued

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

"Potential distribution to Rosetta Capital" is the amount of SEK 339.9 million that KDev Investments, according to the investment agreement between Karolinska Development and Rosetta Capital, is obliged to distribute to Rosetta Capital (on Rosetta Capital's preference and common shares) from the proceeds received by KDev Investments (KDev Investments' fair value). With its current shareholding, Karolinska Development's proportion of dividends will be 0 percent for accumulated dividends up to SEK 220 million, 65 percent for accumulated dividends between SEK 220 million and SEK 880 million, 75 percent for accumulated dividends between SEK 880 million and SEK 1,320 million, and 92 percent 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 Promimic in December 2023, which yielded SEK 6.5 million for KDev Investments, enabled KDev Investments to pay a dividend to Rosetta Capital in 2023 of SEK 5.0 million. The dividend continued the winding down of the waterfall by a corresponding amount against the first SEK 220 million which should be distributed to Rosetta Capital. The waterfall amounts to SEK 114 million at year-end.

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

SEK 000	2023-12-31	2022-12-31
Fair value of Karolinska Development portfolio (unlisted companies)	741 365	704 443
Fair value of Karolinska Development portfolio (listed companies)	124 598	75 534
Fair value of KDev Investments portfolio	574 336	532 547
Total Portfolio Fair Value[1]	**1 440 299**	**1 312 524**
Potential distribution to Rosetta Capital of fair value in KDev Investments[2]	-339 901	-328 529
Net Portfolio Fair Value (after potential distribution to Rosetta Capital)[3]	**1 100 398**	**983 995**

1) "Total Portfolio Fair Value" is indicated in Note 1.
2) SEK 339.9 million distribution of dividends on common and preference shares to Rosetta Capital.
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:	**MSEK**	**SEK/share**	**MSEK**	**SEK/share**	**MSEK**	**SEK/share**
Change in share price on shares in portfolio companies at fair value through profit or loss	62.3	0.2	185.8	0.7	492.4	1.8
Currency	0.4	0.0	1.1	0.0	2.3	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 portfolio companies. 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 to foreign currency linked to the contractual cash flows and balance sheet items where changes in exchange rates affect the results and cash flows.

Interest rate 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 16 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, no reserve for expected credit losses on these is made.

Assets exposed to credit risk

SEK 000	2023-12-31	2022-12-31
Other financial assets	67,829	75,507
Receivables from portfolio companies	268	211
Other current receivables	673	673
Short-term investments throug profit or loss	–	58 742
Cash and cash equivalents	82,272	131,078
Maximum exposure to credit risk	**154,042**	**266,211**

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.

2023

SEK 000	Within 3 month	3–12 month	1–5 years	Over 5 years	Total
Accounts payable	1,323				1,323
Other current liabilities	674				674
Total	**1,997**				**1,997**

2022

SEK 000	Within 3 month	3–12 month	1–5 years	Over 5 years	Total
Accounts payable	439				439
Other current liabilities	654				654
Total	**1,093**				**1,093**

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 externally. 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 17 Pledged assets and contingent liabilities

SEK 000	2023-12-31	2022-12-31
Pledged assets		
Contingent liabilities		
Investment commitment in portfolio companies	8,705	7,580
Total pledged assets	**8,705**	**7,580**

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 18 Related parties

Affiliates

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 of 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 were made through KCIF Co-Investment KB ("KCIF"). KCIF invested in parallel with Karolinska Development at a ratio of 27:73 (KCIF: Karolinska Development) on the condition that certain stated investment criteria were 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 2023 amounted to SEK 128 thousand (SEK 128 thousand). As of 16 November 2021 liquidation of KCIF has started, whereby existing holdings are to be liquidated in the future and will be distributed to Karolinska Development and EIF.

FMAB is currently 100 percent owned by Karolinska Development (previously 25 percent was owned by KIAB, this part was acquired in 2023 by Karolinska Development).

Compensation and profit distribution

FMAB is entitled to an annual management fee corresponding to 1 percent of invested capital. 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 percent on this amount. Secondly, 80 percent of the remaining funds will be distributed to EIF and Karolinska Development in proportion to their capital investment.

The remaining 20 percent will be distributed to Karolinska Development The indirect ownership in the portfolio companies through KCIF holding has been included in Karolinska Development's share of the portfolio companies, Note 33.

