

**Supplement to the prospectus regarding
invitation to subscribe for shares in
Karolinska Development AB (publ)**

IMPORTANT INFORMATION

Information to investors

This document (the “**Supplement to the Prospectus**”) has been prepared by Karolinska Development AB, company registration no. 556707-5048 (“**Karolinska Development**” or the “**Company**”) as a supplement to the prospectus regarding the Directed share issue and admission to trading of shares of series B in Karolinska Development on Nasdaq Stockholm, which was approved and registered with the Swedish Financial Supervisory Authority on 5 July 2019 (the Swedish Financial Supervisory Authority’s reference number 19-13480) and published the same day (the “**Prospectus**”). The Swedish language version of the Supplement to the Prospectus has been approved and registered with the Swedish Financial Supervisory Authority in accordance with Chapter 2, Section 34 of the Swedish Financial Instruments Trading Act (1991:980). The approval and registration of the Swedish language version of the Supplement to the Prospectus does not imply that the Swedish Financial Supervisory Authority guarantees that the factual information provided in the Supplement to the Prospectus is accurate or complete. The Supplement to the Prospectus is part of and should be read together with the Prospectus. Definitions set out in the Prospectus also applies to the Supplement to the Prospectus.

The Offer to subscribe for new shares in accordance with the Prospectus is not made to persons domiciled in the United States, Australia, Canada, Hong Kong, Japan, New Zealand, Singapore, Switzerland, South Africa or any other jurisdiction where participation requires additional prospectus, registrations or other measures than required by Swedish law. The Prospectus, the Supplement to the Prospectus, the application form and any other documents relating to the Offer may not be distributed in or into any country where such distribution or the Offer requires such additional measures or where such distribution would be in conflict with applicable law or regulation in that country. The new shares which may be issued in connection with the Offer have not been registered and will not be registered in accordance with the US Securities Act of 1933, as amended, or under the applicable securities laws in any country other than Sweden. Any subscription of shares in violation of the above may be deemed invalid.

The Prospectus, the Supplement to the Prospectus and the Offer are governed by Swedish law. The courts of Sweden have exclusive jurisdiction to settle any conflict or dispute arising out of or in connection with the Prospectus, the Supplement to the Prospectus and the Offer. The Supplement to the Prospectus has been prepared in both a Swedish language version and an English language version. In case of any inconsistency between the Swedish language version and the English language version, the Swedish language version shall prevail.

Forward-looking information

The Supplement to the Prospectus may include forward-looking information. Such information is not a guarantee of future conditions and is subject to unavoidable risks and uncertainties. Forward-looking information may be distinguished by the fact that it does not exclusively refer to historic or current factual circumstances or that it contains such words as “may”, “should”, “expected”, “believed”, “estimated”, “planned”, “being prepared”, “is estimated”, “plans to”, “forecast”, “attempts” or “could” or negations of such terms and other variations thereof or comparative terms. Such forward-looking information reflects the current expectations of the board of directors and executive management of Karolinska Development based on the information available to them at this time and is based on a number of assumptions that are subject to elements of risks and uncertainty that may be beyond the control of the board of directors and the executive management. Actual results may deviate considerably from what is expressed or implied in the forward-looking information. All forward-looking information is based exclusively on the conditions prevailing when it was provided and Karolinska Development and its board of directors have no obligation (and explicitly refute any such obligation) to update or change such forward-looking information, either as a result of new information, new conditions or other factors, other than as required by applicable laws and regulations. Karolinska Development and/or persons who act on its behalf are subject to the reservations in, or referred to in, this section.

Presentation of financial information

The figures presented in the Supplement to the Prospectus have in certain cases been rounded off, as a consequence of which the tables will not always tally correctly. Unless otherwise stated, all financial figures are stated in Swedish kronor (“**SEK**”). Financial information in the Supplement to the Prospectus has not been audited and/or reviewed by the auditor unless explicitly stated.

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Indicative timetable

8 July–14 October 2019	Subscription period
17 October 2019	Outcome of the Offer is announced
23 October 2019	First day of trading the shares on Nasdaq Stockholm

Financial calendar

7 November 2019	Interim report January–September 2019
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Supplement to the Prospectus

The Supplement to the Prospectus has been prepared by Karolinska Development as a supplement to the Prospectus regarding the Directed share issue and admission to trading of shares of series B in Karolinska Development on Nasdaq Stockholm which was approved and registered with the Swedish Financial Supervisory Authority on 5 July 2019 (the Swedish Financial Supervisory Authority's reference number 19-13480) and published the same day. The Supplement to the Prospectus is part of and should be read together with the Prospectus. Definitions set out in the Prospectus also applies to the Supplement to the Prospectus.

The Supplement to the Prospectus has been prepared due to the Company's announcement on 23 September 2019 that the Company's portfolio company Aprea Therapeutics has filed an amendment to the registration statement filed on 6 September 2019 with the U.S. Securities and Exchange Commission (SEC) and has set the price range for the potential initial public offering of its shares of common stock at USD 14–16 per share. Provided the completion of the initial public offering, the net profit effect due to changed valuation of the Karolinska Development holding, based on the price range in the offering, would be approx. SEK 45–78 million. Karolinska Development has signed a customary lock up agreement, preventing a sale of the shares during a 180 days period calculated from the end of the offer period.

The Company has further included information from its interim report for the period January–June 2019 and information regarding the Company's updated timetable for the Directed share issue.

The Supplement to the Prospectus has been prepared in accordance with Chapter 2, Section 34 of the Swedish Financial Instruments Trading Act (1991:980) and was approved and registered with the Swedish Financial Supervisory Authority on 27 September 2019 (the Swedish Financial Supervisory Authority's reference number 19-19091). The Supplement to the Prospectus has been prepared in both a Swedish language version and an English language version. In case of any inconsistency between the Swedish language version and the English language version, the Swedish language version shall prevail.

Right to withdraw

Investors who, prior to the publication of the Supplement to the Prospectus, have applied or otherwise consented to subscribe for shares in the Offer have the right to withdraw their application or consent within two (2) business days from the publication of the Supplement to the Prospectus, i.e. until 1 October 2019, pursuant to Chapter 2, Section 34 of the Swedish Financial Instruments Trading Act (1991:980). Withdrawal must be made in writing to DNB Bank ASA, filial Sverige, Securities Services & Custody, Regeringsgatan 59, 105 88 Stockholm. Investors who have subscribed for shares through a nominee must contact their nominee regarding withdrawal. Applications that is not withdrawn will remain binding and investors who do not wish to withdraw their application for subscription of shares need not take any action.

The Prospectus and the Supplement to the Prospectus are available on the Company's web page (<https://www.karolinskadevelopment.com/en/offering-holders-convertible-20152019>). For full terms and other information regarding the Directed share issue, please refer to the Prospectus.

Summary

The information in (i) the Company's interim report for January – June 2019 and (ii) the Company's press release published on 23 September 2019 causes the information under section "Summary" item B.7, B.11 and E.3 on pages 4–9 and 14 in the Prospectus to be replaced as below.

