

**Supplement 3 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, and the two previous supplements. 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.

# Content

- 2 Supplement to the Prospectus
- 3 Summary
- 10 Invitation to subscribe for shares in Karolinska Development
- 11 Terms, conditions and instructions
- 13 Karolinska Developments portfolio
- 15 Financial information in summary
- 20 Comments to the financial development
- 22 Equity, liabilities and other financial information
- 26 Share capital and ownership structure
- 28 Legal issues and supplementary information
- 30 Addresses

## Indicative timetable

8 July–16 December 2019	Subscription period
18 December 2019	Final outcome of the Offer is announced
23 December 2019	First day of trading of new shares on Nasdaq Stockholm

## Financial calendar

13 February 2019	Year-End Report 2019
------------------	----------------------

# 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. Two previous supplements to the Prospectus have been published by the Swedish Financial Supervisory Authority on the respective day of approval. The first supplement was approved and registered with the Swedish Financial Supervisory Authority on 27 September 2019 (the Swedish Financial Supervisory Authority's reference number 19-19091) and the second supplement was approved and registered with the Swedish Financial Supervisory Authority on 6 November 2019 (the Swedish Financial Supervisory Authority's reference number 19-22681). The Supplement to the Prospectus is part of and should be read together with the Prospectus, and the two previous supplements. Definitions set out in the Prospectus also applies to the Supplement to the Prospectus.

The Supplement to the Prospectus has been prepared due to (i) the interim report for January – September 2019 published by the Company on 29 November 2019; (ii) the press release regarding the outcome of the first partial registration of the Directed share issue published by the Company on 20 November 2019; and (iii) the press release regarding that Aprea Therapeutics presents data from two Phase Ib/II studies of APR-246 at the American Society of Hematology meeting, published by the Company on 9 December 2019; (iv) the press release regarding a license and collaboration agreement that Forendo Pharma has entered with a leading pharma company, published by the Company on 11 December 2019; and (v) the press release regarding Sino Biopharma's divestment of its remaining convertible loan to Worldwide International Investments Limited for set-off in the Directed share issue published by the Company on 12 December 2019.

The Company has further included 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 13 December 2019 (the Swedish Financial Supervisory Authority's reference number 19-26466). 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 17 December 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 and the previous supplements.

# Summary

The information in the Company's interim report for January–September 2019 and the Company's press release published on 20 November 2019, 9 December 2019, 11 December 2019 and 12 December 2019, causes the information under section "Summary" item B.6, B.7, B.10, B.11, C.3, E.3 and E.6 on pages 3–9 and 14 in the Prospectus to be replaced as below.

Section B – Information regarding the issuer						
B.6	Shareholder structure	Ownership structure*				
		Shares				Convertible loan
		Shares of series A	Shares of series B	Capital %	Votes %	Amount (SEK)
	Shareholder					
	Sino Biopharmaceutical Limited**	0	75,727,285	52.89%	48.32%	0
	Karolinska Institutet Holding AB	1,503,098	2,126,902	2.54%	10.95%	0
	Tredje AP-Fonden	0	6,370,600	4.45%	4.07%	0
	Paradigm Capital***		4,480,683	3.13%	2.86%	5,755,804.00
	Östersjöstiftelsen	0	3,889,166	2.72%	2.48%	0
	Costal Investment Management LLC	0	3,470,541	2.42%	2.21%	0
	Stift För Främjande&Utveckling	0	2,641,389	1.84%	1.69%	0
	OTK Holding A/S	0	2,300,000	1.61%	1.47%	0
	Ribbskottet AB	0	2,000,000	1.40%	1.28%	0
	Försäkringsaktiebolaget Avanza Pension	0	1,015,156	0.71%	0.65%	0
	<b>Total ten largest shareholders</b>	<b>1,503,098</b>	<b>104,021,722</b>	<b>73.70%</b>	<b>75.97%</b>	<b>5,755,804.00</b>
	Other shareholders	0	37,420,218	26.13%	23.88%	Unknown
	The Company's holding of own shares	0	244,285	0.17%	0.16%	0
	<b>Total</b>	<b>1,503,098</b>	<b>141,686,225</b>	<b>100.00%</b>	<b>100.00%</b>	<b>Unknown</b>
	* Holdings obtained from Euroclear 30 September 2019 and adjusted for the participation in the first partial registration in the Directed share issue and repurchase of shares in accordance with agreement.					
	** Includes shares held by Sino Biopharmaceutical's subsidiary Chia Tai Resources.					
	*** Includes shares and convertibles held by Paradigm Capital Value Fund SICAV, Paradigm Capital Value LP and Europäische Marketing und Finanzmanagement AG.					

