KAROLINSKA DEVELOPMENT

INTERIM REPORT
Jan – Mar 2020

Q1

Karolinska Development

Karolinska Development (Nasdaq Stockholm: KDEV) is an investment company which offers a unique opportunity to share in the growth in value of a number of Nordic life sciences companies with high commercial potential. Eight of the ten portfolio companies have candidate drugs in ongoing clinical studies or approved products in early commercial phase. Two of the portfolio companies are expected to present clinical phase II and III results during the remainder of 2020, offering the potential for substantially increased opportunities for attractive divestments or licensing deals. Comparable candidate drugs have, in recent years, been out-licensed or sold for contract values in the billions of kronor range for the individual projects.

For further information, see www.karolinskadevelopment.com

Financial Update

First quarter

- The net profit/loss for the first quarter was SEK -126.1 million (SEK -18.6 million in the first quarter of 2019). Earnings per share totalled SEK -0.7 (SEK -0.3 in the first quarter of 2019).
- The result of the Change in fair value of shares in portfolio companies amounted to SEK -122.7 million. The result was largely attributable to the decline in share price of the listed holdings Aprea, OssDsign and Lipidor.
- The total fair value of the portfolio was SEK 1,369.6 million at the end of March 2020, corresponding to a decrease of SEK -183.8 million from SEK 1,553.4 million at the end of the previous quarter. The net portfolio fair value at that time was SEK 932.5 million, corresponding to a decrease of SEK 115.1 million from SEK 1,047.6 million at the end of the previous quarter.
- Net sales totalled SEK 1.1 million during the first quarter of 2020 (SEK 0.9 million during the first quarter of 2019).
- Karolinska Development invested a total of SEK 7.7 million in portfolio companies during the first quarter. First quarter investments in portfolio companies by Karolinska Development and other specialised life sciences investors totalled SEK 23.7 million.
- Cash and cash equivalents decreased by SEK 43.1 million during the first quarter, totalling SEK 9.1 million on 31 March 2020.
- The Parent Company equity totalled SEK 881.6 million on 31 March 2020.

Significant events during the first quarter

- Karolinska Development repaid the remaining SEK 20.0 million of the convertible loan, including accrued interest. The entire convertible loan, issued by Karolinska Development in January 2015 and which was due for payment on December 31, 2019 has consequently been resolved (January 2020).

- Aprea Therapeutics was granted Breakthrough Therapy Designation by the FDA for its candidate drug, APR-246 in combination with azacitidine for the treatment of myelodysplastic syndrome (MDS) with a TP53 mutation. A Breakthrough Therapy Designation facilitates expedited development and a shorter regulatory review for the candidate drug (January 2020).
- Karolinska Development appointed Johan Dighed as General Counsel. Johan Dighed has extensive experience from the banking sector and will take up his position at the company from 1 May 2020, replacing Ulf Richenberg, who is retiring (March 2020).
- Karolinska Development announced that it had postponed the date for the Annual General Meeting to 15 June 2020, due to the risk of infection by the COVID-19 virus (March 2020).
- Karolinska Development made an investment in Svenska Vaccinfabriken Produktion AB (SVF). SVF develops therapeutic proteins and DNA vaccines against hepatitis B, hepatitis D, and other viral diseases, as well as vaccines to prevent COVID-19 infections and potential future Corona viruses (March 2020).
- The portfolio company, OssDsign, received regulatory approval in Japan and is preparing to launch its implant product, OssDsign Cranial PSI, there (March 2020).

Significant post-period events

- Umecrine Cognition presented phase IIa data for its candidate drug, golexanolone, in patients at risk of developing hepatic encephalopathy. The candidate drug demonstrated a positive safety and tolerability profile, and favourable pharmacokinetics, but no indications of clinical effects. Karolinska Development is awaiting a thorough analysis of the results before a decision can be taken on whether the continued clinical development of the candidate drug is merited (April 2020).
- The portfolio company, Dilafor, entered into a partnership with Liverpool University to study the effects of the company's candidate drug, tafoxiparin, as a treatment for COVID-19. The candidate drug is primarily being developed to reduce the incidence of protracted labour, but the substance is also thought to potentially be effective in connection with certain viral infections (April 2020).
- Karolinska Development and KCIF Co-investment Fund KB – a holding company jointly owned by the European Investment Fund and Karolinska Development – divested part of their holding in the portfolio company, Aprea Therapeutics. In total, the transaction comprises 1% of all outstanding shares in Aprea Therapeutics, and yielded net proceeds for Karolinska Development of approximately SEK 59 million. Karolinska Development's remaining holding in Aprea Therapeutics, including the indirect holding through KCIF Co-investment Fund, amounts to approximately 1% of the total number of outstanding shares in Aprea. KDev Investments' holding in Aprea remains unchanged at approximately 9.5% of the total number of outstanding shares in Aprea (April 2020).

Viktor Drvota, CEO of Karolinska Development, comments:

"The first quarter results are characterised by the ongoing COVID-19 pandemic and its effect on the stock market. The value of our holdings, particularly those in Aprea Therapeutics and OssDsign, have been negatively affected, which is the principal explanation for our financial result for the quarter. We have, however, also seen a number of new opportunities emerge during the period. The quarter began with our repayment of the remainder of the 2015 convertible loan, enabling us to now focus 100% on the future. We have, for example, made an initial investment in line with our new strategy of taking Nordic innovations to Asia. We are also seeing an ability on the part of our portfolio companies to handle the setbacks posed and take advantage of the opportunities offered by the COVID-19 pandemic."

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Chief Executive's Report

A financial result characterised by COVID-19

The Corona pandemic has left its mark on the entire life science sector. The effect of the stock market's performance on the entire industry has, in the main, been negative, uncertain times mean the postponement of capital acquisition programmes, and clinical trials have to be put on hold when the hard working health care system has to focus its resources. At the same time, there is a massive demand for vaccines and new treatments that could help slow the pandemic's progress. Karolinska Development noted all of these effects during the first quarter: our holdings in Aprea Therapeutics and OssDsign were negatively affected by the stock market's performance, which explains the quarter's financial results. At the same time, we were able to make an initial investment in Svenska Vaccinfabriken Produktion, whose platform for the development of DNA vaccines has the potential to inhibit COVID-19, amongst other things, and we have also seen international interest in Dilafors' heparin derivative as a possible treatment for those already infected.

A well-financed Aprea Therapeutics proves resistant

Aprea Therapeutics' market cap did undeniably fall during the quarter and the company was – just like every other company in the sector – obliged to review the tempo of its clinical trials, but Aprea Therapeutics is still well-positioned for continued positive growth. The successful IPO on the NASDAQ Global Select Market in the USA in the autumn means that the company is very well financed and that the clinical development programmes will be able to return to full speed ahead once the worst of the pandemic storm is over. Aprea Therapeutics is still expecting to present top line data for the ongoing phase III study of their candidate drug, APR 246, before the end of the year and, assuming positive results from the study, to file for registration in the USA for the treatment of myelodysplastic syndrome (MDS). The company also announced in January that it had been granted Breakthrough Therapy Designation by the USA's FDA for APR 246 in combination with azacitidine for the treatment of MDS with a TP53 mutation, thereby facilitating expedited development and a shorter regulatory review for the candidate drug.

We divested part of our holding in Aprea Therapeutics after the quarter ended. The transaction comprised a total of 1% of the outstanding shares in Aprea Therapeutics and yielded a net of approximately SEK 59 million for Karolinska Development. The sale strengthens our cash position at the same time as the remaining holding gives us the opportunity to take advantage of a potential continued value increase in the company.