Section B – Information regarding the issuer																																																																																																																																
B.7	<i>Selected historical financial information</i>	<p>Below is selected historical information in summary for the financial years 2016-2018 as well as for the periods January–June 2018 and 2019. The information relating to the financial years 2016–2018 has been obtained from the audited financial statements of Karolinska Development for 2018, 2017 and 2016. The information relating to the interim periods has been obtained from the unaudited interim report for January–June 2019 (with comparable figures for January–June 2018). Karolinska Development's financial statements for the investment entity have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") as adopted by the EU for application in the EU. Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1, "Supplementary Accounting Rules for Groups" and statement UFR 7 and 9 by the Financial Reporting Council have also been applied.</p> <p>The Company is an investment entity according to IFRS 10 "Consolidated Financial Statements".</p> <p>Summary income statement for the Investment Entity</p> <table border="1"> <thead> <tr> <th></th> <th>2019 Jan–June (unaudited)</th> <th>2018 Jan–June (unaudited)</th> <th>2018 (audited)</th> <th>2017 (audited)</th> <th>2016 (audited)</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>1,943</td> <td>1,492</td> <td>3,073</td> <td>2,464</td> <td>5,360</td> </tr> <tr> <td>Change in fair value of shares in portfolio companies</td> <td>21,767</td> <td>21,150</td> <td>58,499</td> <td>252,072</td> <td>–146,544</td> </tr> <tr> <td>Change in fair value of other financial assets and liabilities</td> <td>13,566</td> <td>25,520</td> <td>41,481</td> <td>2,483</td> <td>–</td> </tr> <tr> <td>Other expenses</td> <td>–7,059</td> <td>–7,673</td> <td>–14,017</td> <td>–12,996</td> <td>–15,415</td> </tr> <tr> <td>Personnel costs</td> <td>–12,499</td> <td>–8,188</td> <td>–14,993</td> <td>–23,513</td> <td>–17,344</td> </tr> <tr> <td>Depreciation of right-of-use assets</td> <td>–352</td> <td>–</td> <td>–</td> <td>–</td> <td>–</td> </tr> <tr> <td>Depreciation of tangible non-current assets</td> <td>–</td> <td>–</td> <td>–</td> <td>–</td> <td>–106</td> </tr> <tr> <td>Operating profit/loss</td> <td>17,366</td> <td>32,301</td> <td>74,043</td> <td>220,510</td> <td>–174,049</td> </tr> <tr> <td>Interest income</td> <td>574</td> <td>4,006</td> <td>7,318</td> <td>4,549</td> <td>1,954</td> </tr> <tr> <td>Interest expenses</td> <td>–29,266</td> <td>–24,548</td> <td>–49,464</td> <td>–43,495</td> <td>–45,237</td> </tr> <tr> <td>Other financial gains and losses</td> <td>170</td> <td>–176</td> <td>–1,387</td> <td>–1,969</td> <td>500</td> </tr> <tr> <td>Financial net</td> <td>–28,522</td> <td>–20,718</td> <td>–43,533</td> <td>–40,915</td> <td>–42,783</td> </tr> <tr> <td>Profit/loss before tax</td> <td>–11,156</td> <td>11,583</td> <td>30,510</td> <td>179,595</td> <td>–216,832</td> </tr> <tr> <td>Tax</td> <td>–</td> <td>–</td> <td>–</td> <td>–</td> <td>–</td> </tr> <tr> <td>Net profit/loss for the period</td> <td>–11,156</td> <td>11,583</td> <td>30,510</td> <td>179,595</td> <td>–216,832</td> </tr> </tbody> </table> <p>Earnings per share</p> <table border="1"> <thead> <tr> <th></th> <th>2019 Jan–June (unaudited)</th> <th>2018 Jan–June (unaudited)</th> <th>2018 (audited)</th> <th>2017 (audited)</th> <th>2016 (audited)</th> </tr> </thead> <tbody> <tr> <td>Earnings per share, weighted average, before dilution</td> <td>–0.17</td> <td>0.18</td> <td>0.48</td> <td>2.93</td> <td>–4.08</td> </tr> <tr> <td>Number of shares, weighted average before dilution</td> <td>64,174,452</td> <td>64,117,875</td> <td>64,136,941</td> <td>61,243,234</td> <td>53,210,223</td> </tr> <tr> <td>Earnings per share, weighted average after dilution</td> <td>–0.17</td> <td>0.18</td> <td>0.48</td> <td>2.93</td> <td>–4.08</td> </tr> <tr> <td>Number of shares, weighted average after dilution</td> <td>64,174,452</td> <td>64,117,875</td> <td>64,136,941</td> <td>61,300,516</td> <td>53,210,223</td> </tr> </tbody> </table>		2019 Jan–June (unaudited)	2018 Jan–June (unaudited)	2018 (audited)	2017 (audited)	2016 (audited)	Revenue	1,943	1,492	3,073	2,464	5,360	Change in fair value of shares in portfolio companies	21,767	21,150	58,499	252,072	–146,544	Change in fair value of other financial assets and liabilities	13,566	25,520	41,481	2,483	–	Other expenses	–7,059	–7,673	–14,017	–12,996	–15,415	Personnel costs	–12,499	–8,188	–14,993	–23,513	–17,344	Depreciation of right-of-use assets	–352	–	–	–	–	Depreciation of tangible non-current assets	–	–	–	–	–106	Operating profit/loss	17,366	32,301	74,043	220,510	–174,049	Interest income	574	4,006	7,318	4,549	1,954	Interest expenses	–29,266	–24,548	–49,464	–43,495	–45,237	Other financial gains and losses	170	–176	–1,387	–1,969	500	Financial net	–28,522	–20,718	–43,533	–40,915	–42,783	Profit/loss before tax	–11,156	11,583	30,510	179,595	–216,832	Tax	–	–	–	–	–	Net profit/loss for the period	–11,156	11,583	30,510	179,595	–216,832		2019 Jan–June (unaudited)	2018 Jan–June (unaudited)	2018 (audited)	2017 (audited)	2016 (audited)	Earnings per share, weighted average, before dilution	–0.17	0.18	0.48	2.93	–4.08	Number of shares, weighted average before dilution	64,174,452	64,117,875	64,136,941	61,243,234	53,210,223	Earnings per share, weighted average after dilution	–0.17	0.18	0.48	2.93	–4.08	Number of shares, weighted average after dilution	64,174,452	64,117,875	64,136,941	61,300,516	53,210,223
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B.7	Selected historical financial information, cont.	Balance sheet for the Investment Entity					
		30 June 2019 (unaudited)	30 June 2018 (unaudited)	31 Dec 2018 (audited)	31 Dec 2017 (audited)	31 Dec 2016 (audited)	
		SEK 000					
		ASSETS					
		Non-current assets					
		Right of use assets	1,056	–	–	–	–
		Financial assets					
		Shares in portfolio companies at fair value through profit or loss	651,985	524,662	618,927	447,783	149,408
		Loans receivable from portfolio companies	5,127	3,493	5,098	3,436	957
		Other financial assets	27,609	66,116	26,970	40,596	38,113
		Total non-current assets	685,777	594,271	650,995	491,815	188,478
		Current assets					
		Receivables from portfolio companies	1,483	909	473	611	229
		Other financial assets	65,987	–	53,060	–	–
		Other current receivables	22,829	846	3,432	531	660
		Prepaid expenses and accrued income	2,771	927	632	666	806
		Short-term investments, at fair value through profit or loss	25,129	85,167	69,949	150,329	237,545
		Cash and cash equivalents	10,971	11,328	15,843	19,305	10,602
		Total current assets	129,170	99,177	143,389	171,442	249,842
		TOTAL ASSETS	814,947	693,448	794,384	663,257	438,320
		EQUITY AND LIABILITIES					
		Equity					
		Share capital	644	644	644	644	26,732
		Share premium	1,970,752	1,970,752	1,970,752	1,970,752	1,874,236
		Accumulated losses including net profit/loss for the year	–1,686,538	–1,694,316	–1,675,389	–1,704,275	–1,871,153
		Total equity	284,858	277,080	296,007	267,121	29,815
		Long-term liabilities					
		Convertible loan	–	403,743	–	379,184	394,438
		Other financial liabilities	11,423	4,807	11,423	4,807	4,798
		Total long-term liabilities	11,423	408,550	11,423	383,991	399,236
		Current liabilities					
		Convertible loan	456,043	–	428,303	–	–
		Current interest-bearing liabilities	50,000	–	50,000	–	–
		Accounts payable	2,786	1,242	1,373	1,155	1,460
		Liability to make lease payment	1,070	–	–	–	–
		Other current liabilities	1,586	1,358	831	1,627	960
		Accrued expenses and prepaid income	7,181	5,218	6,447	9,363	6,849
		Total current liabilities	518,666	7,818	486,954	12,145	9,269
		Total liabilities	530,089	416,368	498,377	396,136	408,505
		TOTAL EQUITY AND LIABILITIES	814,947	693,448	794,384	663,257	438,320