	2023				2022			
SEK 000	Sale of services	Interest income	Purchase of service	Interest expenses	Sale of services	Interest income	Purchase of service	Interest expenses
Associate relationship								
Owner: invoX Pharma Ltd				–				799
Portfolio companies	1,923	4,393			2,294	1,129		
Total	**1,923**	**4,393**	**–**	**–**	**2 ,294**	**1,129**	**–**	**799**

	2023-12-31		2022-12-31	
SEK 000	Liability to associates	Receivable from associates	Liability to associates	Receivable from associates
Associate relationship				
Portfolio companies	–	75,336	–	30,579
Total	**–**	**75,336**	**–**	**30,579**

Note 19 Significant events after the closing date

Karolinska Development
- No significant news after the closing date

AnaCardio
- AnaCardio received the second tranche of SEK 50 million, completing the previously announced Series A investment round totaling SEK 150 million. The financing will fund the continued development of the company's drug candidate AC01, including the ongoing clinical phase 1b/2a study in heart failure patients (January 2024).

Aprea
- Aprea Therapeutics received FDA approval of the company's IND application for the drug candidate APR-1051. Aprea also secured funding up to USD 34 million through a financing round led by Sphera Healthcare. With the approval and financing in place, the company will be able to start the first clinical study with APR-1051 (March 2024).

Biosergen
- Biosergen published a prospectus for the issue of units that was approved during an extraordinary general meeting on March 1, 2024 (March 2024).

OssDsign
- OssDsign reported positive data from the clinical study TOP FUSION. Top-line results show a 93% spinal fusion rate at 12 months as assessed with CT by independent radiological review after surgery with the novel nanosynthetic bone graft OssDsign Catalyst (January 2024).

Umecrine Cognition
- Umecrine Cognition presented recent nonclinical data elucidating golexanolone's mode-of-action in Parkinson's disease at the 18th International Conference on Alzheimer's and Parkinson's Diseases 2024 in Lisbon, Portugal (March 2024).

Note 20 Parent Company's accounting policies

Parent Company's accounting policies
The parent company has prepared its annual report in accordance with the Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Council's recommendation RFR 2 "Accounting for legal entities". Statements from the Swedish Financial Reporting Council, UFR 7 and 9, are also applied. Application of RFR 2 means that the parent company must apply all IFRS approved by the EU as far as this is possible within the framework of the Annual Accounts Act and the Insurance Act and take into account the connection between accounting and taxation. The principles described in note 1 regarding investment companies are also applied to the parent company, unless otherwise stated below.

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

Subsidiary
Shares in subsidiaries are reported at fair value through profit or loss in the parent company's financial reports. Dividends are reported as income when these have been determined by the general meeting.

Associated companies and joint ventures
Shares in associated companies and joint ventures are reported at fair value through profit or loss in the parent company's financial reports. Dividends are reported as income when these have been determined by the general meeting.

Other long-term securities
Shares in other long-term securities holdings are reported at fair value through profit or loss in the parent company's financial reports.

Change in fair value of shares in portfolio companies
The company reports holdings in subsidiaries, joint ventures, associated companies and other long-term securities holdings at fair value via the income statement. If holdings in subsidiaries, joint ventures, associated companies or other long-term securities holdings have a lower or higher value than the acquisition value on the balance sheet date, the holding is valued at fair value.

Note 21 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 22 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	2023	2022
Other revenue	2,014	2,300
Total revenue	**2,014**	**2,300**

Note 23 Change in fair value of shares in portfolio companies

SEK 000	2023	2022
Change in fair value of shares in subsidiaries	-43,286	-49,376
Change in fair value of shares in joint ventures and associated companies	31,744	-10,504
Change in fair value of other long-term securities holdings	26,727	-16,203
Total	**15,185**	**-76,083**

Note 24 Change in fair value of other financial assets and liabilities

SEK 000	2023	2022
Change in fair value av other financial assets and liabilities	8,891	20,435
Total	**8,891**	**20,435**

Note 25 Other external expenses

Auditor fees

SEK 000	2023	2022
EY		
Audit services	1,684	1,319
Audit related services	52	120
Total	**1,736**	**1,439**

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 26 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	2023	2022
Expensed leasing payments during the period	798	714
Future leasing payments		
Within one year	803	711
Between one year and five years	1,995	–
Total future leasing payments	**2,798**	**711**

Note 27 Employees and personnel costs

See Note 5 for further information.