Svenska Vaccinfabriken Produktion investment – a first step in the new strategy

In late March, we made an investment in Svenska Vaccinfabriken Produktion (SVF). The initial investment resulted in Karolinska Development owning 5% of the shares in SVF while an option agreement gives us the opportunity to increase the holding to a total of 25% within a defined period of time and at a predetermined price. SVF has an innovative platform for vaccine development that has been developed by researchers at the Karolinska Institute in Huddinge. The company has preclinical development projects involving therapeutic proteins and DNA vaccines for the treatment of, amongst other things, hepatitis B and hepatitis D. SVF also initiated development projects during the winter involving vaccines against SARS-CoV-2 and other types of corona virus in response to the progression of COVID-19.

The investment in SVF is also the first step towards realising our ambition to establish partnerships between innovative Nordic life science companies and leading Asia life science players. China is one of the world's most severely affected countries when it comes to hepatitis B and hepatitis D and, given that the vaccines

that SVF is developing block the ability of the virus to penetrate human host cells, the treatment has the potential to cure already infected patients. SVF is, in other words, a clear example of how Nordic innovations can meet a massive Asian need.

Further successes for OssDsign, and assessment of Umecrine Cognition

OssDsign achieved further successes as part of its preparations for the launch of its implant product, OssDsign Cranial PSI, in Japan. The product has now received regulatory approval and the company plans to launch the product in cooperation with a local distribution partner in the second half of 2020. The Japanese market for cranioplasty and cranial reconstruction is the second largest amongst the OECD member states, and the regulatory approval, coupled with the fact that OssDsign has already completed a successful pre-launch, bodes well for the success of the impending launch.

Shortly after the quarter ended, Umecrine Cognition reported top line data from its phase IIa study of the candidate drug, golexanolone in patients at risk of developing hepatic encephalopathy. The results demonstrate a positive tolerability and safety profile, and favourable pharmacokinetics; however, no indications of clinical effects could be observed in the initial data analysis. The results are now being analysed in depth and a decision on whether to continue developing the candidate drug is expected during the second quarter, at which point Karolinska Development will disclose the impact on the book value of our holding in Umecrine Cognition.

Dilafors' candidate drug evaluated for COVID-19

The Corona pandemic that has characterised the first quarter in so many ways will, in all probability, continue to do so for some months to come. Both we and our portfolio companies are adapting our operations in order to ward off any negative effects and to take advantage of potential new opportunities. Dilafors' candidate drug, tafoxiparin, which is primarily being developed to avoid complications in connection with protracted labour, offers one clear example of the latter. The spring will see tafoxiparin evaluated as a treatment for COVID-19 as part of a preclinical study at Liverpool University, alongside the regular development programme. Early research by the university indicates that heparin derivatives, such as tafoxiparin, can block the protein on the surface of SARS-CoV-2 that is used by the virus to penetrate host cells in people exposed to infection. If the results of further studies replicate these findings, the potential exists to develop a treatment that alleviates the disease progression in conjunction with COVID-19.

It is, however, also of the utmost importance that while we adjust to the current situation, we also continue our long-term work on the new strategy for Karolinska Development. This means that over and above our focus on taking Nordic innovations to Asia, we also review the future mix of our investment portfolio to ensure that we optimise the balance between possible future returns and risk in an ideal way. We began the quarter by repaying the remainder of the convertible loan issued in January 2015. Once the quarter had ended, we strengthened our cash position by selling some of our shares in Aprea Therapeutics. Taken as a whole, these measures mean our stability is greatly improved and we can now focus 100% on the future.

Solna, 30 April 2020

Viktor Drvota
Chief Executive Officer

Portfolio Companies

A Focused Portfolio with High Commercial Potential

Karolinska Development's investments in therapeutic companies are conducted in syndicates with other professional life science investors until proof-of-concept is demonstrated in Phase II trials, at which point different exit options are evaluated. For medtech companies, the business model is to finance the companies beyond break-even before realizing the investments.

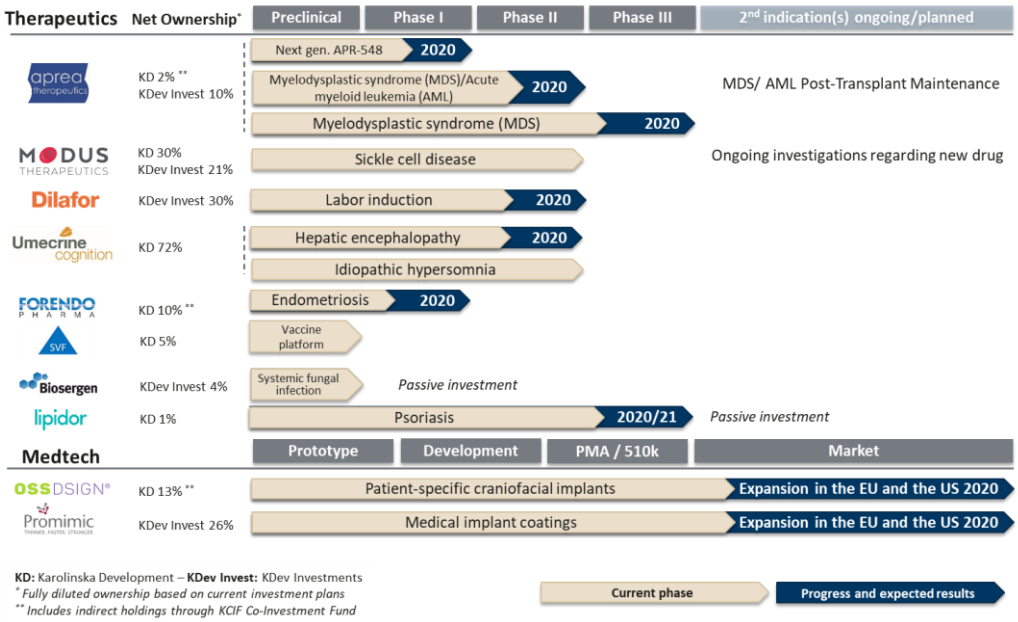
Karolinska Development has a focused portfolio of therapeutic and medtech companies with significant value-generating potential. The portfolio companies are developing highly differentiated and commercially attractive products that have the potential to deliver compelling clinical and health economic benefits, as well as attractive returns on investment.

During the past years, Karolinska Development has optimized the clinical programs of the portfolio companies to reach clinically meaningful value-inflection points. Experienced leadership has been recruited to the management and boards of the portfolio companies. Furthermore, Karolinska Development has supported the financing of the portfolio companies through syndication with experienced international and domestic professional life science investors. As a result, several of Karolinska Development's portfolio companies now are financed and well positioned to deliver key value-generating clinical or commercial milestones.

The therapeutics companies' next key value-generating milestones are expected during the remainder of 2020, when two of the companies are supposed to present Phase II proof-of-concept data and Phase lll data. The medtech companies OssDsign and Promimic are revenue generating and have significant milestones mapped out in 2020 regarding execution of their commercial strategies.

In addition to its active value creation in eight portfolio companies, Karolinska Development has passive investments in two portfolio companies and retained economic interests in the form of earn out-agreements in additionally three life science companies.

Our current portfolio – potential for value-inflection



Earn-out agreements

Project (First-in class)
APR-246

Primary indication
MDS

Development Phase
Phase III

Holding in company*
Karolinska Development 1%**
KDev Investments 9.5%

Other investors
Redmile Group,
Rock Springs Capital,
Versant Ventures,
5AM Ventures,
HealthCap,
Sectoral Asset Management,
KCIF Co-Investment Fund KB

Origin
Karolinska Institutet

More information
aprea.com

** Fully-diluted ownership based on current investment plans.*

*** Includes indirect holdings through KCIF Co-Investment Fund*

Deal values for similar projects

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

Aprea Therapeutics AB

Unique approach to treating a broad range of cancers

Aprea Therapeutics (Boston, USA and Stockholm, Sweden) is a biotech company developing novel pharmaceutical substances that target the tumour suppressor protein, p53. Mutations of the p53 gene are found in 50% of all human tumours and are often associated with drug resistance and generally poor outcomes. There is a substantial need for new therapies that combat drug resistance in the treatment of cancer, and Aprea's lead drug candidate APR-246 is a first-in-class compound that reactivates mutant p53 protein, inducing programmed cell death in cancer cells.