B.7	Selected historical financial information, cont.	Statement of cash flows for the Investment Entity					
		2019 Jan–June (unaudited)	2018 Jan–June (unaudited)	2018 (audited)	2017 (audited)	2016 (audited)	
		SEK 000					
		Operating activities					
		Operating profit/loss	17,366	32,301	74,043	220,510	–174,049
		Adjustments for items not affecting cash					
		Depreciation	352	–	–	–	106
		Result of fair value change	–35,333	–46,670	–99,980	–254,555	146,544
		Other items	–358	–1,974	–2,134	18	–1,371
		Proceeds from short-term investments	–525	–485	–570	–405	–193
		Interest received/paid	–1,007	–	–343	2	0
		Cash flow from operating activities before changes in working capital and operating investments	–19,505	–16,828	–28,984	–34,430	–28,963
		Cash flow from changes in working capital					
		Increase (–)/Decrease (+) in operating receivables	–123	–469	–4,368	348	7,851
		Increase (+)/Decrease (–) in operating liabilities	2,902	–4,327	46,506	2,876	–2,665
		Cash flow from changes in working capital	–16,728	–21,624	13,154	–31,206	–23,777
		Investment activities					
		Payment from earn-out agreement	–	–	8,663	–	–
		Sale of shares in portfolio companies	–	11,971	11,911	45,565	444
		Acquisitions of shares in portfolio companies	–32,442	–63,633	–117,237	–89,775	–26,987
		Proceeds from sale of short-term investments ¹⁾	44,296	65,309	80,047	86,747	41,326
		Cash flow from operating activities	11,854	13,647	–16,616	42,537	14,783
		Financing activities					
		Share issue	–	–	–	–	7
		Convertible debenture issue	–	–	–	–2,628	–
		Cash flow from financing activities	0	0	0	–2,628	7
		Cash flow for the period/year	–4,872	–7,977	–3,462	8,703	–8,987
		Cash and cash equivalents at the beginning of the period/year	15,843	19,305	19,305	10,602	19,589
		CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR	10,971	11,328	15,843	19,305	10,602
		<i>Supplemental disclosure¹⁾</i>					
		CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR	10,971	11,328	15,843	19,305	10,602
		Short-term investments, market value at closing date	25,129	85,167	69,949	150,329	237,545
		CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS AT THE END OF THE PERIOD/YEAR	36,100	96,495	85,792	169,634	248,147
		1) Surplus liquidity in the Investment Entity is invested in fixed income funds and is recognized as short-term investments with a maturity exceeding three months. These investments consequently are not reported as cash and cash equivalents and therefore are included in cash flow from operating activities. The supplemental disclosure is presented to provide a comprehensive overview of the Investment Entity's available funds, including cash, cash equivalents and short-term investments.					

B.7	<i>Selected historical financial information, cont.</i>	Key figures for the Investment Entity				
		2019	2018	2018	2017	2016
		Jan–June	Jan–June	(audited)	(audited)	(audited)
		(unaudited)	(unaudited)			
		SEK 000				
		Income statement				
		Result of change in Fair Value of shares in portfolio companies				
		21,767	21,150	58,499	252,072	–146,544
		Profit/loss after tax				
		–11,156	11,583	30,510	179,595	–216,832
		Balance sheet				
		Cash, cash equivalents and short-term investments				
		36,100	96,495	85,792	169,634	248,147
		Share information				
		Earnings per share before and after dilution (SEK)				
		–0.2	0.2	0.5	2.9	–4.1
		Net asset value per share (SEK)				
		4.2	4.4	3.8	4.3	0.7
		Equity per share (SEK)				
		4.4	4.3	4.6	4.2	0.6
		Share price per share, last trading day in report period (SEK)				
		3.8	5.0	6.2	5.8	6.0
		Portfolio information				
		Investments in portfolio companies				
		33,016	67,639	124,557	91,869	28,917
		Of which investments not affecting cash flow				
		574	4,007	7,321	4,561	1,892
		Valuation of total portfolio holdings				
		651,985	524,662	618,927	447,783	149,408
		Significant events after 30 June 2019				
		Karolinska Development announced during July, August and September that:				
		Karolinska Development's CFO Fredrik Järsten is appointed as Deputy CEO.				
		The subscription period in the Directed share issue to the holders of the Company's convertible loan has been extended on several occasions and now ends on 14 October 2019.				
		Dilafor has enrolled the first subject in its Phase 2b study with tafoxiparin in pregnant women planned for labor induction.				
		Forendo Pharma announced that Sunstone Life Science Ventures joins the existing international investor syndicate and has made a EUR 5 million investment in Forendo Pharma. The new financing will enable Forendo Pharma to progress its lead endometriosis program, FOR-6219, an HSD17B1 enzyme inhibitor, into the next phase of clinical studies after the successful completion of its Phase 1a study earlier this year.				
		Aprea Therapeutics announced the appointment of Scott Coiante as Senior Vice President and Chief Financial Officer.				
		Forendo Pharma announced the start of the Phase 1b study of its lead endometriosis program, FOR-6219.				
		Promimic announced that the company's first spinal device utilizing HA ^{nano} Surface has been approved by the FDA.				