Average number of employees

	2023			2022		
Full-time equivalent	Number	Of whom women	Of whom men	Number	Of whom women	Of whom men
Investment Entity	8	50%	50%	8	50%	50%
Total	**8**	**50%**	**50%**	**8**	**50%**	**50%**

Employee benefits

SEK 000	2023	2022
Salaries and remuneration	12,636	17,160
Social security costs/payroll tax	5,246	5,840
Pension costs	2,870	2,999
Total	**20,752**	**26,004**

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

	2023		2022	
SEK 000	Board and CEO	Other employees	Board and CEO	Other employees
Salaries and remuneration	4,448	8,188	5,557	11,603
Pension costs	963	1,907	920	2,079
Total	**5,411**	**10,095**	**6,477**	**13,682**

Note 28 Interest income and similar income

SEK 000	2023	2022
Interest income from loans to portfolio companies	7,244	1,416
Financing fee	1,593	–
Total	**8,837**	**1,416**

Note 29 Interest expenses and similar expenses

SEK 000	2023	2022
Interest expense, loans from related parties	–	-799
Fair value change in short-term investments	–	-1,272
Total	**0**	**-2,071**

Note 30 Taxes

SEK 000	%	2023	%	2022
Profit before tax		5,234		-88,101
Income tax expense at applicable rate in the Parent Company	20.6%	-1,078	20.6%	18,149
Tax effect of				
Non-deductible expenses		-103		-369
Tax-exempt income		13		13
Issue costs		–		3,502
Fair value change, non-taxable		4,960		-11,463
Increase in tax losses carried forward without corresponding capitalization of deferred tax		-3,792		-9,832
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 2023 amounted to SEK 182,804 thousand (179,012), and SEK 0 thousand (SEK 0 thousand) refers to the tax effect of deficits that are restricted by Group contributions and mergers.

Note 31 Shares in subsidiaries

SEK 000	2023	2022
Accumulated book value		
At the beginning of the year	588,798	0
Reclassification from joint ventures	28,951	623,048
Investments during the year	54,879	15,126
Fair value measurement through profit or loss	-43,261	-49,376
Closing balance, book value	**629,367**	**588,798**

Specification of holdings in subsidiaries

	Total holding		Book value in Parent Company	
SEK 000	**2023-12-31**	**2022-12-31**	**2023-12-31**	**2022-12-31**
Modus Therapeutics (reclassification from associated companies)	66.2%	–	41,295	–
Umecrine Cognition AB	72.6%	72.6%	588,072	588,798
KCIF Fund Management AB	100%	75.0%	0	0
KD Incentive AB	100%	100.0%	0	0
Total book value			**629,367**	**588,798**

Investments in subsidiaries

SEK 000	2023	2022
Modus Therapeutics AB	23,508	–
Umecrine Cognition AB	31,373	15,126
Total investments	**54,881**	**15,126**

Whereof non-cash investments in subsidiaries

SEK 000	2023	2022
Accrued interest		
Modus Therapeutics AB	1,508	–
Umecrine Cognition AB	1,374	166
Total non-cash investments	**2,882**	**166**

Note 32 Shares in joint ventures and associated companies

SEK 000	2023	2022
Accumulated book value		
At the beginning of the year	304,588	899,600
Investments during the year	8,140	50,941
Reclassification to shares in subsidiaries	-28,951	-623,048
Reclassification to other long-term securities holding	–	-12,014
Divestments during the year	-1,763	-199
Fair value measurement through profit or loss	31,744	-10,692
Closing balance, book value	**313,758**	**304,588**

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Specification of holdings in associated companies

	Total holding	Fully diluted[1]	Total holding	Book value in Parent Company	
SEK 000	**2023-12-31**		**2022-12-31**	**2023-12-31**	**2022-12-31**
KDev Investments AB[2]	90.1%		90.1%	234,435	204,020
Aprea Therapeutics Inc	1.6%	1.6%	2.2%		
Biosergen AB	1.8%	1.8%	2.1%		
Dilafor AB	29.3%	29.3%	29.8%		
Modus Therapeutics Holding AB	7.7%	7.7%	17.1%		
Promimic AB	12.5%	12.5%	13.7%		
Total book value				**234,435**	**204,020**