APR-246 is currently in a pivotal phase III study of patients with p53-mutated myelodysplastic syndrome (MDS), the results of which are expected in the third quarter of 2020. A phase Ib/II study to document the safety and efficacy of the candidate drug in combination with cytostatic agents (azacitidine) in the treatment of p53-mutated MDS and AML is being conducted at the same time. In 2019, Aprea presented positive interim data from the phase Ib/II study.

The company also aims to start a study in non-Hodgkin's lymphoma as well as a study in solid tumours in combination with anti-PD1 therapy. In addition, the company intends to initiate Phase I studies with the next generation oral P53 reactivator.

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

The market

APR-246 has the potential to be used in many cancers as mutations in p53 are found in around 50% of all diagnosed cancers. The lead target indications thus far include blood tumours as MDS and AML. MDS is an orphan disease and represents a spectrum of hematopoietic stem cell malignancies. Approximately 30-40% of MDS patients progress to AML and mutations in p53 are found in up to 20% of MDS and AML patients, which is associated with poor overall prognosis.

Recent progress

- FDA granted APR-246 Fast Track designation and Orphan Drug designation for treatment of patients with TP53 mutated MDS (April 2019).
- Aprea Therapeutics was on 3 October listed on Nasdaq Golbal Select Market, USA (October 2019)
- FDA granted Breakthrough Therapy Designation for APR-246 in combination with azacytidine (January 2020).

Expected milestones

- Final results from Phase Ib/IIa study in MDS expected in the first half of 2020
- Result from Phase III study expected in the fourth quarter 2020.

MODUS THERAPEUTICS

Project (First-in-class)
Sevuparin

Primary indication
Sickle cell disease (SCD)

Development Phase
Phase II

Holding in company*
Karolinska Development 30%
KDev Investments 21%

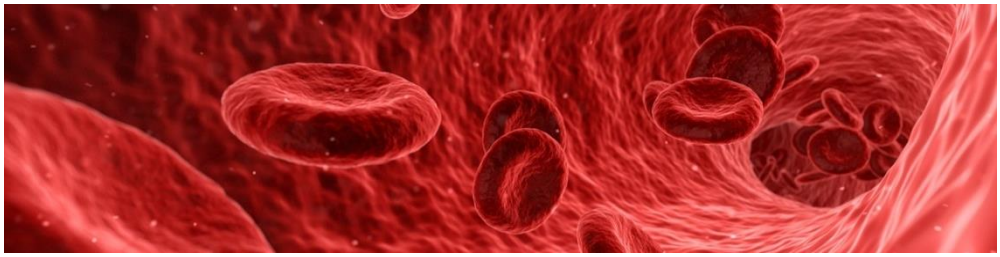
Other investors
HealthCap,
The Foundation for Baltic and East European Studies,
Praktikerinvest

Origin
Karolinska Institutet, Uppsala University

More information
modustx.com

**Fully-diluted ownership based on current investment plans*

Modus Therapeutics AB



Endeavouring to restore healthy blood flow in debilitating diseases

Modus Therapeutics (Stockholm, Sweden) is developing new treatments to prevent microvascular obstructions and enable the restoration of blood flow in conjunction with a number of serious diseases. The company's patented candidate drug, sevuparin, has a multimodal mechanism of action that triggers anti-adhesive, anti-aggregate, and anti-inflammatory effects in the circulatory system.

Modus has completed a phase II study of sevuparin in patients hospitalised with sickle cell disease (SCD). The randomised, double-blinded study was conducted at study centres in Europe, the Middle East, and Caribbean, and included 144 SCD patients. The study compared intravenously (IV) administered sevuparin with a placebo in patients admitted to the hospital with an acute vaso-occlusive crisis (VOC) in conjunction with sickle cell disease. The study also assessed several pain-related secondary endpoints. Data from the study did not show a meaningful clinical effect of sevuparin in the management of acute VOC in the total study population, however, the data suggests that sevuparin, at the administered doses, is safe and well tolerated. Modus is now considering a new indication for further development of sevuparin.a global Phase II study of sevuparin in hospitalized sickle cell disease (SCD) patients.

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The market

SCD, an orphan disease, leads to progressive organ damage that limits the life expectancy of patients. Lifetime medical care costs can exceed USD 1 million per patient with an estimated USD 1 billion spent annually on the disease in the US alone, where sickle cell disease is believed to affect approximately 100,000 individuals. The population grows significantly outside of the US and EU with over 1 million patients in the Middle East and over 5 million patients in Africa.

Recent progress

- Results from Phase II trial in SCD presented and no significant efficacy was observed (May 2019).
- Modus is now considering a new indication for further development of sevuparin.

Dilafor

Project (First-in-class)
Tafoxiparin

Primary indication
Labor induction

Development Phase
Phase IIb

Holding in company*
KDev Investments 30%

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

Origin
Karolinska Institutet

More information
dilafor.com

** Fully-diluted ownership based on current investment plans.*

Dilafor AB

Reducing complications with childbirth

Dilafor (Solna, Sweden) is developing tafoxiparin for obstetric indications, with particular reference to protracted labour and associated complications.

About one quarter of all pregnant women undergo induction in labour. In just over half of all cases, the induction fails, leading to protracted labour that entails an increased risk for both mother and child due to medical complications. Between 25 and 40% of women who experience protracted labour eventually require an emergency caesarean section. Surgical intervention always entails not only a risk to the patient, but substantial health care costs. Tafoxiparin could eliminate patient suffering and save valuable health care resources.

Subcutaneous administration of tafoxiparin in an earlier phase IIa study showed a significantly positive effect with a shortened time to delivery and an enhanced ripening of the cervix in patients delivered after induction. A soft and ripe cervix is a prerequisite of successful labour induction. Tafoxiparin is now being evaluated in a phase IIb study with a larger patient base in order to document the effects of treatment with subcutaneously administered tafoxiparin.

Deal values for similar projects

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

The market

Approximately one quarter of all pregnant women require labour induction. The current standard treatment includes administration of prostaglandins and oxytocin, but in over 50% of cases, the induction fails, leading to protracted labour, emergency caesarean sections, or other maternal and foetal complications.

Recent progress

- SEK 23,3 million raised from current investors, with the existing shareholder Opocrin S.p.A as the main investor, to fund a phase IIb study of tafoxiparin in labor induction. First patient included in the study (April and August 2019).
- Dilafor, enters into a partnership with Liverpool University to study the effects of the company's candidate drug, tafoxiparin, as a treatment for COVID-19. The candidate drug is also thought to potentially be effective in connection with certain viral infections (April 2020)

Expected milestones

- Result of Phase IIb study in labor induction during fourth quarter 2020.

Umecrine cognition

Project (First-in-class)
GR3027

Primary indications
Hepatic encephalopathy
Idiopathic hypersomnia

Development Phase
Phase IIa

Holding in company*
Karolinska Development 72%

Other investors
Norrlandsfonden,
Fort Knox Förvaring AB,
PartnerInvest

Origin
Umeå University

More information
umecrinecognition.com

** Fully-diluted ownership based on current investment plans.*

Deal values for similar projects

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

Umecrine Cognition AB

Unique treatment approach for CNS-related disorders

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

Golexanolone GR3027 has been shown to restore different types of neurological impairments in experimental models. The candidate drug enters the brain and works by reversing the inhibitory effects of the neurosteroid allopregnanolone on brain function in humans.