B.7	<i>Selected historical financial information, cont.</i>	<p>Aprea Therapeutics has filed a registration statement with the U.S. Securities and Exchange Commission (SEC) relating to the potential initial public offering of shares of its common stock. The company has also applied to list its shares of common stock on Nasdaq Global Select Market under the symbol APRE. In an amendment to the registration statement, the price range for the potential initial public offering of its shares of common stock is USD 14–16 per share. Provided the completion of the initial public offering, the net profit effect due to changed valuation of the Company holding, based on the price range in the offering, would be approx. SEK 45–78 million. The Company has signed a customary lock up agreement, preventing a sale of the shares during a 180 days period calculated from the end of the offer period.</p> <p>Lipidor has been approved for listing on Nasdaq First North Growth Market and the first day of trading is set for 27 September 2019.</p>
B.11	<i>Working capital</i>	<p><i>The third to six sentences in the first section is to be replaced as below:</i></p> <p>The Company's need for additional working capital appears partly on 29 November 2019 for payment of the final balance of the credit facility of maximum SEK 35 million, and on 31 December 2019 for repayment of the convertible loan of SEK 484 million. The total shortage of working capital, including costs for operating the business and commitments regarding follow-on investments in the portfolio companies, amounts to approximately SEK 544 million.</p> <p><i>The first sentence in the second section is to be replaced as below:</i></p> <p>The Company's working capital requirement for the next 12 months in addition to repayment of the convertible loan but including repayment of a credit facility of SEK 35 million amounts to about SEK 60 million.</p>

Section E – Offer		
E.3	<i>Terms and conditions of the Offer</i>	<p>Subscription period: The period commencing on 8 July 2019 up and until 14 October 2019. The board of directors may prolong the subscription period.</p> <p>The convertibles total nominal amount, including any accrued interest up to and including 30 June 2019, amounts to approximately SEK 466 million. The maximum number of new shares of series B that may be issued in the Directed share issue amounts to 124,471,935 representing a share capital increase of SEK 1,244,719.35.</p>

Invitation to subscribe for shares in Karolinska Development

Parts of the section “Invitation to subscribe for shares in Karolinska Development” on page 23 in the Prospectus to be replaced as below.

The eighth sentence of the second paragraph is replaced as follows:

Subscription and payment by set-off shall be made during the period commencing on 8 July 2019 up and until 14 October 2019.

Terms, conditions and instructions

Parts of the section “Terms, conditions and instructions” on pages 25–26 in the Prospectus to be replaced as below.

Subscription period for the Offer

The subscription period for the Offer commences on 8 July 2019. The Offer can be accepted up and until 17.00 on 14 October 2019. The board of directors of Karolinska Development reserves the right to extend the subscription period. An extension will be disclosed by the Company by way of a press release no later than 14 October 2019. Subscriptions are binding.

Subscription

Holders of convertibles in Karolinska Development whose convertibles are owner registered with Euroclear Sweden AB (“Euroclear”) and who wishes to accept the Offer shall under the period commencing on 8 July 2019 up and until 14 October 2019 sign and submit a correctly completed application form as designated herein to:

DNB Bank ASA, filial Sverige
 Securities Services & Custody
 105 88 STOCKHOLM

The application form shall be submitted in the enclosed return envelope in good time before the last day of the subscription period in order to reach DNB Markets (“DNB Markets”) prior to 17.00 on 14 October 2019. The VP-account (Sw. *VP-konto*) and current holding in Karolinska Development is shown on the pre-printed application form sent out in connection with the information letter to the convertible holders in Karolinska Development whose convertibles were direct registered with Euroclear on 3 July 2019.

Owners should check that the pre-printed information on the application forms is correct.

Additional application forms for subscription and payment through set-off can be obtained by phone (+46 8 473 48 50), alternatively downloaded from the Company’s and DNB Markets’ web pages (www.karolinskadevelopment.com and www.dnb.se/emission). Please note that nominee convertible holders shall submit the application for subscription and payment by set-off through their nominee, in accordance with the nominee’s instructions.

Incomplete or incorrectly completed application forms may be disregarded. Application forms which are sent by post should be sent in good time before the last day of the subscription period.

Disclosure of the result of the Offer

The result of the Offer is estimated to be disclosed by way of a press release on 17 October 2019.

Delivery of shares

The shares will be delivered when the Directed share issue has been registered with the Swedish Companies Registration Office, which is estimated to occur on 22 October 2019.

Miscellaneous

The Company’s shares of series B are traded on Nasdaq Stockholm. The new shares of series B will be traded on Nasdaq Stockholm as well after the Directed share issue has been registered by the Swedish Companies Registration Office. The first day of trading is expected to commence on 23 October 2019. The new shares qualify for dividend on the first record day for dividend after the new shares have been registered by the Swedish Companies Registration Office and have been recorded in the share registry kept by Euroclear.

Overall time schedule for the Offer

5 July 2019:	8 July 2019:	14 October 2019:	17 October 2019:	23 October 2019:
– Prospectus is published	– Subscription period commences	– Subscription period ends	– Outcome of the Offer is published	– The new shares are admitted to trading on Nasdaq Stockholm

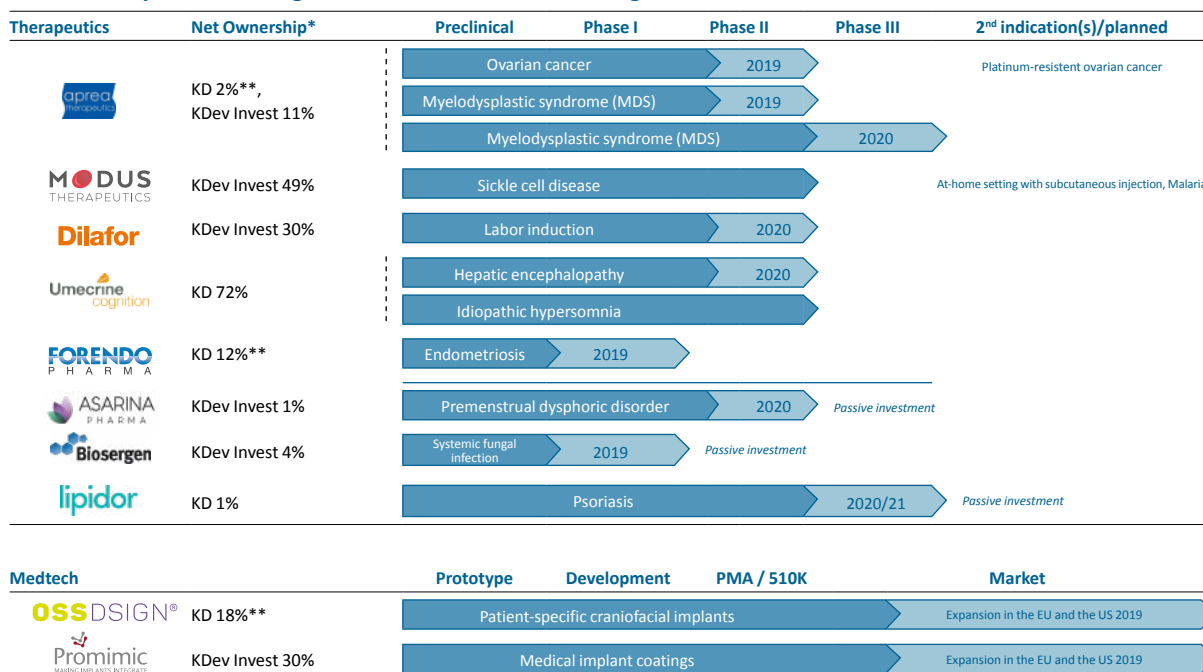


Karolinska Developments portfölj

The information in the Company’s press release published on 23 September 2019 and other relevant information causes parts of the section “Karolinska Development’s portfolio” in the Prospectus to be replaced or supplemented as below.