1) Ownership with full dilution according to current investment plans.
2) Karolinska Development owns 90.1 percent (90.1 percent) 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	**2023-12-31**		**2022-12-31**	**2023-12-31**	**2022-12-31**
AnaCardio Holding AB	20.7%	19.2%	20.7%	45,140	45,139
Henlez ApS	13.5%	13.5%	13.5%	5,557	5,586
Modus Therapeutics Holding AB (reclassified to joint ventures)	–	–	38.2%	–	28,951
SVF Vaccines AB	34.2%	34.2%	34.8%	21,007	12,867
KCIF Co-Investment Fund KB	26.%		26.0%	7,623	8,025
OssDsign AB	0.5%	0.5%	0.6%		
Total book value				**79,327**	**100,568**

1) Ownership with full dilution according to current investment plans.

Investments in joint ventures and associated companies

SEK 000	2023	2022
AnaCardio Holding AB	–	26,675
Henlez ApS	–	5,506
KDev Investments AB	–	915
Modus Therapeutics Holding AB	–	11,805
SVF Vaccines AB	8,140	6,040
Total investments in joint ventures and associated companies	**8,140**	**50,941**

Whereof non-cash investments in joint ventures and associated companies

SEK 000	2023	2022
Accrued interest		
Modus Therapeutics Holding AB	–	305
SVF Vaccines AB	640	21
Total non-cash investments	**640**	**326**

Note 33 Other long-term securities holdings

SEK 000	2023	2022
Accumulated book value		
At the beginning of the year	90,609	50,570
Investments during the year	39,936	44,227
Reclassification from associated companies	–	12,014
Fair value measurement	26,722	-16,203
Closing balance, book value	**157,269**	**90,609**

Specification of holdings in other long-term securities

	Totalt holding		Book value in Parent Company	
Name	**2023-12-31**	**2022-12-31**	**2023-12-31**	**2022-12-31**
Dilafor AB	2.2%	1.5%	40,298	24,026
OssDsign AB	9.4%	10.4%	73,088	42,958
PharmNovo AB	13.1%	13.1%	33,664	20,000
Promimic AB	1.7%	1.7%	10,219	3,625
Total book value			**157,269**	**90,609**

Whereof non-cash investments in other long-term securities holdings

SEK 000	2023	2022
Reclassification from associated companies	–	-12,014
Accrued interest	871	–
Fair value measurement	26,722	-16,203
Total non-cash investments	**27,593**	**-28,217**

Note 34 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	Solna	559343-3559	530	117,643	-14,895
Henlez ApS	Köpenhamn	40632026	9,259	2,784	-6,741
KD Incentive AB	Solna	556745-7675	100,000	150	1
KCIF Fund Management AB	Solna	556777-9219	100,000	222	2
Modus Therapeutics Holding AB	Stockholm	556851-9523	23,801,390	17,682	-17,897
SVF Vaccines AB	Stockholm	559001-9823	275	1,739	-7,693
Umecrine Cognition AB	Umeå	556698-3655	10,777,564	22,163	-42,794
KCIF Co-Investment Fund KB	Solna	969744-8810	26	29,305	3,965
OssDsign AB	Uppsala	556841-7546	461,184	234,918	-130,864
KDev Investments AB	Solna	556880-1608	2,239,340	574,050	47,087
Aprea Therapeutics Inc	Boston	7312119	59,034	278,341[1)]	-117,693[2)]
Biosergen AB	Stockholm	559304-1295	901,334	7,485[1)]	-20,568[2)]
Dilafor AB	Stockholm	556642-1045	403,970	2,614	-31,655
Modus Therapeutics Holding AB	Stockholm	556851-9523	2,752,516	17,682	-17 897
Promimic AB	Mölndal	556657-7754	2,323,920	76,719	-9,222

1) As of 30 September 2023
2) As of 1 January – 30 September 2023

Note 35 Other financial assets

Other financial assets, non-current

SEK 000	2023-12-31	2022-12-31
Receivable earn-out agreement Forendo Pharma Oy, see also note 9	57,443	59,537
Receivable earn-out agreement Oncopeptides, see also note 9	0	0
Total	**57,443**	**59,537**