A clinical phase 2a study of the drug candidate golexanolone in patients at risk of developing hepatic encephalopathy has been performed. Results demonstrate a positive safety and tolerability profile; however, no indications of clinical effects could be observed in the study. The results will be further analyzed in order to evaluate if continued clinical development of golexanolone is merited.

The market

HE is a severe disorder with a large unmet need. In total, liver cirrhosis affects up to 1% of US and EU populations. Between 180,000 and 290,000 patients with cirrhosis in the US are hospitalized due to complications of HE. Once HE develops, mortality reaches 22-35% after five years. HE is also associated with large societal and individual costs.

Recent progress

- Umecrine Cognition has decided to prioritize the development of GR3027 in hepatic encephalopathy (HE) before idiopathic hypersomnia or other sleep disorders.
- Umecrine Cognition has reported top-line data from a clinical phase 2a study of the drug candidate golexanolone in patients at risk of developing hepatic encephalopathy has been performed. The results will be further analyzed in order to evaluate if continued clinical development of golexanolone is merited after which point Karolinska Development will disclose the impact on the book value of its holding (April 2020).

FORENDO PHARMA

Project (First-in-class)
FOR-6219

Primary indication
Endometriosis

Development Phase
Phase Ia

Holding in company*
Karolinska Development 10%**

Other investors
Novo Seeds,
Novartis Venture Fund,
Merck Ventures,
Vesalius Biocapital,
Innovestor, Novartis

Origin
University of Turku, Finland

More information
forendo.com

** Fully-diluted ownership based on current investment plans*

*** Includes indirect holdings through KCIF Co-Investment Fund*

Deal values for similar projects

- USD 853 million Astellas (buyer) & Ogeda (seller) 2017
- USD 595 million Neurocrine Biosciences (licensor) & AbbVie (licensee) 2010

Forendo Pharma Ltd

Novel therapies for women's health.

Forendo (Turku and Oulu, Finland) is developing a new treatment for eliminating endometriosis while at the same time maintaining normal hormonal cycles. The company is also active in the field of hepatic disease.

Endometriosis is an oestrogen dependent disease that affects women in reproductive age and is caused by cells normally lining the uterus being present outside of the uterine cavity, which induces chronic inflammation in the surrounding tissue. The disease is manifested in many diverse ways and it often causes particularly painful menstruations or chronic pelvic pain. The existing drug therapies ameliorate the symptoms by suppressing oestrogen synthesis, but these therapies disturb the systemic oestrogen balance and are, consequently, associated with harmful side effects that limit their long-term usage. The risk of osteoporosis is, for example, well known in conjunction with oestrogen elimination therapies.

Forendo's candidate drug, FOR-6219, inhibits the HSD17B1 enzyme – a new drug target for tissue-specific regulation of hormone activity. Proof of mechanism has been demonstrated in preclinical models in which the candidate drug has been shown to block the local formation of oestrogen in the endometrium (the uterus' surface tissue). This may enable a regression of the endometriosis and relief in the associated inflammatory pain without impacting systemic oestrogen levels. A Phase Ia trial found FOR-6219 to be safe and well tolerated, with a good pharmacokinetic profile. These results support the initiation of a Phase Ib study in healthy postmenopausal women with the aim to demonstrate proof of concept, which was initiated in 2019. The results of this study are delayed due to the Corona pandemic.

Forendo also has another development programme, a dual HSD inhibitor for the treatment of gynaecological conditions, and which is currently in preclinical discovery phase. The company has also, since late 2019, been developing new pharmaceuticals for the treatment of chronic hepatic disease in partnership with Novartis.

The market

It is estimated that 10% of all fertile women are affected by endometriosis. This corresponds to a total of 176 million women in the world. Endometriosis has a detrimental effect on the well-being of the women affected and the socio-economic burden of the disease from e.g. sick leaves is profound due to the lack of safe and effective treatment. Forendo's approach to treat endometriosis therefore has a high potential to substantially impact future treatment regimens.

Recent progress

- EUR 5 million raised from new investor Sunstone Life Science Ventures (July 2019).
- Start of the Phase 1b study of its lead endometriosis program, FOR-6219 (August 2019).
- Novartis enters into license and collaboration agreement and invests in Forendo (December 2019).

Expected milestones

- Results from the Phase 1b study are delayed due to the Corona pandemic.

OSSDSIGN®

Project
OSSDSIGN® Cranial and OSSDSIGN® Facial

Primary indication
Cranial implants

Development Phase
Marketed

Holding in company*
Karolinska Development 13%**

Other investors
SEB Venture Capital, Fouriertransform

Origin
Karolinska University Hospital, Uppsala University

More information
ossdsign.com

** Fully-diluted ownership based on current investment plans*

*** Includes indirect holdings through KCIF Co-Investment Fund*

Deal values for similar projects

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

OssDsign AB

Commercializing the best craniofacial implants

OssDsign (Uppsala, Sweden) is an innovative company that designs and manufactures implants and material technology for bone regeneration. Its lead products, OSSDSIGN® Cranial and OSSDSIGN® Facial, are already being sold in several European markets, including Germany, the UK, and the Nordic region. The company is commercialising its cranial implant in the USA and is also undertaking regulatory and commercial activities in Japan.

OssDsign is working to build sales of the company's products through a combination of an internal sales organisation and close collaborations with distribution partners. A US subsidiary has been established to strengthen the company's presence in the market there and to enable additional, long-term, sound customer relationships.

OssDsign's clinically proven bone regeneration technology has better healing properties than similar products. The company uses cutting edge 3D printing, moulding, and regenerative medicine technology to customise solutions for individual patients. The result is a patient-specific, titanium-reinforced implant made from a ceramic material with regenerative properties that accelerates the natural tissue formation and enables permanent healing of a bone defects. The regenerative effect of the ceramic material helps ensure a shorter healing process and entails both reduced suffering for the patient and cost savings for hospitalsfor hospitals.

The market

OssDsign focuses on the market for craniomaxillofacial (CMF) implants. The total market size was estimated to USD 1.8 billon in 2016 and is expected to grow at an CAGR of 5-9% worldwide over the next five years. The market for OssDsign's lead product in cranioplasty alone is estimated to approximately USD 200 million. OssDsign's products target a well-defined patient population – the relevant type of operation is performed at a limited – and easily identifiable – number of hospitals worldwide. The price sensitivity is low, and the products are relatively easy to register in multiple markets.

Recent progress

- OssDsign announced a share issue of SEK 151,3 in connection with the company's listing on Nasdaq First North (May 2019).
- Preparations for launch in Japan of OSSDSIGN® Cranial following regulatory filing in Japan (August 2019).
- OssDsign announced that they have been granted 510(k) clearance by the US Food and Drug Administration (FDA) to market OssDsign Cranial PSI Accessories in the US (October 2019).
- OssDsign reports favourable outcome data on OSSDSIGN Cranial PSI (November 2019).

Expected milestones

- Launch of OssDsign's products on the Japanese market during 2020.

Promimic
THINNER. FASTER. STRONGER.

Project
HA^{nano} Surface

Primary indication
Implant surface coatings

Development Phase
Marketed

Holding in company*
KDev Investments 26%

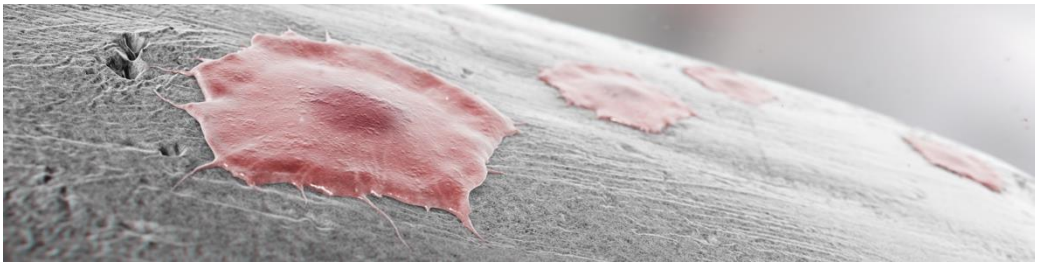
Other investors
ALMI Invest,
K-Svets Ventures,
Chalmers Ventures

Origin
Chalmers University of Technology

More information
promimic.com

**Fully-diluted ownership based on current investment plans*

Promimic AB



Coatings to enhance the properties of medical implants

Promimic (Gothenburg, Sweden) is a biomaterials company that develops and markets a unique coating for medical implants called HA^{nano} Surface, which increases their integration into bone and anchoring strength.