<b>B.7</b>	<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–September 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 reviewed interim report for January–September 2019 (with comparable figures for January–September 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><b>Summary income statement for the Investment Entity</b></p>																																																																																																
		<table border="1"> <thead> <tr> <th style="text-align: left;">SEK 000</th> <th style="text-align: center;">2019 Jan–Sept (unaudited)</th> <th style="text-align: center;">2018 Jan–Sept (unaudited)</th> <th style="text-align: center;">2018 (audited)</th> <th style="text-align: center;">2017 (audited)</th> <th style="text-align: center;">2016 (audited)</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td style="text-align: right;">2,656</td> <td style="text-align: right;">2,220</td> <td style="text-align: right;">3,073</td> <td style="text-align: right;">2,464</td> <td style="text-align: right;">5,360</td> </tr> <tr> <td>Change in fair value of shares in portfolio companies</td> <td style="text-align: right;">32,126</td> <td style="text-align: right;">22,129</td> <td style="text-align: right;">58,499</td> <td style="text-align: right;">252,072</td> <td style="text-align: right;">–146,544</td> </tr> <tr> <td>Change in fair value of other financial assets</td> <td style="text-align: right;">8,808</td> <td style="text-align: right;">44,654</td> <td style="text-align: right;">41,481</td> <td style="text-align: right;">2,483</td> <td style="text-align: right;">–</td> </tr> <tr> <td>Other expenses</td> <td style="text-align: right;">–9,356</td> <td style="text-align: right;">–10,463</td> <td style="text-align: right;">–14,017</td> <td style="text-align: right;">–12,996</td> <td style="text-align: right;">–15,415</td> </tr> <tr> <td>Personnel costs</td> <td style="text-align: right;">–17,301</td> <td style="text-align: right;">–12,288</td> <td style="text-align: right;">–14,993</td> <td style="text-align: right;">–23,513</td> <td style="text-align: right;">–17,344</td> </tr> <tr> <td>Depreciation of right-of-use assets</td> <td style="text-align: right;">–528</td> <td style="text-align: right;">–</td> <td style="text-align: right;">–</td> <td style="text-align: right;">–</td> <td style="text-align: right;">–</td> </tr> <tr> <td>Depreciation of tangible non-current assets</td> <td style="text-align: right;">–</td> <td style="text-align: right;">–</td> <td style="text-align: right;">–</td> <td style="text-align: right;">–</td> <td style="text-align: right;">–106</td> </tr> <tr> <td><b>Operating profit/loss</b></td> <td style="text-align: right;"><b>16,405</b></td> <td style="text-align: right;"><b>46,252</b></td> <td style="text-align: right;"><b>74,043</b></td> <td style="text-align: right;"><b>220,510</b></td> <td style="text-align: right;"><b>–174,049</b></td> </tr> <tr> <td>Interest income</td> <td style="text-align: right;">1,143</td> <td style="text-align: right;">6,473</td> <td style="text-align: right;">7,318</td> <td style="text-align: right;">4,549</td> <td style="text-align: right;">1,954</td> </tr> <tr> <td>Interest expenses</td> <td style="text-align: right;">–43,554</td> <td style="text-align: right;">–36,841</td> <td style="text-align: right;">–49,464</td> <td style="text-align: right;">–43,495</td> <td style="text-align: right;">–45,237</td> </tr> <tr> <td>Other financial gains and losses</td> <td style="text-align: right;">195</td> <td style="text-align: right;">–227</td> <td style="text-align: right;">–1,387</td> <td style="text-align: right;">–1,969</td> <td style="text-align: right;">500</td> </tr> <tr> <td><b>Financial net</b></td> <td style="text-align: right;"><b>–42,215</b></td> <td style="text-align: right;"><b>–30,596</b></td> <td style="text-align: right;"><b>–43,533</b></td> <td style="text-align: right;"><b>–40,915</b></td> <td style="text-align: right;"><b>–42,783</b></td> </tr> <tr> <td><b>Profit/loss before tax</b></td> <td style="text-align: right;"><b>–25,810</b></td> <td style="text-align: right;"><b>15,656</b></td> <td style="text-align: right;"><b>30,510</b></td> <td style="text-align: right;"><b>179,595</b></td> <td style="text-align: right;"><b>–216,832</b></td> </tr> <tr> <td>Tax</td> <td style="text-align: right;">–</td> <td style="text-align: right;">–</td> <td style="text-align: right;">–</td> <td style="text-align: right;">–</td> <td style="text-align: right;">–</td> </tr> <tr> <td><b>Net profit/loss for the period</b></td> <td style="text-align: right;"><b>–25,810</b></td> <td style="text-align: right;"><b>15,656</b></td> <td style="text-align: right;"><b>30,510</b></td> <td style="text-align: right;"><b>179,595</b></td> <td style="text-align: right;"><b>–216,832</b></td> </tr> </tbody> </table>	SEK 000	2019 Jan–Sept (unaudited)	2018 Jan–Sept (unaudited)	2018 (audited)	2017 (audited)	2016 (audited)	Revenue	2,656	2,220	3,073	2,464	5,360	Change in fair value of shares in portfolio companies	32,126	22,129	58,499	252,072	–146,544	Change in fair value of other financial assets	8,808	44,654	41,481	2,483	–	Other expenses	–9,356	–10,463	–14,017	–12,996	–15,415	Personnel costs	–17,301	–12,288	–14,993	–23,513	–17,344	Depreciation of right-of-use assets	–528	–	–	–	–	Depreciation of tangible non-current assets	–	–	–	–	–106	<b>Operating profit/loss</b>	<b>16,405</b>	<b>46,252</b>	<b>74,043</b>	<b>220,510</b>	<b>–174,049</b>	Interest income	1,143	6,473	7,318	4,549	1,954	Interest expenses	–43,554	–36,841	–49,464	–43,495	–45,237	Other financial gains and losses	195	–227	–1,387	–1,969	500	<b>Financial net</b>	<b>–42,215</b>	<b>–30,596</b>	<b>–43,533</b>	<b>–40,915</b>	<b>–42,783</b>	<b>Profit/loss before tax</b>	<b>–25,810</b>	<b>15,656</b>	<b>30,510</b>	<b>179,595</b>	<b>–216,832</b>	Tax	–	–	–	–	–	<b>Net profit/loss for the period</b>	<b>–25,810</b>	<b>15,656</b>	<b>30,510</b>	<b>179,595</b>	<b>–216,832</b>
SEK 000	2019 Jan–Sept (unaudited)	2018 Jan–Sept (unaudited)	2018 (audited)	2017 (audited)	2016 (audited)																																																																																													
Revenue	2,656	2,220	3,073	2,464	5,360																																																																																													
Change in fair value of shares in portfolio companies	32,126	22,129	58,499	252,072	–146,544																																																																																													
Change in fair value of other financial assets	8,808	44,654	41,481	2,483	–																																																																																													
Other expenses	–9,356	–10,463	–14,017	–12,996	–15,415																																																																																													
Personnel costs	–17,301	–12,288	–14,993	–23,513	–17,344																																																																																													
Depreciation of right-of-use assets	–528	–	–	–	–																																																																																													
Depreciation of tangible non-current assets	–	–	–	–	–106																																																																																													
<b>Operating profit/loss</b>	<b>16,405</b>	<b>46,252</b>	<b>74,043</b>	<b>220,510</b>	<b>–174,049</b>																																																																																													
Interest income	1,143	6,473	7,318	4,549	1,954																																																																																													
Interest expenses	–43,554	–36,841	–49,464	–43,495	–45,237																																																																																													
Other financial gains and losses	195	–227	–1,387	–1,969	500																																																																																													
<b>Financial net</b>	<b>–42,215</b>	<b>–30,596</b>	<b>–43,533</b>	<b>–40,915</b>	<b>–42,783</b>																																																																																													
<b>Profit/loss before tax</b>	<b>–25,810</b>	<b>15,656</b>	<b>30,510</b>	<b>179,595</b>	<b>–216,832</b>																																																																																													
Tax	–	–	–	–	–																																																																																													
<b>Net profit/loss for the period</b>	<b>–25,810</b>	<b>15,656</b>	<b>30,510</b>	<b>179,595</b>	<b>–216,832</b>																																																																																													
		<p><b>Earnings per share</b></p>																																																																																																
		<table border="1"> <thead> <tr> <th style="text-align: left;">SEK 000</th> <th style="text-align: center;">2019 Jan–Sept (unaudited)</th> <th style="text-align: center;">2018 Jan–Sept (unaudited)</th> <th style="text-align: center;">2018 (audited)</th> <th style="text-align: center;">2017 (audited)</th> <th style="text-align: center;">2016 (audited)</th> </tr> </thead> <tbody> <tr> <td>Earnings per share, weighted average, before dilution</td> <td style="text-align: right;">–0.40</td> <td style="text-align: right;">0.24</td> <td style="text-align: right;">0.48</td> <td style="text-align: right;">2.93</td> <td style="text-align: right;">–4.08</td> </tr> <tr> <td>Number of shares, weighted average before dilution</td> <td style="text-align: right;">64,174,452</td> <td style="text-align: right;">64,136,941</td> <td style="text-align: right;">64,136,941</td> <td style="text-align: right;">61,243,234</td> <td style="text-align: right;">53,210,223</td> </tr> <tr> <td>Earnings per share, weighted average after dilution</td> <td style="text-align: right;">–0.40</td> <td style="text-align: right;">0.24</td> <td style="text-align: right;">0.48</td> <td style="text-align: right;">2.93</td> <td style="text-align: right;">–4.08</td> </tr> <tr> <td>Number of shares, weighted average after dilution</td> <td style="text-align: right;">64,174,452</td> <td style="text-align: right;">64,136,941</td> <td style="text-align: right;">64,136,941</td> <td style="text-align: right;">61,300,516</td> <td style="text-align: right;">53,210,223</td> </tr> </tbody> </table>	SEK 000	2019 Jan–Sept (unaudited)	2018 Jan–Sept (unaudited)	2018 (audited)	2017 (audited)	2016 (audited)	Earnings per share, weighted average, before dilution	–0.40	0.24	0.48	2.93	–4.08	Number of shares, weighted average before dilution	64,174,452	64,136,941	64,136,941	61,243,234	53,210,223	Earnings per share, weighted average after dilution	–0.40	0.24	0.48	2.93	–4.08	Number of shares, weighted average after dilution	64,174,452	64,136,941	64,136,941	61,300,516	53,210,223																																																																		
SEK 000	2019 Jan–Sept (unaudited)	2018 Jan–Sept (unaudited)	2018 (audited)	2017 (audited)	2016 (audited)																																																																																													
Earnings per share, weighted average, before dilution	–0.40	0.24	0.48	2.93	–4.08																																																																																													
Number of shares, weighted average before dilution	64,174,452	64,136,941	64,136,941	61,243,234	53,210,223																																																																																													
Earnings per share, weighted average after dilution	–0.40	0.24	0.48	2.93	–4.08																																																																																													
Number of shares, weighted average after dilution	64,174,452	64,136,941	64,136,941	61,300,516	53,210,223																																																																																													