Other financial assets, current

SEK 000	2023-12-31	2022-12-31
Receivable earn-out agreement Forendo Pharma Oy, see also note 9	10,386	15,970
Total	**10,386**	**15,970**

Note 36 Other current receivables and prepaid expenses and accrued income

Other current receivables

SEK 000	2023-12-31	2022-12-31
Tax assets	673	673
Total	**673**	**673**

Prepaid expenses and accrued income

SEK 000	2023-12-31	2022-12-31
Insurance premiums	310	297
Other	485	453
Total	**795**	**750**

Note 37 Short-term investments at fair value through profit or loss

SEK 000	2023-12-31	2022-12-31
At the beginning of the year	58,742	50,005
Aquisitioons of short-term interest funds with low risk	-60,336	10,000
Fair value measurement	1,594	-1,263
Total	**0**	**58,742**

Note 38 Proposed appropriation of profit

SEK	2023-12-31
Retained loss	-1,497,103,139
Share premium reserve	2,735,903,004
Net profit for the year	5,235,121
Total	**1,244,034,986**

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

Share premium reserve	2,735,903,004
Retained loss	-1,491,868,018
To be carried forward	**1,244,034,986**

Note 39 Other financial liabilities

SEK 000	2023-12-31	2022-12-31
Liability earn-out payment regarding Aprea Therapeutics, see also note 14	130	191
Total	**130**	**191**

Note 40 Accrued expenses and prepaid income

SEK 000	2023-12-31	2022-12-31
Salaries and remuneration to personnel	3,345	4,564
Remuneration to Board of Directors	460	438
Auditor and consulting fees	767	707
Payroll tax and accrued pension costs	1,318	1,349
Social security costs	458	914
Other	25	199
Total	**6,373**	**8,171**

Note 41 Related parties

Affiliates

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

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

	2023				2022			
SEK 000	Sale of services	Interest income	Purchase of services	Interest expenses	Sale of services	Interest income	Purchase of services	Interest expenses
Associate relationship								
invoX Pharma Ltd				–				799
Subsidiaries	88	2,882			89			
Joint ventures and associated companies	1,262	640			2,205	1,129		
Other long-term securities holdings	572	871			–	–		
Total	**1,923**	**4,393**	**–**	**–**	**2,294**	**1,129**	**–**	**799**

	2023-12-31		2022-12-31	
SEK 000	Liability to associate	Receivable from associate	Liability to associate	Receivable from associate
Associate relationship				
Subsidiaries		44,960		15,126
Joint ventures and associated companies		10,000		15,453
Other long-term securities holdings		17,036		–
Total	**–**	**71,996**	**–**	**30,579**

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, and signed by all, on 15 March 2024. 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 16 May 2024.

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 21 March 2024

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 2022. The annual accounts for the parent company and the financial statements for the investment entity are included on pages 35-81 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 2023 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 2023 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting Standrards), 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 1,100 MSEK as per 31 December 2023, corresponding to 87% 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.

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.

Information related to the Company's principles for accounting for shares in portfolio companies is described in Note 1 on pages 53–55 and in Note 16 on page 67–72 there is a detailed description of the valuation and classification of shares in portfolio companies.

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 1–34 and 86–95. 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 that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the financial statement for the investment entity, 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 scepticism 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 2023 and the proposed appropriations of the company's loss.

We recommend to the general meeting of shareholders that the 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 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 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 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 scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's 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 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 2022.

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

In our opinion, the ESEF 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 16 May 2023 and has been the company's auditor since the 20 May 2015.

Stockholm 21 March 2024
Ernst & Young AB

Oskar Wall
Authorized Public Accountant

Corporate Governance Report for 2023

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 conduct 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 2023 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 2023 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 is one holding that represents more than one tenth of the voting rights for all shares in Karolinska Development, invoX Pharma Ltd with 43.93 percent of the votes (47.67 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 member 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 2023, have the right each to appoint one member of the Nomination Committee for the Annual General Meeting 2024. 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 invoX Pharma Ltd; Jan Dworsky, appointed by Swedbank Robur Microcap fond; Hans Wigzell, appointed by Insamlingsstiftelsen för främjande och utveckling av medicinsk forskning vid KI; Peter Markborn, appointed by Styviken Invest AS.