HAnano Surface is a sustainable, nanometre-thin coating that helps preserve the surface structure of the implant by reducing the risks of cracking. The coating is unique because it can be applied to any implant geometry and material, including porous materials and 3D structures. The technology on which HA^{nano} is based is FDA-approved, which means that a new implant coated with HA^{nano} Surface can receive marketing approval through the 510(k) route and reach a new market quickly. The coating process is easy to implement in the industrial scale production of implants.

Promimic has an established sales operation in the US and a series of development and commercial partnerships, including one with Sistema de Implante Nacional (S.I.N), a leading provider of dental implants in Brazil, which is commercializing dental implants coated with HA^{nano} Surface. Another of Promimic's partners is Danco Anodizing, which has established a manufacturing facility for implants with HA^{nano} Surface, targeting the US and Chinese markets. Promimic strengthened its position in the orthopaedic market in 2019 through its partnership with the US company Onkos Surgical. The partners will develop and commercialise the HA^{nano} Surface technology in combination with Onkos Surgical's products for limb salvage surgery.

Deal values for similar projects

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

The market

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

Recent progress

- Entered into partnership with the US company Onkos Surgical (March 2019).
- The company's first spinal device utilizing HA^{nano} Surface to improve osseointegration has been 510(k) approved by the FDA (August 2019).

Expected milestones

- Further product launches and license agreements with major manufacturers during 2020.

Project
Vaccin

Primary indication
Hepatit B och D
Corona virus

Development Phase
Preclinical

Holding in company*
Karolinska Development 5%

Origin
Karolinska Institutet

** An option agreement gives the opportunity to increase the ownership to a total of 25% within a defined period of time and at a predetermined price.*

Svenska Vaccinfabriken Produktion AB

Developing therapeutic proteins and DNA vaccines

Svenska Vaccinfabriken Produktion AB ("SVF") develops therapeutic proteins and DNA vaccines against hepatitis B, hepatitis D and other viral diseases, as well as vaccines to prevent infections of Covid-19 and potential future Coronaviruses. SVF's innovative vaccine platform technology has been developed by researchers at the Karolinska Institute in Huddinge, Sweden. The projects are currently in the preclinical phase and the first clinical trials could potentially be initiated in 2021**.**

Despite the availability of preventative vaccines and antiviral treatments, over 250 million people live with a chronic hepatitis B infection, China being one of the most severely affected countries. One million chronic carriers die each year due to complications caused by the virus, such as liver cirrhosis and liver cancer. The hepatitis D virus infects 15-25 million hepatitis B carriers and exacerbates the progression of the disease. SVF utilizes a proprietary immunotherapy to produce a specific form of antibodies that block the ability of the virus to penetrate human host cells. The aim is to develop a therapeutic vaccine that, unlike preventative vaccines, has the potential to cure already infected patients. The company has generated promising efficacy data in a preclinical animal model and is now continuing its preclinical development with the goal that a phase 1 study can be initiated in 2021.

Coronaviruses occur in many different forms and usually cause colds, sore throats, coughs and pneumonia. Although Coronavirus infections are usually mild, some virus types can lead to life-threatening conditions. This has been the case in the outbreak of SARS-CoV in 2003, MERS-CoV in 2012 and during the ongoing covid-19 pandemic. SVF has developed a platform that is expected to provide an opportunity to quickly develop vaccines against both current and new forms of Coronaviruses and has recently filed a patent application specifically linked to a potential covid-19 vaccine.

The market

According to KuicK Research report June 2017 "Global Hepatitis Drug Market & Clinical Trials Insight 2023", the annual global market of hepatitis B is 4-5 billion USD that will grow to 5-6 billion USD in 2023. The annual global market of hepatitis D is estimated at a total of 1 billion USD.

Recent progress

- Karolinska Development invested in SVF in March 2020. With the initial investment, Karolinska Development will own five percent of the shares in SVF. Further, an option agreement gives the opportunity to increase the ownership to a total of 25 percent within a defined period of time and at a predetermined price. A patent application specifically linked to a potential covid-19 vaccine has been filed.

Expected milestones

- The establishment of a cooperation agreement with one or more international partners in the first half of 2020 ahead of the continued development and commercialization of the products
- Phase I study hepatitis D vaccine could potentially be initiated in 2021.

Financial Development

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

The Parent Company is reporting in accordance with the guidelines under the Swedish Annual Accounting Act and Swedish Financial Accounting Standards Council, RFR 2. The Investment Entity is required to meet the reporting requirements of listed companies and thus in accordance with IFRS adopted by the EU and the Swedish Annual Accounts Act

Amounts with brackets refer to the corresponding period previous year unless otherwise stated.

Financial development in summary for the Investment Entity

SEKm	2020 Jan-Mar	2019 Jan-Mar	2019 Full-year
Condensed income statement			
Change in fair value of shares in portfolio companies	-122,7	0,0	415,1
Net profit/loss	-126,1	-18,6	303,0
Balance sheet information			
Cash, cash equivalents and short-term investments	9,1	61,8	52,1
Net asset value (Note 1)	893,1	283,5	1027,3
Net debt (Note 1)	-60,9	-430,4	-37,8
Share information			
Earnings per share, weighted average before dilution (SEK)	-0,7	-0,3	4,1
Earnings per share, weighted average after dilution (SEK)	-0,7	-0,3	4,1
Net asset value per share (SEK) (Note 1)	5,1	4,4	5.9
Equity per share (SEK) (Note 1)	5,0	4,3	5,7
Share price, last trading day in the reporting period (SEK)	3,5	6,2	3,5
Portfolio information			
Investments in portfolio companies	7,7	17,1	48,9
Of which investments not affecting cash flow	1,0	0,2	1,9
Portfolio companies at fair value through profit or loss	932,5	636,0	1 047,6

Financial Development for the Investment Entity in 2020

Investments *(comparable numbers 2019)*

Investments in the portfolio in the first quarter 2020 by external investors and Karolinska Development amounted to SEK 23.7 (121.4) million, whereof 68% (86%) by external investors.

Karolinska Development invested SEK 7.7 (17.1) million, of which SEK 6.7 (16.9) million was cash investments. Investments were made in Umecrine Cognition with SEK 6.7 million, in Modus Therapeutics with SEK 0.5 million and in Svenska Vaccinfabriken Produktion with SEK 0.5 million. Non-cash investments (accrued interest on loans) amounted to 1.0 (0.2) million.

Investments by external investors in the portfolio companies amounted to SEK 16.1 (104.3) million. Investments were made in Dilafor SEK 13.8 million, Modus Therapeutics SEK 2.0 million and Umecrine Cognition SEK 0.3 million.

Portfolio Fair Value

Fair Value of the portfolio companies owned directly by Karolinska Development decreased by SEK 0.5 million during the first quarter 2020. Fair value decreased mainly as a result of the decline in the share price of the listed holdings Aprea, OssDsign and Lipidor but increased through an investment and conversion in Modus Therapeutics and investment in the form of loans to Umecrine Cognition.

Fair Value of the portfolio companies owned indirectly via KDev Investments decreased by SEK 183.3 million during the first quarter 2020.The main reason for the decrease was the decline in the share price of the listed holding Aprea.