B.7	Selected historical financial information, cont.	Balance sheet for the Investment Entity					
		SEK 000	30 Sept 2019 (unaudited)	30 Sept 2018 (unaudited)	31 Dec 2018 (audited)	31 Dec 2017 (audited)	31 Dec 2016 (audited)
		<b>ASSETS</b>					
		<b>Non-current assets</b>					
		Right of use assets	880	–	–	–	–
		<b>Financial assets</b>					
		Shares in portfolio companies at fair value through profit or loss	669,710	539,114	618,927	447,783	149,408
		Loans receivable from portfolio companies	7,664	5,100	5,098	3,436	957
		Other financial assets	27,928	76,587	26,970	40,596	38,113
		<b>Total non-current assets</b>	<b>706,182</b>	<b>620,801</b>	<b>650,995</b>	<b>491,815</b>	<b>188,478</b>
		<b>Current assets</b>					
		Accounts receivable	150	–	–	–	–
		Receivables from portfolio companies	258	637	473	611	229
		Other financial assets	60,909	–	53,060	–	–
		Other current receivables	1,291	976	3,432	531	660
		Prepaid expenses and accrued income	6,134	843	632	666	806
		Short-term investments, at fair value through profit or loss	17,156	70,123	69,949	150,329	237,545
		Cash and cash equivalents	3,627	17,902	15,843	19,305	10,602
		<b>Total current assets</b>	<b>89,525</b>	<b>90,481</b>	<b>143,389</b>	<b>171,442</b>	<b>249,842</b>
		<b>TOTAL ASSETS</b>	<b>795,707</b>	<b>711,282</b>	<b>794,384</b>	<b>663,257</b>	<b>438,320</b>
		<b>Equity and liabilities</b>					
		<b>Equity</b>					
		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	–1,701,188	–1,690,243	–1,675,389	–1,704,275	–1,871,153
		<b>Total equity</b>	<b>270,208</b>	<b>281,153</b>	<b>296,007</b>	<b>267,121</b>	<b>29,815</b>
		<b>Long-term liabilities</b>					
		Convertible loan	–	416,023	–	379,184	394,438
		Other financial liabilities	11,423	4,807	11,423	4,807	4,798
		<b>Total long-term liabilities</b>	<b>11,423</b>	<b>420,830</b>	<b>11,423</b>	<b>383,991</b>	<b>399,236</b>
		<b>Current liabilities</b>					
		Convertible loan	469,914	–	428,303	–	–
		Current interest-bearing liabilities	35,000	–	50,000	–	–
		Accounts payable	1,341	1,030	1,373	1,155	1,460
		Liability to make lease payment	898	–	–	–	–
		Other current liabilities	2,213	1,328	831	1,627	960
		Accrued expenses and prepaid income	4,710	6,941	6,447	9,363	6,849
		<b>Total current liabilities</b>	<b>514,076</b>	<b>9,299</b>	<b>486,954</b>	<b>12,145</b>	<b>9,269</b>
		<b>Total liabilities</b>	<b>525,499</b>	<b>430,129</b>	<b>498,377</b>	<b>396,136</b>	<b>408,505</b>
		<b>TOTAL EQUITY AND LIABILITIES</b>	<b>795,707</b>	<b>711,282</b>	<b>794,384</b>	<b>663,257</b>	<b>438,320</b>