The diagram on page 39 in the Prospectus is replaced with the diagram below.

Our current portfolio — significant value-inflection during 2019/2020



KD: Karolinska Development

KDev Invest: KDev Investments

* Fully diluted ownership based on current investment plans

** Includes indirect holdings through KCIF Co-Investment Fund

Current phase

Progress and expected results

The section “Aprea Therapeutics AB” – “Recent Progress” on page 40 is supplemented as follows:

Scott Coiante was appointed Senior Vice President and Chief Financial Officer.

Aprea Therapeutics has filed a registration statement with the U.S. Securities and Exchange Commission (SEC) relating to the potential initial public offering of shares of its common stock, and the company has also applied to list its shares of common stock on Nasdaq Global Select Market.

The section “Dilafor AB” – “Recent Progress” on page 42 is supplemented as follows:

First patient in Phase IIb study of tafoxiparin in women undergoing labor induction included.

The section “Dilafor AB” – “Expected milestones” on page 42 is supplemented as follows:

Result of Phase IIb study during Q2 2020.

The section “Forendo Pharma Ltd” – “Recent Progress” on page 44 is supplemented as follows:

Start of the Phase 1b study of its lead endometriosis program, FOR-6219.

The section “Forendo Pharma Ltd” – “Expected milestones” on page 44 is supplemented as follows:

Result from the Phase 1b study in Q1 2020.

The section “Promimic AB” – “Recent Progress” on page 46 is replaced as follows:

The company’s first spinal device utilizing HA^{nano} Surface has been approved by the FDA.

Financial information in summary

The information in the Company's interim report for January–June 2019 causes section "Financial information in summary" on page 48–52 in the Prospectus to be replaced as below.

Below is selected historical information in summary for the financial years 2016–2018 as well as for the periods January–June 2018 and 2019. The information relating to the financial years 2016–2018 has been obtained from the audited financial statements of Karolinska Development for 2018, 2017 and 2016. The information relating to the interim periods has been obtained from Karolinska Development's unaudited interim report for January–June 2019 (with comparable figures for January–June 2018). Karolinska Development's financial statements for the investment entity have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") as adopted by the EU for application in the EU. Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1, "Supple-

mentary Accounting Rules for Groups" and statement UFR 7 and 9 by the Financial Reporting Council have also been applied. The Company is an investment entity according to IFRS 10 "Consolidated Financial Statements". Except as explicitly stated, there is no information in the Prospectus audited and/or reviewed by the Company's auditor.

The information in this section shall be read in conjunction with the sections "Comments to the financial development" and "Equity, liabilities and other financial information" as well as Karolinska Development's audited accounts for 2016–2018 and the unaudited interim report for the period January–June 2019. Figures presented in this section have in certain cases been rounded off, as a consequence of which the tables will not always tally correctly.

Summary income statement for the Investment Entity

SEK 000	2019 Jan–June (unaudited)	2018 Jan–June (unaudited)	2018 (audited)	2017 (audited)	2016 (audited)
Revenue	1,943	1,492	3,073	2,464	5,360
Change in fair value of shares in portfolio companies	21,767	21,150	58,499	252,072	-146,544
Change in fair value of other financial assets and liabilities	13,566	25,520	41,481	2,483	-
Other expenses	-7,059	-7,673	-14,017	-12,996	-15,415
Personnel costs	-12,499	-8,188	-14,993	-23,513	-17,344
Depreciation of right-of-use assets	-352	-	-	-	-
Depreciation of tangible non-current assets	-	-	-	-	-106
Operating profit/loss	17,366	32,301	74,043	220,510	-174,049
Interest income	574	4,006	7,318	4,549	1,954
Interest expenses	-29,266	-24,548	-49,464	-43,495	-45,237
Other financial gains and losses	170	-176	-1,387	-1,969	500
Financial net	-28,522	-20,718	-43,533	-40,915	-42,783
Profit/loss before tax	-11,156	11,583	30,510	179,595	-216,832
Tax	-	-	-	-	-
Net profit/loss for the period	-11,156	11,583	30,510	179,595	-216,832

Earnings per share

SEK 000	2019 Jan–June (unaudited)	2018 Jan–June (unaudited)	2018 (audited)	2017 (audited)	2016 (audited)
Earnings per share, weighted average, before dilution	-0.17	0.18	0.48	2.93	-4.08
Number of shares, weighted average before dilution	64,174,452	64,117,875	64,136,941	61,243,234	53,210,223
Earnings per share, weighted average after dilution	-0.17	0.18	0.48	2.93	-4.08
Number of shares, weighted average after dilution	64,174,452	64,117,875	64,136,941	61,300,516	53,210,223

Balance sheet for the Investment Entity

SEK 000	30 June 2019 (unaudited)	30 June 2018 (unaudited)	31 Dec 2018 (audited)	31 Dec 2017 (audited)	31 Dec 2016 (audited)
ASSETS					
Non-current assets					
Right of use assets	1,056	–	–	–	–
Financial assets					
Shares in portfolio companies at fair value through profit or loss	651,985	524,662	618,927	447,783	149,408
Loans receivable from portfolio companies	5,127	3,493	5,098	3,436	957
Other financial assets	27,609	66,116	26,970	40,596	38,113
Total non-current assets	685,777	594,271	650,995	491,815	188,478
Current assets					
Receivables from portfolio companies	1,483	909	473	611	229
Other financial assets	65,987	–	53,060	–	–
Other current receivables	22,829	846	3,432	531	660
Prepaid expenses and accrued income	2,771	927	632	666	806
Short-term investments, at fair value through profit or loss	25,129	85,167	69,949	150,329	237,545
Cash and cash equivalents	10,971	11,328	15,843	19,305	10,602
Total current assets	129,170	99,177	143,389	171,442	249,842
TOTAL ASSETS	814,947	693,448	794,384	663,257	438,320
EQUITY AND LIABILITIES					
Equity					
Share capital	644	644	644	644	26,732
Share premium	1,970,752	1,970,752	1,970,752	1,970,752	1,874,236
Accumulated losses including net profit/loss for the year	–1,686,538	–1,694,316	–1,675,389	–1,704,275	–1,871,153
Total equity	284,858	277,080	296,007	267,121	29,815
Long-term liabilities					
Convertible loan	–	403,743	–	379,184	394,438
Other financial liabilities	11,423	4,807	11,423	4,807	4,798
Total long-term liabilities	11,423	408,550	11,423	383,991	399,236
Current liabilities					
Convertible loan	456,043	–	428,303	–	–
Current interest-bearing liabilities	50,000	–	50,000	–	–
Accounts payable	2,786	1,242	1,373	1,155	1,460
Liability to make lease payment	1,070	–	–	–	–
Other current liabilities	1,586	1,358	831	1,627	960
Accrued expenses and prepaid income	7,181	5,218	6,447	9,363	6,849
Total current liabilities	518,666	7,818	486,954	12,145	9,269
Total liabilities	530,089	416,368	498,377	396,136	408,505
TOTAL EQUITY AND LIABILITIES	814,947	693,448	794,384	663,257	438,320