Total Fair Value from portfolio companies owned directly by Karolinska Development and indirectly via KDev Investments decreased by SEK 183.8 million in the first quarter 2020.

As a consequence of the decrease in Fair Value of the part of the portfolio owned via KDev Investments, the potential distribution to Rosetta Capital decreased by SEK 68.7 million, resulting in Net Portfolio Fair Value decreasing by SEK 115.1 million in the first quarter 2020.

SEKm	31 Mar 2020	31 Dec 2019	Q1 2020 vs Q4 2019
Karolinska Development Portfolio Fair Value (unlisted companies)	479,5	446,7	32,8
Karolinska Development Portfolio Fair Value (listed companies)	129,5	162,8	-33,3
KDev Investments Portfolio Fair Value	760,6	943,9	-183,3
Total Portfolio Fair Value	**1 369,6**	**1 553,4**	**-183,8**
Potential distribution to Rosetta Capital of fair value of KDev Investments	437,1	505,8	-68,7
Net Portfolio Fair Value (after potential distribution to Rosetta Capital)	**932,5**	**1 047,6**	**-115,1**

Total Portfolio Fair Value on 31 March 2020 amounted to SEK 1,369.6 million and the potential distribution to Rosetta Capital amounted to SEK 437.1 million. Net Portfolio Fair Value on 31 March 2020 amounted to SEK 932.5 million. Compared to 31 December 2019, the Total Portfolio Fair Value decreased with SEK 183.8 million and the Net Portfolio Fair Value decreased with SEK 115.1 million.

Profit development 2020 (comparable numbers 2019)

During the first quarter 2020, Karolinska Development's revenue amounted to SEK 1.1 (0.9) million and consists primarily of services provided to portfolio companies.

Change in fair value of shares in portfolio companies of in total SEK -122.7 (-0.01) million includes the difference between the decrease in Net Portfolio Fair Value during the first quarter 2020 with SEK 115.1 million and the net of investments in the portfolio companies of SEK 7.7 million. Change in fair value of other financial assets amounted to SEK 3.9 (4.2) million and are the consequence of changes in valuation of earn-out deals.

During the first quarter 2020 other expenses amounted to SEK 2.3 (3.0) million and personnel costs amounted to SEK 5.3 (5.9) million.

The operating profit/loss in the first quarter 2020 amounted to SEK -125.5 million compared to SEK -4.0 million in the first quarter 2019.

Financial net improved during the first quarter 2020 compared to the first quarter 2019 and amounted to SEK -0.6 (-14.6) million, which is primarily related to that the majority of the convertible loan was converted during 2019 and the remaining part repaid in January 2020.

The Investment Entity's Net profit/loss amounted to SEK -126.1 (-18.6) million in the first quarter 2020.

Financial position

The Investment Entity's equity to total assets ratio amounted to 88% on 31 March 2020, compared to 86% on 31 December 2019.

The net loss of SEK -126.1 million in the first quarter resulted in the equity on 31 March 2020 decreasing to SEK 881.6 million compared to SEK 1,007.7 million on 31 December 2019.

Interest-bearing liabilities consisted of a bridge loan amounting to SEK 70 million, compared to SEK 492.2 million on 31 March 2019.

After paying operational costs and investments in the first quarter 2020, cash and cash equivalents amounted to SEK 9.1 million on 31 March 2020 compared to SEK 61.8 million on 31 March 2019. Net debt amounted to SEK 61.0 million on 31 March 2020 compared to SEK 430.4 million on 31 March 2019.

Financial Development – Parent Company

The Parent Company refers to Karolinska Development AB (comparable numbers first quarter 2019).

During the first quarter 2020, the Parent Company's Net profit/loss amounted to SEK -126.1 million (SEK -18.6 million).

Due to the negative result for the first quarter 2020, the equity decreased from SEK 1,007.8 million 31 December 2019 to SEK 881.6 million 31 March 2020.

Shares

The share and share capital

Trade in the Karolinska Development share takes place on Nasdaq Stockholm under the ticker symbol "KDEV". The last price paid for the listed B share on 31 March 2020 was SEK 3.46, and the market capitalization amounted to SEK 608 million.

The share capital of Karolinska Development on 31 March 2020 amounted to SEK 1.8 million divided into 1,503,098 A shares, each with ten votes (15,030,980 votes) and 174,162,311 B shares, each with one vote (174,162,311 votes). The total number of shares and votes in Karolinska Development on 31 March 2020 amounted to 175,665,409 shares and 189,193,291 votes.

Ownership

On March 31, 2020, Karolinska Development had 4,245 shareholders.

Shareholder	A-Shares	B-Shares	Cap %	Vote %
Sino Biopharmaceutical Limited	0	75,727,285	43.11%	40.03%
Worldwide International Investments Ltd	0	32,276,620	18.37%	17.06%
Karolinska Institutet Holding AB	1,503,098	2,126,902	2.07%	9.07%
Tredje AP-Fonden	0	6,246,600	3.56%	3.30%
Östersjöstiftelsen	0	3,889,166	2.21%	2.06%
OTK Holding A/S	0	3,000,000	1.71%	1.59%
Stift För Främjande & Utveckling	0	2,641,389	1.50%	1.40%
Coastal Investment Management LLC	0	2,470,541	1.41%	1.31%
Friheden Invest A/S	0	1,000,000	0.57%	0.53%
Ribbskottet AB	0	1,000,000	0.57%	0.53%
Sum Top 10 Shareholders	1,503,098	130,378,503	75.08%	76.86%
Sum Other Shareholders	0	43,783,808	24.92%	23.14%
Sum All Shareholders	**1,503,098**	**174,162,311**	**100.00%**	**100.00%**

Information on Risks and Uncertainties

Investment Entity and Parent Company

Financial risks

Coronavirus's global spread affects the economy and society as a whole, including Karolinska Development and its portfolio companies. The value of listed companies can decline, delays in clinical trial programs may occur and that the opportunities for refinancing can be hampered. The Board monitors the evolvement of the crisis closely and Karolinska Development is working intensively to minimize the impact on the value of our investments and continuously on different financing options to refinance the company's bridge loan and increase the degree of strategic and operational headroom for the future.

For a detailed description of other risks and uncertainties, see the Annual report.

Signing of the report

Solna, 30 April 2020

Hans Wigzell Chairman	Tse Ping	Vlad Artamonov
Magnus Persson	Theresa Tse	Viktor Drvota Board member, CEO

This report has not been reviewed by the Company's auditors.

Dates for Publication of Financial Information

Annual General Meeting	15 June 2020
Interim Report January – June 2020	20 August 2020
Interim Report January – September 2020	11 November 2020

Karolinska Development is required by law to publish the information in this interim report. The information was published on 30 April 2020.

This interim report, together with additional information, is available on Karolinska Development's website: www.karolinskadevelopment.com.

Note: This report is a translation of the Swedish interim report. In case of any discrepancies, the official Swedish version shall prevail.