B.7	Selected historical financial information, cont.	Statement of cash flows for the Investment Entity						
		2019 Jan–Sept (unaudited)	2018 Jan–Sept (unaudited)	2018 (audited)	2017 (audited)	2016 (audited)		
		SEK 000						
		<b>Operating activities</b>						
		Operating profit/loss	16,405	46,252	74,043	220,510	–174,049	
		<b>Adjustments for items not affecting cash</b>						
		Depreciation	528	–	–	–	106	
		Result of fair value change	–40,934	–66,783	–99,980	–254,555	146,544	
		Other items	–537	–1,624	–2,134	18	–1,371	
		Proceeds from short-term investments	594	–595	–570	–405	–193	
		Interest received/paid	–1,462	–	–343	2	0	
		<b>Cash flow from operating activities before changes in working capital and operating investments</b>	<b>–25,406</b>	<b>–22,750</b>	<b>–28,984</b>	<b>–34,430</b>	<b>–28,963</b>	
		<b>Cash flow from changes in working capital</b>						
		Increase (–)/Decrease (+) in operating receivables	–5,745	–1,418	–4,368	348	7,851	
		Increase (+)/Decrease (–) in operating liabilities	–15,387	–2,846	46,506	2,876	–2,665	
		<b>Cash flow from changes in working capital</b>	<b>–46,538</b>	<b>–27,014</b>	<b>13,154</b>	<b>–31,206</b>	<b>–23,777</b>	
		<b>Investment activities</b>						
		Payment from earn-out agreement	–	8,663	8,663	–	–	
		Sale of shares in portfolio companies	23,444	11,911	11,911	45,565	444	
		Acquisitions of shares in portfolio companies	–40,958	–74,640	–117,237	–89,775	–26,987	
		Proceeds from sale of short-term investments <sup>1)</sup>	51,836	79,677	80,047	86,747	41,326	
		<b>Cash flow from operating activities</b>	<b>34,322</b>	<b>25,611</b>	<b>–16,616</b>	<b>42,537</b>	<b>14,783</b>	
		<b>Financing activities</b>						
		Share issue	–	–	–	–	7	
		Convertible debenture issue	–	–	–	–2,628	–	
		<b>Cash flow from financing activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>–2,628</b>	<b>7</b>	
		Cash flow for the period/ year	–12,216	–1,403	–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	
		<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/ YEAR</b>	<b>3,627</b>	<b>17,902</b>	<b>15,843</b>	<b>19,305</b>	<b>10,602</b>	
		<i>Supplemental disclosure<sup>1)</sup></i>						
		<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/ YEAR</b>	<b>3,627</b>	<b>17,902</b>	<b>15,843</b>	<b>19,305</b>	<b>10,602</b>	
		Short-term investments, market value at closing date	17,156	70,123	69,949	150,329	237,545	
		<b>CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS AT THE END OF THE PERIOD/ YEAR</b>	<b>20,783</b>	<b>88,025</b>	<b>85,792</b>	<b>169,634</b>	<b>248,147</b>	
		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.						