Statement of cash flows for the Investment Entity

SEK 000	2019 Jan–June (unaudited)	2018 Jan–June (unaudited)	2018 (audited)	2017 (audited)	2016 (audited)
Operating activities					
Operating profit/loss	17,366	32,301	74,043	220,510	-174,049
Adjustments for items not affecting cash					
Depreciation	352	–	–	–	106
Result of fair value change	-35,333	-46,670	-99,980	-254,555	146,544
Other items	-358	-1,974	-2,134	18	-1,371
Proceeds from short-term investments	-525	-485	-570	-405	-193
Interest received/paid	-1,007	–	-343	2	0
Cash flow from operating activities before changes in working capital and operating investments	-19,505	-16,828	-28,984	-34,430	-28,963
Cash flow from changes in working capital					
Increase (-)/Decrease (+) in operating receivables	-123	-469	-4,368	348	7,851
Increase (+)/Decrease (-) in operating liabilities	2,902	-4,327	46,506	2,876	-2,665
Cash flow from changes in working capital	-16,728	-21,624	13,154	-31,206	-23,777
Investment activities					
Payment from earn-out agreement	–	–	8,663	–	–
Sale of shares in portfolio companies	–	11,971	11,911	45,565	444
Acquisitions of shares in portfolio companies	-32,442	-63,633	-117,237	-89,775	-26,987
Proceeds from sale of short-term investments ¹⁾	44,296	65,309	80,047	86,747	41,326
Cash flow from operating activities	11,854	13,647	-16,616	42,537	14,783
Financing activities					
Share issue	–	–	–	–	7
Convertible debenture issue	–	–	–	-2,628	–
Cash flow from financing activities	0	0	0	-2,628	7
Cash flow for the period/ year	-4,872	-7,977	-3,462	8,703	-8,987
Cash and cash equivalents at the beginning of the period/ year	15,843	19,305	19,305	10,602	19,589
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/ YEAR	10,971	11,328	15,843	19,305	10,602
<i>Supplemental disclosure¹⁾</i>					
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/ YEAR	10,971	11,328	15,843	19,305	10,602
Short-term investments, market value at closing date	25,129	85,167	69,949	150,329	237,545
CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS AT THE END OF THE PERIOD/ YEAR	36,100	96,495	85,792	169,634	248,147

1) Surplus liquidity in the Investment Entity is invested in fixed income funds and is recognised as short-term investments with a maturity exceeding three months. These investments consequently are not reported as cash and cash equivalents and therefore are included in cash flow from operating activities. The supplemental disclosure is presented to provide a comprehensive overview of the Investment Entity's available funds, including cash, cash equivalents and short-term investments.

Key figures for the Investment Entity

SEK 000	2019 Jan–June (unaudited)	2018 Jan–June (unaudited)	2018 (audited)	2017 (audited)	2016 (audited)
Income statement					
Result of change in Fair Value of shares in portfolio companies	21,767	21,150	58,499	252,072	–146,544
Profit/loss after tax	–11,156	11,583	30,510	179,595	–216,832
Balance sheet					
Cash, cash equivalents and short-term investments	36,100	96,495	85,792	169,634	248,147
Share information					
Earnings per share before and after dilution (SEK)	–0.2	0.2	0.5	2.9	–4.1
Net asset value per share (SEK)	4.2	4.4	3.8	4.3	0.7
Equity per share (SEK)	4.4	4.3	4.6	4.2	0.6
Share price per share, last trading day in report period (SEK)	3.8	5.0	6.2	5.8	6.0
Portfolio information					
Investments in portfolio companies	33,016	67,639	124,557	91,869	28,917
Of which investments not affecting cash flow	574	4,007	7,321	4,561	1,892
Valuation of total portfolio holdings	651,985	524,662	618,927	447,783	149,408

Definitions

Definition of Key Terms

Key Terms	Description	Motivation for use
<i>Equity per share</i>	Equity divided by the number of shares outstanding at year-end.	Shows each share's share of the equity.
<i>Net Portfolio Fair Value (after potential distribution to Rosetta Capital)</i>	The net aggregated proceeds that Karolinska Development will receive after KDev Investments' distribution of proceeds to Rosetta Capital.	Shows the portfolios Net Fair Value after the distribution.
<i>Result of change in Fair Value of shares in portfolio companies</i>	Result of change in Fair Value of shares in portfolio companies includes both unrealised gains and losses (Fair Value) and realised gains and losses (e.g. divestments).	Shows the result of changes in shares in portfolio companies

Definition of Alternative Performance Measures

The Company presents certain financial measures 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.

Alternative Performance Measures	Description	Motivation for use
<i>Total Portfolio Fair Value</i>	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.	Shows the whole portfolios Fair Value at the measurement date.
<i>Equity to total assets ratio</i>	Equity divided by total assets.	Shows how much of the assets that are financed with own capital.
<i>Net asset value per share</i>	Net Portfolio Fair Value of the total portfolio (SEK 652 million), loans receivable from portfolio companies (SEK 5.1 million), short-term investments (SEK 25.1 million), cash and cash equivalents (SEK 11 million), and net of financial assets and liabilities minus interest-bearing liabilities (SEK 82.2 million minus SEK 506 million). Net asset value per share: the net asset value in relation to the number of shares outstanding, excluded repurchased shares (64,174,452) on the closing date (30 June 2019).	Shows each shares part of the company's net asset value.

Comments to the financial development

The information in the Company's interim report for January–June 2019 causes parts of section "Comments to the financial development" on page 53–54 in the Prospectus to be replaced. "Jan–Mar 2019 compared with Jan–Mar 2018" is replaced with section "January–June 2019 compared with January–June 2018" below.

January–June 2019 compared with January–June 2018

Financial development

Karolinska Development's revenues derive from services rendered to portfolio companies. The revenue during January–June 2019 amounted to SEK 1.9 million compared to SEK 1.5 million during January–June 2018.

During January–June 2019, the net result was impacted by an increase of SEK 21.8 million due to an increase in fair value of shares in portfolio companies. During January–June 2018 the net result was impacted by an increase of SEK 21.2 million due to an increase in fair value of shares in portfolio companies. Change of fair value of other financial assets amounted to SEK 13.6 million during January–June 2019, compared to SEK 25.5 million January–June 2018. The change is mainly a consequence of the change in valuation of an earn-out deal.

During January–June 2019 other expenses amounted to SEK 7.1 million compared to SEK 7.7 million during January–June 2018. Personnel costs amounted to SEK 12.5 million during January–June 2019 compared to SEK 8.2 million during January–June 2018. The difference in personnel costs compared to the first six months of 2018 is caused by reversed accrued costs at the expiration of the performance-related share program PSP 2015 that lowered comparable costs in 2018, but also a stay-on bonus to the employees which increased comparable costs in 2019

As of 30 June 2019, the number of employees was six, compared to seven as of 30 June 2018.