Financial Statements

Condensed income statement for the Investment Entity

SEK 000	Note	2020 Jan-Mar	2019 Jan-Mar	2019 Full-year
Revenue		1,104	904	3,384
Change in fair value of shares in portfolio companies	2	-122,729	-11	415,136
Change in fair value of other financial assets and liabilities		3,913	4,214	-28,215
Other expenses		-2,312	-3,014	-18,186
Personnel costs		-5,301	-5,944	-23,474
Depreciation of right-of-use assets		-176	-176	-704
Operating profit/loss		**-125,501**	**-4,027**	**347,941**
Financial net		-642	-14,600	-44,964
Profit/loss before tax		**-126,143**	**-18,627**	**302,977**
Taxes		-	-	-
NET PROFIT/LOSS FOR THE PERIOD		**-126,143**	**-18,627**	**302,977**

Condensed statement of comprehensive income for the Investment Entity

SEK 000	Note	2020 Jan-Mar	2019 Jan-Mar	2019 Full-year
Net/profit loss for the period		-126,143	-18,627	302,977
Total comprehensive income/loss for the period		**-126,143**	**-18,627**	**302,977**

Earnings per share for the Investment Entity

SEK	Note	2020 Jan-Mar	2019 Jan-Mar	2019 Full-year
Earnings per share, weighted average before dilution		-0.72	-0.29	4.10
Number of shares, weighted average before dilution		175,421,124	64,174,452	73,874,552
Earnings per share, weighted average after dilution		-0.72	-0.29	4.10
Number of shares, weighted average after dilution		175,421,124	64,174,452	73,874,552

Condensed balance sheet for the Investment Entity

SEK 000	Note	31 Mar 2020	31 Mar 2019	31 Dec 2019
ASSETS				
Tangible assets				
Right-of-use assets		1,232	1,231	704
Financial assets				
Shares in portfolio companies at fair value through profit or loss	2	932,528	636,008	1,047,600
Loans receivable from portfolio companies		1,833	5,113	1,768
Other financial assets		0	27,290	0
Total non-current assets		**935,593**	**669,642**	**1,050,072**
Current assets				
Accounts receivable		50	-	39
Receivables from portfolio companies		992	684	322
Other financial assets		58,065	56,955	62,620
Other current receivables		861	817	787
Prepaid expenses and accrued income		770	1,218	732
Short-term investments, at fair value through profit or loss		-	50,025	-
Cash and cash equivalents		9,053	11,742	52,132
Total current assets		**69,791**	**121,441**	**116,632**
TOTAL ASSETS		**1,005,384**	**791,083**	**1,166,704**
EQUITY AND LIABILITIES				
Total equity		**881,614**	**277,384**	**1,007,732**
Long-term liabilities				
Other financial liabilities		-	11,423	-
Total long-term liabilities		**0**	**11,423**	**0**
Current liabilities				
Convertible loan	3	-	442,173	19,964
Current interest liabilities		70,000	50,000	70,000
Other financial liabilities		38,382	-	46,851
Accounts payable		5,853	1,519	11,484
Liability to make lease payment		1,240	1,239	726
Other current liabilities		1,768	1,714	2,991
Accrued expenses and prepaid income		6,527	5,631	6,956
Total current liabilities		**123,770**	**502,276**	**158,972**
Total liabilities		**123,770**	**513,699**	**158,972**
TOTAL EQUITY AND LIABILITIES		**1,005,384**	**791,083**	**1,166,704**

Condensed statement of changes in the Investment Entity's equity

SEK 000	Note	2020-03-31	2019-03-31	2019-12-31
Opening balance, equity		**1,007,732**	**296,007**	**296,007**
Net profit/ loss for the period		-126,143	-18,627	302,977
Retained earnings		4	4	14
Share capital		-	-	1,113
Prospectus costs direct issue 2019		-	-	-
Share premium		-	-	421,166
Closing balance, equity		**881,593**	**277,384**	**1,007,732**

Condensed statement of cash flows for the Investment Entity

SEK 000	Note	2020 Jan-Mar	2019 Jan-Mar
Operating activities			
Operating profit/loss		-125,501	-4,027
Adjustments for items not affecting cash flow			
Depreciation		176	176
Change in fair value	2	118,816	-4,203
Other items		-178	-179
Proceeds from short-term investments		-	-252
Interest paid/received		-	-498
Cash flow from operating activities before changes in working capital and operating investments		**-6,687**	**-8,983**
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in operating receivables		-1,032	1,792
Increase (+)/Decrease (-) in operating liabilities		-28,660	213
Cash flow from operating activities		**-36,379**	**-6,978**
Investment activities			
Acquisitions of shares in portfolio companies		-6,700	-16,892
Proceeds from sale of short-term investments[1]		-	19,769
Cash flow from operating activities		**-6,700**	**2,877**
Financing activities			
Convertible debentures issue		-	-
Cash flow from financing activities		**0**	**0**
Cash flow for the period		**-43,079**	**-4,101**
Cash and cash equivalents at the beginning of the year		52,132	15,843
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**9,053**	**11,742**

Supplemental disclosure[1]

CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**9,053**	**11,742**
Short-term investments, market value at closing date	0	50,025
CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS AT THE END OF THE PERIOD	**9,053**	**61,767**

[1]Surplus liquidity in the Investment Entity was invested in interest-bearing instruments and is recognized as short-term investments with a maturity exceeding three months. These investments were consequently not reported as cash and cash equivalents and were therefore included in the statement of cash flows from operating activities. The supplemental disclosure was presented to provide a total overview of the Investment Entity's available fund including cash, cash equivalents and short-term investments described here.

Condensed income statement for the Parent Company

SEK 000	Note	2020 Jan-Mar	2019 Jan-Mar	2019 Full-year
Revenue		1,104	904	3,384
Change in fair value of shares in portfolio companies		-122,729	-11	415,136
Change in fair value of other financial assets and liabilities		3,913	4,214	-28,215
Other expenses		-2,490	-3,193	-18,901
Personnel costs		-5,301	-5,944	-23,474
Operating profit/loss		**-125,503**	**-4,030**	**347,930**
Financial net		-628	-14,585	-44,917
Profit/loss before tax		**-126,131**	**-18,615**	**303,013**
Tax		-	-	-
NET PROFIT/LOSS FOR THE PERIOD		**-126,131**	**-18,615**	**303,013**

Condensed statement of comprehensive income for the Parent Company

SEK 000	Note	2020 Jan-Mar	2019 Jan-Mar	2019 Full-year
Net profit/loss for the period		-126,131	-18,615	303,013
Total comprehensive income/loss for the period		**-126,131**	**-18,615**	**303,013**

Condensed balance sheet for the Parent Company

SEK 000	Note	31 Mar 2020	31 Mar 2019	31 Dec 2019
ASSETS				
Financial assets				
Shares in portfolio companies at fair value through profit or loss	2	932,528	636,008	1,047,600
Loans receivable from portfolio companies		1,833	5,113	1,768
Other financial assets		-	27,290	-
Total non-current assets		**934,361**	**668,411**	**1,049,368**
Current assets				
Accounts receivable		50	-	39
Receivables from portfolio companies		992	684	322
Other financial assets		58,065	56,955	62,620
Other current receivables		861	817	787
Prepaid expenses and accrued income		770	1,218	732
Short-term investments at fair value through profit or loss		-	50,025	-
Cash and cash equivalents		9,053	11,742	52,132
Total current assets		**69,791**	**121,441**	**116,632**
TOTAL ASSETS		**1,004,152**	**789,852**	**1,165,961**
EQUITY AND LIABILITIES				
Total equity		**881,622**	**277,392**	**1,007,754**
Long-term liabilities				
Other financial liabilities		-	11,423	-
Total long-term liabilities		**0**	**11,423**	**0**
Current liabilities				
Convertible loan	3	-	442,173	19,964
Current interest liabilities		70,000	50,000	70,000
Other financial liabilities		38,382	-	46,851
Accounts payable		5,853	1,519	11,484
Other current liabilities		1,768	1,714	2,991
Accrued expenses and prepaid income		6,527	5,631	6,956
Total current liabilities		**122,530**	**501,037**	**158,246**
Total liabilities		**122,530**	**512,460**	**158,246**
TOTAL EQUITY AND LIABILITIES		**1,004,152**	**789,852**	**1,166,000**

Condensed statement of changes in equity for the Parent Company

SEK 000	Not	31 Mar 2020	31 Mar 2019	31 Dec 2019
Opening balance, equity		**1,007,753**	**296,007**	**296,007**
Net profit/ loss for the period		-126,131	-18,615	303,013
Share capital		0	0	1,113
Prospectus costs direct issue 2019		0	0	-13,545
Share premium reserve		0	0	421,166
Closing balance, equity		**881,622**	**277,392**	**1,007,754**

Notes to the Financial Statements

NOTE 1 Accounting policies

This report has been prepared in accordance with the International Accounting Standard (IAS) 34 Interim Financial Reporting and the Annual Accounts Act. The accounting policies applied to the Investment Entity and the Parent Company correspond, unless otherwise stated below, to the accounting policies and valuation methods used in the preparation of the most recent annual report.