B.7	Selected historical financial information, cont.	Key figures for the Investment Entity					
		2019 Jan–Sept (unaudited)	2018 Jan–Sept (unaudited)	2018 (audited)	2017 (audited)	2016 (audited)	
		SEK 000					
		<b>Income statement</b>					
		Result of change in Fair Value of shares in portfolio companies	32,126	22,129	58,499	252,072	–146,544
		Profit/loss after tax	–25,810	15,656	30,510	179,595	–216,832
		<b>Balance sheet</b>					
		Cash, cash equivalents and short-term investments	20,783	88,025	85,792	169,634	248,147
		<b>Share information</b>					
		Earnings per share before and after dilution (SEK)	–0.4	0.2	0.5	2.9	–4.1
		Net asset value per share (SEK)	4.2	4.5	3.8	4.3	0.7
		Equity per share (SEK)	4.2	4.4	4.6	4.2	0.6
		Share price per share, last trading day in report period (SEK)	3.3	8.1	6.2	5.8	6.0
		<b>Portfolio information</b>					
		Investments in portfolio companies	42,103	81,113	124,557	91,869	28,917
		Of which investments not affecting cash flow	1,143	6,474	7,321	4,561	1,892
		Valuation of total portfolio holdings	669,710	539,114	618,927	447,783	149,408
		<b>Significant events after 30 September 2019</b>					
		Karolinska Development announced during October, November and December 2019 that:					
		The subscription period in the Directed share issue to the holders of the Company's convertible loan was extended several times and now ends on 16 December 2019.					
		Aprea Therapeutics announced that the price range was set to USD 15 for its IPO and was listed on Nasdaq Global Select Market, USA.					
		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.					
		Karolinska Development divested its indirect holding, through KDev Investments and KCIF CoInvestment Fund, of 1 percent in the portfolio company Asarina Pharma. The divestment will have only a limited impact on Karolinska Development's net earnings.					
		In November, it was announced that unconditional subscription- and repurchase commitments corresponding to set-off and repurchase of 94 per cent of the Company's convertible loan have been entered in the ongoing directed new share issue. The result of the first partial registration in the directed new share issue shows that holders of the convertible have subscribed for shares corresponding to an amount of SEK 208 million of the convertible loan in nominal terms. Considering the remaining subscription commitments and a repurchase of 6.5 per cent of the convertible, only 4.3 per cent of the convertible loan is outstanding. The subscription period in the directed new share issue was at the same time extended to 12 December 2019. The directed new share Issue will not result in any liquidity being transferred to the Company. The Company is therefore intensely working on a number of alternatives to finance the outstanding capital requirement after the directed new share issue has been completed. The short-term financing is currently expected to be construed either as a share issue and/or as a short-term credit facility.					
		Karolinska Development published a prospectus supplement for the directed new share issue to the holders of the Company's convertible loan.					
		OssDsign reported favourable outcome data on OSSDSIGN Cranial PSI.					