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. 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. Doktorat (Dr.rer.nat) from Universität des Saarlandes, Assoc. Prof Universität Heidelberg.

Other assignments: CEO Eleva Biologics GmbH, interim-CEO Medraxa Therapeutics GmbH, Chairman of the Board of Directors of Sapreme Technologies BV, 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, Director Business Development Oncology at Roche AG, CEO at OnTarget Neurology AS, Head R&D at Affitech AS and SVP Business Development at Atriva Therapeutics GmbH.

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. Master of Laws from Uppsala University.

Other appointments: CEO Swedish Medtech Service AB. Current board assignments include: Sweden Medtech4Health AB (Chairwoman), Swecare and St Eriks ögonsjukhus.

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, Medtech Europe and COCIR, Life Science office of Sweden. 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, CEO invoX Pharma Limited, Director of 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).

Holds 64,001 shares in Karolinska Development.

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

Other appointments, Head of Overseas BD & Alliance at Sino Biopharmaceuticals Limited, member of the Board of Directors at Treadwell Therapuetics.

Previous assignments: Deutsche Bank AG (Hong Kong Branch).

No holdings in Karolinska Development.

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 holder**
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 2023 the Board held 11 meetings. Björn Cochlovius attended all meetings. Ben Toogood, Anna Lefevre Skjöldebrand and Philip Duong attended 10 of 11 meetings. 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 has 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 and its management.

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 2023. Björn Cochlovius and Ben Toogood attended all meetings. Anna Lefevre Skjöldebrand attended 4 of 5 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 and its management.

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 programs 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 2023. Björn Cochlovius and Anna Lefevre Skjöldebrand attended all meetings. Ben Toogood attended 1 of 2 meetings.

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 and its management.

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 met 4 times during 2023. Björn Cochlovius and Ben Toogood attended all meetings. Anna Lefevre Skjöldebrand attended 3 of 4 meetings.

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: 209,996 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 regular 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 2024

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 which is responsible for the corporate governance statement for the year 2023 on pages 87–91 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 in the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm 21 March 2024
Ernst & Young AB

Oskar Wall
Authorized Public Accountant

Definitions

Definitions of Key Terms

Performance Measures as defined under IFRS

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 proceeds 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.

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

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 1,100.4 million), cash and cash equivalents (SEK 85.3 million), net of financial assets and financial liabilities (SEK 67.8 million minus SEK 0.1 million). Net asset value per share: the net asset value in relation to the number of shares outstanding, excluded repurchased shares (269,833,309) on the closing date (31 December 2023).

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.

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 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

Anemia
A condition in which the body has fewer red blood cells than normal. Red blood cells are needed to transport oxygen to all the body's cells.

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

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.

Cholestasis
Impaired secretion of bile from the liver to the intestine. This leads to, among other things, impaired uptake of fats and fat-soluble vitamins with symptoms such as fatigue, itching and jaundice.

FDA
The US Food and Drug Administration.

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.

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.

Key opinion leaders (KOL)
Individuals who have significant influence and expertise in a particular field or industry.

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

Malignant tumors
Severe tumor.

Monotherapy
Treatment with only one drug.

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.

Neurological diseases
Neurological diseases concern diseases of the brain, brainstem, spinal cord and central nervous system that lead to a deterioration of cognitive (thinking) abilities.

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.

Oxytocin
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.

Palliative
Care or medicines aimed at relieving the symptoms of incurable diseases.

Peptide hormone
Hormone consisting of shorter chains of amino acids.

Pharmacokinetics
The doctrine of drug uptake into, turnover in and elimination from the body, as well as description of drug effects.

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 (mono-saccharides).

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

Preclinical
Research that indicates that a drug candidate is safe and effective before it can be tested on humans.

Proof-of-concept
Relates to clinical development and typically refers to the demonstration of a drug candidate's 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.

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.

Small molecule inhibitors
Chemical substance that can usually be taken orally (not antibody or protein) and which inhibits a receptor system, e.g. in cancer cells.