During January–June 2019, the financing of the portfolio companies via loans decreased, which is why interest income decreased by SEK 3.4 million to SEK 0.6 million, compared to SEK 4.0 million in January–June 2018. Interest expenses increased during January–June 2019 by SEK 4.7 million to SEK 29.3 million, compared to SEK 24.6 million during January–June 2018. The reason for the increase is the interest on the convertible (the interest is cumulative) and the interest on the credit facility.

The investment entity reported Profit/Loss before Tax of SEK –11.2 million in January–June 2019, compared to SEK 11.6 million in January–June 2018.

Fair Value, Investments and Result of Change in Portfolio Fair Value

The Portfolio Fair Value of Karolinska Development is divided into Total Portfolio Fair Value and Net Portfolio Fair Value.

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

The Net Portfolio Fair Value (after potential distribution to Rosetta Capital) is the net aggregated proceeds to be distributed to Karolinska Development following KDev Investments' distribution of proceeds to Rosetta Capital.

	30 June 2019 vs 30 June 2018		
SEK million	30 June 2019	30 June 2018	30 June 2018
Karolinska Development			
Portfolio Fair Value (unlisted companies)	439.7	440.8	–1.1
Karolinska Development			
Portfolio Fair Value (listed companies)	69.8	–	69.8
KDev Investments			
Portfolio Fair Value	485.8	390.8	95.0
Total Portfolio Fair Value	995.3	831.6	163.7
Potential distribution to Rosetta Capital of fair value of KDev Investments	343.3	306.9	36.4
Net Portfolio Fair Value (after potential distribution to Rosetta Capital)	652.0	524.6	127.3

Net Portfolio Fair Value benämns is designated in Karolinska Development's balance sheet as Shares in portfolio companies at fair value through profit or loss.

Potential distribution to Rosetta capital of fair value in KDev Investments represents the portion of the dividend received by KDev Investments that is to be distributed to Rosetta Capital.

The change in Karolinska Development's Portfolio Fair Value is in general a result of new financing rounds in the portfolio companies at an increased valuation and where independent third parties invest or alternatively as a result of valuations by independent valuation institutes when significant milestones have been met. Changes can also be a result from a decrease in Fair Value generated by financing rounds at lower valuation, divestment at no or limited up-front payment or project failure.

On 30 June 2019 the Portfolio Net Fair Value amounted to SEK 652.0 million. Compared to Portfolio Net Fair Value of SEK 524.6 million 30 June 2018, a total increase of SEK 127.3 million. Fair Value of the portfolio companies owned directly by Karolinska Development increased by SEK 68.7 million compared to 30 June 2018.

The Fair Value of the portfolio companies held indirectly via KDev Investments amounted to SEK 485.8 million 30 June 2019, compared to SEK 390.8 million 30 June 2018 an increase by SEK 95.0 million.

Total Fair Value of portfolio companies held directly by Karolinska Development and indirectly via KDev Investments increased by SEK 163.7 million from 30 June 2018 compared to 30 June 2019.

As a consequence of the increase in Fair Value of the portfolio held indirectly via KDev Investments, the potential distribution to Rosetta Capital increased by SEK 36.4 million, resulting in Net Portfolio Fair Value increase of SEK 127.3 million from 30 June 2018 to 30 June 2019.

During January–June 2019 Karolinska Development invested SEK 33.0 million, whereof SEK 32.4 million was cash investments and SEK 0.6 million was non-cash investments (accrued interest on loans).

Karolinska Development made investments in portfolio companies Umecrine Cognition with SEK 20.6 million, Forendo Pharma with SEK 6.6 million, OssDesign SEK 5.5 million and Dilafor SEK 0.4 million.

Cash flow

During January–June 2019 the cash flow from operating activities before changes in working capital and operating investments amounted to SEK –19.5 million, a decrease of Cash flow by SEK 2.7 million compared to January–June 2018.

During January–June 2019 Karolinska Development invested SEK 32.4 million in cash in its portfolio companies and together with changes in working capital, cash from operating activities amounted to SEK –4.8 million, an increase by SEK 3.2 million compared to January–June 2018.

Financial position

As of 30 June 2019, cash and cash equivalents and short-term investments amounted to SEK 36.1 million, a decrease of SEK 60.4 million compared to 96.5 million 30 June 2018.

The equity amounted to SEK 284.9 million on 30 June 2019, an increase by SEK 7.8 million compared to SEK 277.1 million on 30 June 2018. The increase is a consequence of the Net profit/Loss of during the period.

The equity ratio 30 June 2019 was 35 per cent compared to 40 per cent 30 June 2018.

Equity, liabilities and other financial information

The information in the Company's interim report for January–June 2019 and the Company's press release published on 23 September 2019 causes parts of the section "Equity, liabilities and other financial information" on page 59–63 in the Prospectus to be replaced as below.

Equity and liabilities

The table below shows Karolinska Development's capitalisation as at 30 June 2019.

Capital structure SEK '000	2019-06-30
Total current liabilities	
Guaranteed	–
Secured ¹⁾	50,000
Unguaranteed/unsecured	456,043
Total current liabilities	506,043
Non-current liabilities	
Guaranteed	–
Secured	–
Unguaranteed/unsecured	–
Total non-current liabilities	–
Equity	
Share capital	644
Other capital contributions	1,970,752
Retained earnings	–1,675,538
Equity	284,858

1) The right to additional consideration regarding divested shares in Oncopeptides, Athera and Lipidor.

Net financial indebtedness

The table below shows Karolinska Development's net liabilities as at 30 June 2019.

Net liabilities SEK '000	2019-06-30
A Cash	–
B Cash equivalents (bank accounts)	10,971
C Trading securities	25,129
D Liquidity A+B+C	36,100
E Current financial receivables¹⁾	55,565
F Short-term interest-bearing liabilities	50,000
G Current convertible loan	456,043
H Other current financial debt	–
I Current financial indebt F+G+H	506,043
J Net current financial debtness I-E-D	414,378
K Non-current bank loans	–
L Convertible loan	–
M Other non-current loans	–
N Non current financial indebtness K+L+M	–
O Net financial indebtness J+N²⁾	414,378

1) Current financial receivables consist of short-term loans to portfolio companies and other financial receivables.

2) Negative figure equals asset.

Indirect indebtedness/pledge assets and contingent liabilities

Karolinska Development's indirect indebtedness/pledge assets amounts to SEK 168.7 million and consist of right to earn-out payments for transferred shares in Oncopeptides and Athera and directly held shares in Aprea Therapeutics, OssDsign and Lipidor. Karolinska Development has contingent assets amounting to SEK 8.0 million which refers to investment commitment in portfolio companies.

Credit facilities

Karolinska Development has signed an agreement with DNB Bank ASA, branch Sweden for a credit facility totalling SEK 35 million, which is due for payment on 29 November 2019. The interest rate is 4 per cent and is paid monthly on the last day of each month. The Credit facility has been fully utilised.

Investments

Karolinska Development has a portfolio of ten companies, nine of which have projects in clinical development or early launch phase. Clinical phase II results are expected for presentation during the remainder of 2019 by two of the portfolio company Aprea Therapeutics' projects, offering the potential for substantially increased opportunities for attractive divestments or licensing deals.