Information on the Parent Company

Karolinska Development AB (publ) ("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 focuses on identifying medical innovations and investing in the creation and growth of companies developing these assets into differentiated products that will make a difference to patients' lives and provide an attractive return on investment to its shareholders. Investments are made in companies whose sole purpose is to generate a return through capital appreciation and investment income. These temporary investments, which are not investment entities, are designated "portfolio companies" below.

New and revised accounting principles 2020

No new or revised IFRS standards or recommendations from IFRS Interpretations Committee has had significant impact on the Investment Entity.

Related party transactions

No significant changes or transactions regarding related parties have occurred during the interim period.

Definitions

Equity per share: Equity on the closing date in relation to the number of shares outstanding on the closing date.

Equity to total assets ratio: Equity divided by total assets.

Interim period: The period from the beginning of the financial year through the closing date.

Reporting period: January – March 2020.

Alternative Performance Measures

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

Portfolio companies: Companies where Karolinska Development has made investments (subsidiaries, joint ventures, associated companies and other long-term securities holdings) which are active in pharmaceuticals, medtech, theranostics and formulation technology.

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

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

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

Net asset value and net asset value per share: Net Portfolio Fair Value of the total portfolio (SEK 932.5 million), loans receivable from portfolio companies (SEK 1.8 million), cash and cash equivalents (SEK 9.1 million), and net of financial assets and liabilities minus interest-bearing liabilities (SEK 19.7 million minus SEK 70.0 million), in relation to the number of shares outstanding (175,421,124) on the closing date (31 March 2020).

Net debt: Interest-bearing liabilities (SEK 70.0 million) reduced with cash and cash equivalents (SEK 9.1 million).

NOTE 2 Fair value

The table below shows financial instruments measured at fair value based on the classification in the fair value hierarchy. The various levels are defined as follows:

Level 1- Fair value determined on the basis of observed (unadjusted) quoted prices in an active market for identical assets and liabilities
Level 2- Fair value determined based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3- Fair value determined based on valuation models where significant inputs are based on non-observable data

Fair value as of 31 March 2020

SEK 000	Level 1	Level 2	Level 3	Total
Financial assets				
Shares in portfolio companies, at fair value through profit or loss	129,509	-	803,019	932,528
Loans receivable from portfolio companies	-	1,833	-	1,833
Other financial assets	-	-	58,065	58,065
Receivables from portfolio companies	-	992	-	992
Cash, cash equivalents and short-term investments	9,053	-	-	9,053
Total	**138,562**	**2,875**	**861,084**	**1,002,521**
Financial liabilities				
Other financial liabilities	-	-	38,382	38,382
Accounts payable	-	5,853	-	5,853
Total	**-**	**5,853**	**38,382**	**45,475**

Fair value as of 31 March 2019

SEK 000	Level 1	Level 2	Level 3	Total
Financial assets				
Shares in portfolio companies, at fair value through profit or loss	-	-	636,008	636,008
Loans receivable from portfolio companies	-	5,113	-	5,113
Other financial assets	-	-	84,245	84,245
Receivables from portfolio companies	-	684	-	684
Cash, cash equivalents and short-term investments	61,767	-	-	61,767
Total	**61,767**	**5,797**	**720,253**	**787,817**
Financial liabilities				
Other financial liabilities	-	-	11,423	11,423
Accounts payable	-	1,519	-	1,519
Total	**-**	**1,519**	**11,423**	**14,181**

Fair value (level 3) as of 31 March 2020

SEK 000	Shares in portfolio companies	Other financial assets	Other financial liabilities
At beginning of the year	884,829	62,620	46,851
Acquisitions	7,658	-	-
Gains and losses recognized through profit or loss	-89,468	-4,555	-8,469
Closing balance 31 March 2020	**803,019**	**58,065**	**38,382**
Realized gains and losses for the period included in profit or loss	-3,759	-	-
Unrealized gains and losses in profit or loss for the period included in profit or loss	-85,709	-4,555	8,469

Fair value (level 3) as of 31 March 2019

SEK 000	Shares in portfolio companies	Other financial assets	Other financial liabilities
At beginning of the year	618,927	80,030	11,423
Acquisitions	17,093	-	-
Disposals	-	-	-
Gains and losses recognized through profit or loss	-11	4,214	-
Closing balance 31 March 2019	**636,009**	**84,244**	**11,423**
Realized gains and losses for the period included in profit or loss	49	-	-
Unrealized gains and losses in profit or loss for the period included in profit or loss	-60	4,214	0

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.

Impact of Portfolio Fair Value

In the table below, “Total Portfolio Fair Value” is as defined in Note 1.

Impact on Portfolio Fair Value of the agreement with Rosetta Capital

“Potential distribution to Rosetta Capital”, SEK 437.1 million, is the amount that KDev Investments according to the investment agreement between Karolinska Development and Rosetta Capital is obligated to distribute to Rosetta Capital from the proceeds received by KDev Investments (KDev Investments Fair Value). The amount includes repayment of SEK 43.3 million that Rosetta Capital currently has invested in KDev Investments’ portfolio companies and the distribution of dividends from Rosetta Capital’s common and preference shares. The distribution to Rosetta Capital will only happen when KDev Investments distribute dividends. KDev Investments will only distribute dividends after all eventual payables and outstanding debt has been repaid.

“Net Portfolio Fair Value (after potential distribution to Rosetta Capital)” is as defined in Note 1.

Expanded Portfolio Fair Value calculations taking the portfolio valuation and potential distribution to Rosetta Capital in consideration

SEK 000	31 Mar 2020	31 Mar 2019	31 Dec 2019
Karolinska Development Portfolio Fair Value (unlisted companies)	479,515	510,000	446,658
Karolinska Development Portfolio Fair Value (listed companies)	129,508	0	162,771
KDev Investments Portfolio Fair Value	760,599	460,045	943,946
Total Portfolio Fair Value	**1,369,622**	**970,045**	**1,553,375**
Potential distribution to Rosetta Capital of fair value of KDev Investments	437,094	334,037	505,775
Net Portfolio Fair Value (after potential distribution to Rosetta Capital)	**932,528**	**636,008**	**1,047,600**

* SEK 43.3 million repayment of investments in KDev Investments made by Rosetta Capital and SEK 393.8 million distribution of dividends to preference shares and common shares.

Information on fair value measurement in level 3

The valuation of the company's portfolio is based on the International Private Equity and Venture Capital Valuation Guidelines (IPEV) and IFRS 13 Fair Value Measurement. Based on the valuation criteria provided by these rules, an assessment is made of each company to determine a valuation method. This takes into account whether the companies have recently been financed or involved with a transaction that includes an independent third party or a valuation from an external independent valuation and if the companies recently have met significant milestones. If there is no valuation available based a recently refinancing or other third-party valuation and there is no valuation available based on a similar transaction or an external independent valuation, discounted cash flow models (DCF) may be used.

For detailed description, see the annual report 2019.

NOTE 3 Pledge assets and contingent liabilities

SEK 000	2020-03-31	2019-03-31	2019-12-31
Pledge assets			
The right to payment under Earn-out agreement regarding Oncopeptides shares[1]	-	56,955	-
Contingent liabilities			
Investment agreement in portfolio company	3,000	-	2,000
Summa	**3,000**	**56,955**	**2,000**

[1] Also included the right to payment under Earn-out agreement regarding Athera and directly owned shares in Aprea, OssDsign and Lipidor.