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

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

510 (k) process
Regulatory process in the United States for obtaining market approval of medical devices.

Publication dates for financial information

Interim Report January – March 2024	26 April 2024
Interim Report January – June 2024	30 August 2024
Interim Report January – September 2024	15 November 2024
Year-end Report January – December 2024	February 2025
Annual Report 2024	March 2025

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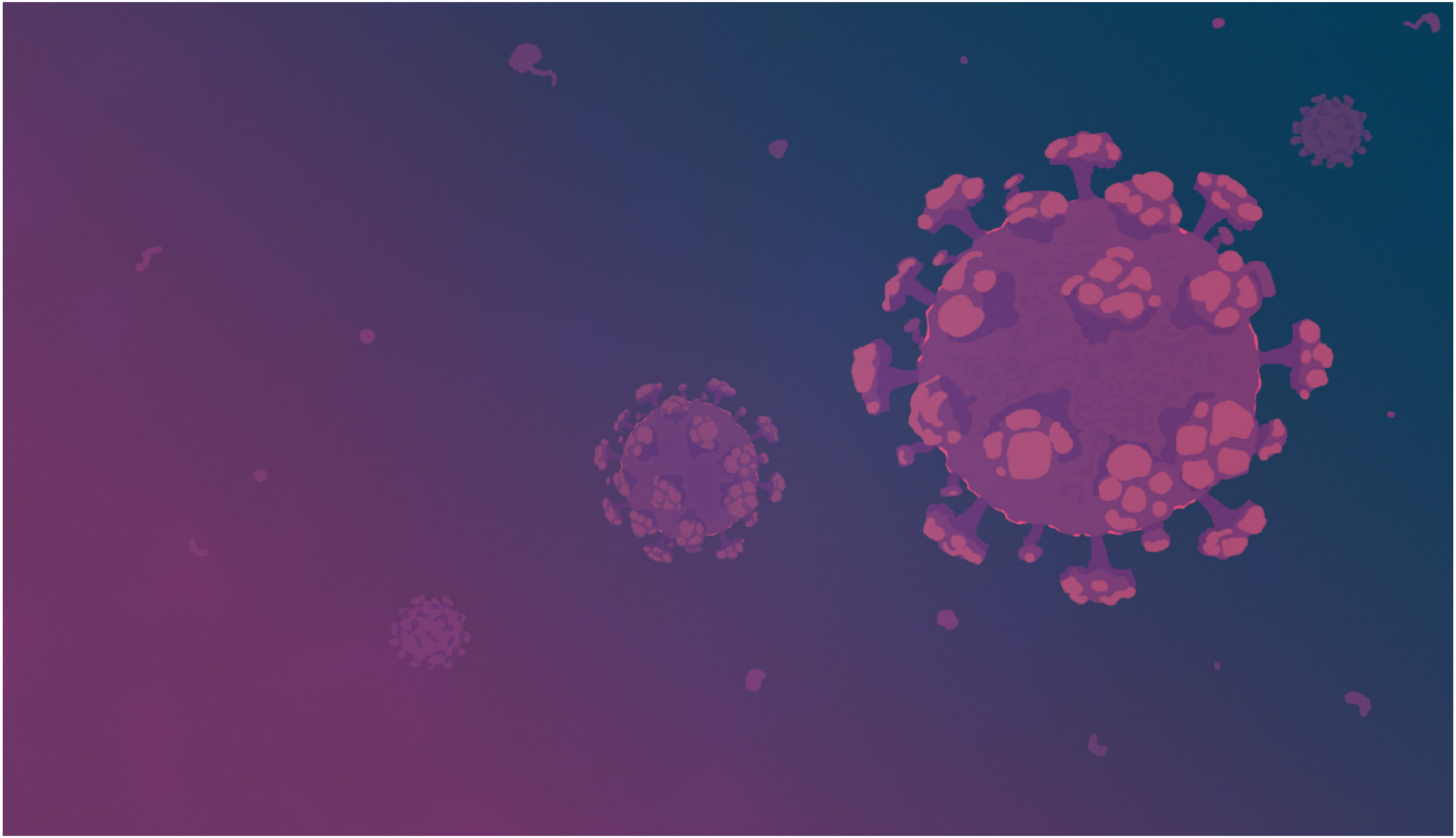

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