Investments during the period from 1 July 2019 to the day of the Supplement to the Prospectus are SEK 8.5 million and was made in Umecrine Cognition.

During the past years Karolinska Development has succeeded in securing additional financing in syndication with other professional life science investors to ensure the portfolio companies are financed to their next significant value inflection point. With the current financial plans for the portfolio companies the current ownership and the expected ownership fully diluted is as described below:

Net Ownership*		
	Ownership 30 June 2019	Ownership – After full dilution
Karolinska Development		
Aprea Therapeutics (KD)	2%	2%
Forendo	12%	10%
Lipidor	1%	1%
OssDsign	18%	18%
Umecrine Cognition	74%	72%
KDev Investments		
Aprea Therapeutics	14%	11%
Asarina Pharma	1%	1%
Biosergen	4%	4%
Dilafor	34%	30%
Modus Therapeutics	63%	49%
Promimic	26%	26%

* Includes ownership via KCIF

If the financial plans for the portfolio companies change it will have an impact on Karolinska Development's final fully diluted ownership, which may increase and decrease.

Karolinska Development has previously divested nine companies by earn-out agreements including rights to additional payments. As part of the earn-out agreements the funds to further develop these companies have been secured from the acquirers of the portfolio companies. The right to earn-outs remain wholly or partly for four of the nine 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. 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, discounted cash flow models (DCF) may be used. DCFs of the Underlying Business considers all of the cash flows of a portfolio company that are then discounted with an appropriate rate and also risk adjusted to take the developments risks in pharmaceutical development into consideration. The revenue streams are approximated from epidemiological data on the intended therapeutic indication, and a number of assumptions such as for example 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 into the DCF models are constructed with a high level of subjectivity. Hence, this method is only suitable for late stage assets, i.e. either pharmaceutical companies with lead projects in late stage (Phase III) development or technology projects with an established market presence where the revenues can be projected with a higher degree of confidence than in products in earlier stages of development.

As of 30 June 2019, there are currently no portfolio companies valued by DCF.

On 30 June 2019, the total Fair Value of the portfolio amounted to SEK 995 million. Adjusted for potential distribution of SEK 343 million to Rosetta Capital, the Net Fair Value of the portfolio amounted to SEK 652 million.

Karolinska Development does not own and does not intend to own any significant non-current assets, besides investment in portfolio companies including shares in small listed companies.

Working capital statement

The third to six sentences in the first section is to be replaced as below:

The Company's need for additional working capital appears partly on 29 November 2019 for payment of the final balance of the credit facility of maximum SEK 35 million, and on 31 December 2019 for repayment of the convertible loan of SEK 484 million. The total shortage of working capital, including costs for operating the business and commitments regarding follow-on investments in the portfolio companies, amounts to approximately SEK 544 million.

The first sentence in the second section is to be replaced as below:

The Company's working capital requirement for the next 12 months in addition to repayment of the convertible loan but including repayment of a credit facility of SEK 35 million amounts to about SEK 60 million.

Significant events after 30 June 2019

Karolinska Development announced during July, August and September that:

Karolinska Development's CFO Fredrik Järsten is appointed as Deputy CEO.

The subscription period in the directed new share issue to the holders of the Company's convertible loan has been extended on several occasions and now ends on 14 October 2019.

Dilafor has enrolled the first subject in its Phase 2b study with tafoxiparin in pregnant women planned for labor induction.

Forendo Pharma announced that Sunstone Life Science Ventures joins the existing international investor syndicate and has made a EUR 5 million investment in Forendo Pharma. The new financing will enable Forendo Pharma to progress its lead endometriosis program, FOR-6219, an HSD17B1 enzyme inhibitor, into the next phase of clinical studies after the successful completion of its Phase 1a study earlier this year.

Aprea Therapeutics announced the appointment of Scott Coiante as Senior Vice President and Chief Financial Officer.

Forendo Pharma announced the start of the Phase 1b study of its lead endometriosis program, FOR-6219.

Promimic announced that the company's first spinal device utilizing HA^{nano} Surface has been approved by the FDA.

Aprea Therapeutics has filed a registration statement with the U.S. Securities and Exchange Commission (SEC) relating to the potential initial public offering of shares of its common stock. The company has also applied to list its shares of common stock on Nasdaq Global Select Market under the symbol APRE. In an amendment to the registration statement, the price range for the potential initial public offering of its shares of common stock is USD 14–16 per share. Provided the completion of the initial public offering, the net profit effect due to changed valuation of the Company holding, based on the price range in the offering, would be approx. SEK 45–78 million. The Company has signed a customary lock up agreement, preventing a sale of the shares during a 180 days period calculated from the end of the offer period.

Lipidor has been approved for listing on Nasdaq First North Growth Market and the first day of trading is set for 27 September 2019.

Legal issues and supplementary information

The information in the Company's interim report for January–June 2019 causes parts of the section “Legal issues and supplementary information” on page 85 in the Prospectus to be replaced as below.

Documents incorporated by reference

Karolinska Development's interim report for the period January – June 2019, and Karolinska Development's annual reports for 2018, 2017 and 2016 represents part of the Prospectus and shall be read as part hereof. References are made as follows:

- The interim report for the period January–June 2019; Financial development (pages 14–16), income statement (page 20), balance sheet and statement of changes in equity (page 21), statement of cash flow (page 22), and notes (pages 25–29),
- Annual report 2018; director's report (pages 26–36), income statement (page 37), balance sheet (page 38), statement of changes in equity (page 39), statement of cash flow (page 40) and notes (pages 45–73), and further auditor's report (pages 74–76),
- Annual report 2017; director's report (pages 26–38), income statement (page 40), balance sheet (page 41), statement of changes in equity (page 42), statement of cash flow (page 43) and notes (pages 48–85), and further auditor's report (pages 86–89).
- Annual report 2016; director's report (pages 26–36), income statement (page 38), balance sheet (page 39), statement of changes in equity (page 40), statement of cash flow (page 41) and notes (pages 46–79), and further auditor's report (pages 80–82).

The parts of each annual report or interim report which are not referred to contains information that exists in other parts of the Prospectus or information that is not considered to be deemed relevant for investors. The annual reports for 2018, 2017 and 2016 have been audited by the Company's auditor, and each auditor's report represents part of the annual reports. The interim report for the period January–June 2019 has not been subject to audit by the Company's auditor.

The documents are available on the Company's web page <https://www.karolinskadevelopment.com/sv/rapporter-och-presentationer>.

Documents available for inspection

The following documents are available for review at Karolinska Development's head quarter, Tomtebodavägen 23 A, 171 65 Solna, telephone (+46) 8 524 860 70 (office hours).

- The Prospectus,
- The Supplement to the Prospectus,
- Karolinska Development's articles of association,
- Karolinska Development's annual reports including auditor's report, and annual reports for all subsidiaries for the financial years 2018, 2017 and 2016 (including auditor's report), and further,
- Karolinska Development's interim report for the period January–June 2019.

The documents are also available on the Company's web page www.karolinskadevelopment.com.

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