Summary

<p><b>B.7</b></p>	<p><i>Selected historical financial information, cont.</i></p>	<p>Aprea Therapeutics presented results from two Phase Ib/II clinical trials at the 2019 American Society of Hematology (ASH) Annual Meeting in Orlando, on 9 December 2019. Both trials evaluated the safety and efficacy of APR-246 in combination with azacitidine for the treatment of TP53 mutated Myelodysplastic Syndrome (MDS) and Acute Myeloid Leukemia (AML).</p> <p>Forendo Pharma announced that the company has entered a license and collaboration agreement with the global pharmaceutical company Novartis to develop new drugs for the treatment of chronic liver diseases. Forendo is entitled to an upfront payment, milestone payments and sales-based royalties on products emanating from the research collaboration, which is to be entirely funded by Novartis. In conjunction with the initiation of the collaboration, Novartis will make an equity investment in Forendo.</p> <p>Sino Biopharma has divested its convertibles in Karolinska Development of SEK 85 million in nominal terms, corresponding to its remaining convertible loan of in total SEK 121 million, including accrued interest until 30 June 2019, of which they are not eligible for conversion in the Directed Issue, as a consequence of the restriction that their voting share must not exceed 49 per cent in the Company. Sino Biopharma have divested their remaining convertibles to Worldwide International Investments Limited ("<b>Worldwide</b>"). Worldwide has committed to set-off its convertibles in Karolinska Development by subscribing for shares in the ongoing Directed Issue.</p> <p>As of 12 December, the share price in Aprea Therapeutics was USD 39.37 which would mean a net profit effect for Karolinska Development of approx. SEK 422 million in the fourth quarter.</p>
<p><b>B.10</b></p>	<p><i>Remarks from the company's auditor</i></p>	<p>As a result of the Company's liquidity situation, the auditor made a note under section "<i>Considerable uncertainty relating to the going concern assumption</i>" in the interim report for January–September 2019.</p>
<p><b>B.11</b></p>	<p><i>Working capital</i></p>	<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 27 December 2019 for payment of the final balance of the credit facility of maximum SEK 24 million, and on 31 December 2019 for repayment of the remaining convertible loan of SEK 141 million, after the first set-off and repurchase. 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 197 million. The Company is dependent on the fact that as large part of the convertible loan as possible is set-off in the Offer and as of the date of the Supplement there are binding subscription commitments of SEK 121 million from Worldwide.</p> <p><i>The first and second 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 24 million amounts to about SEK 56 million. The Company is working with a number of options to finance the remaining capital need after the completion of the Directed share issue. The short-term financing is projected to be covered by a share issue and/or a short-term credit facility.</p>

**Section C – Securities**

<p><b>C.3</b></p>	<p><i>Number of shares in the company and the nominal value</i></p>	<p>As of the date of the Supplement, Karolinska Development's share capital amounts to SEK 1,431,893.23, divided into 1,503,098 shares of series A and 141,686,225 shares of series B. The quota value of the shares is SEK 0.01. Full payment has been made for all the shares.</p>
-------------------	---	--

<b>Section E – Offer</b>		
<b>E.3</b>	<i>Terms and conditions of the Offer</i>	<p><i>The third section is replaced as follows:</i></p> <p>Subscription period: The period commencing on 8 July 2019 up and until 16 December 2019. The board of directors may prolong the subscription period.</p> <p><i>The fourth paragraph is supplemented as follows:</i></p> <p>After the first partial registration of the Directed share issue and the repurchase of shares in accordance with agreement, SEK 141 million, including any accrued interest up to and including 30 June 2019, of the Company's convertible loan remains. The maximum number of new shares of series B that may be issued, given full subscription of the outstanding number of shares in the Directed share issue, amounts to 37,612,670. This represents a share capital increase of SEK 376,126.7.</p>
<b>E.6</b>	<i>Dilution effect</i>	<p>Provided that the outstanding convertible loan is fully subscribed for in the Offer, the number of shares in the Company will increase from 143,189,323 shares to 180,801,993 shares, whereof 1,503,098 are shares of series A. The dilutive effect, given full subscription of the outstanding convertible loan in the Offer, corresponds to approximately 20.8 per cent of the Company's outstanding shares and 19.4 per cent of the votes in the Company before the second partial registration of the Offer.</p>

# Invitation to subscribe for shares in Karolinska Development

*The information in the Company's press releases published on 20 November 2019 causes parts of the section "Invitation to subscribe for shares in Karolinska Development" on page 23 in the Prospectus to be replaced as below.*

*The third sentence of the fourth paragraph is replaced as follows:*

After the first partial registration of the Directed share issue and the repurchase of shares in accordance with agreement, SEK 141 million, including any accrued interest up to and including 30 June 2019, of the Company's convertible loan remains. The maximum number of new shares of series B that may be issued, given full subscription of the outstanding number of shares in the Directed share issue, amounts to 37,612,670. This represents a share capital increase of SEK 376,126.7. The dilutive effect, given full subscription of the outstanding convertible loan in the Offer, corresponds to approximately 20.8 per cent of the Company's outstanding shares and 19.4 per cent of the votes in the Company before the second partial registration of the Offer.

# 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 12 December 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 16 December 2019. Subscriptions are binding.

## Partial registration of subscription

The Offer will be partially registered at the Swedish Companies Registration Office through two partial registrations. Subscriptions arriving prior to the end of the respective partial registration date will be registered in the respective period.

## 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 16 December 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 15 November and 16 December 2019 respectively, for registration in the first or the second partial registration. 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](http://www.karolinskadevelopment.com) and [www.dnb.se/emission](http://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 for the first partial registration in the Offer is expected to occur on 20 November 2019, with disclosure of the final result to occur around 18 December 2019.

## Delivery of shares

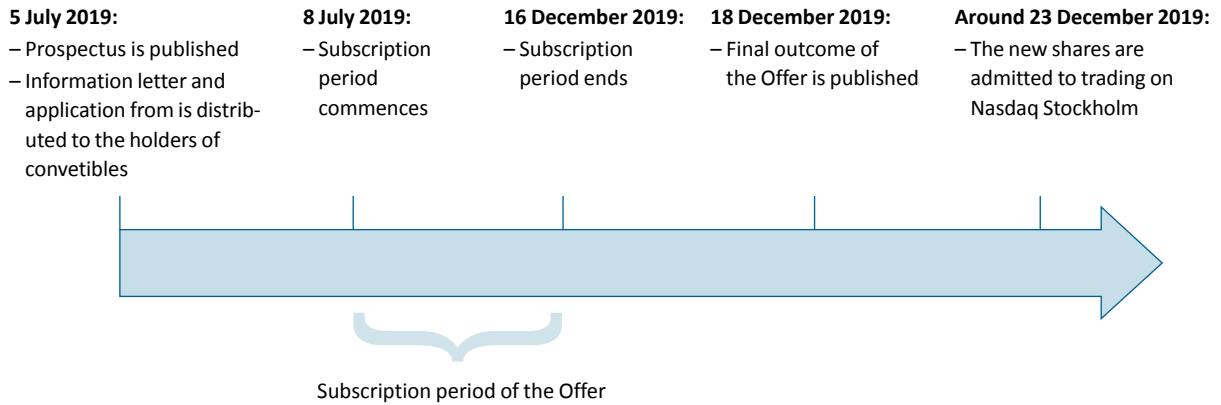
The shares will be delivered when the Directed share issue has been registered with the Swedish Companies Registration Office, which is estimated to occur on 25 November 2019 for the first partial registration, and 20 December 2019 for partial registration 2.

### 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 26 November 2019

for the first partial registration, and 23 December 2019 for the second partial registration. 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

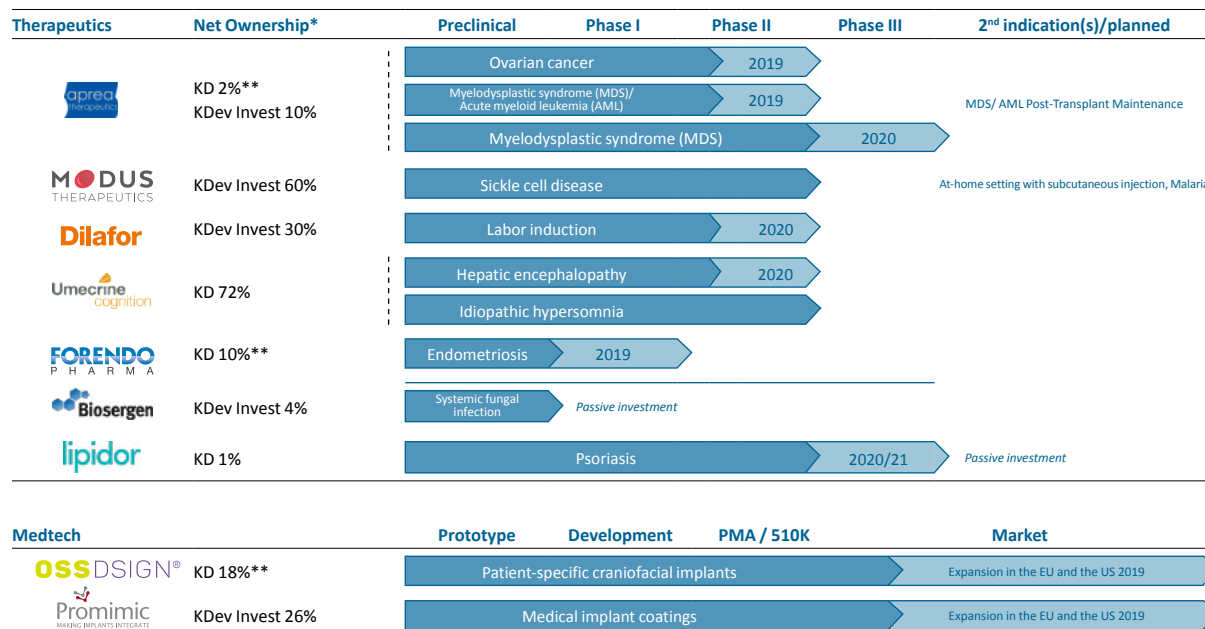


# Karolinska Developments portfolio

The information in the Company’s press releases published on 9 December 2019 and on 11 December 2019 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



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

“Holding in company” is replaced as follows:

Karolinska Development 2%.

KDev Investments 10%.

The second sentence of the second paragraph under “A new approach to treating broad range of cancers” is replaced as follows:

Aprea presented positive data during 2019.

“Expected milestones” is supplemented as follows:

Result from Phase III study expected in 2020.

**The section “Modus Therapeutics” on page 41 is supplemented as follows:**

*“Holding in company” is replaced as follows:*

KDev Investments 60%.

*“Recent progress” is supplemented as follows:*

Modus is now considering a new indication for further development of sevuparin.

**The section “Umeocrine Cognition” on page 43 is supplemented as follows:**

*The last sentence of the first paragraph under “New treatment approach for CNS-related disorders” does no longer apply.*

*The last sentence of the fourth paragraph under “New treatment approach for CNS-related disorders” is replaced as follows:*

After further analysis of the data, Umeocrine Cognition has decided to prioritize the development of GR3027 in hepatic encephalopathy (HE) before idiopathic hypersomnia or other sleep disorders.

*The second paragraph under “The market” does no longer apply.*

*“Recent progress” is supplemented as follows:*

Umeocrine Cognition has decided to prioritize the development of GR3027 in hepatic encephalopathy (HE) before idiopathic hypersomnia or other sleep disorders.

**The section “Forendo Pharma” on page 44 is supplemented as follows:**

*“Holding in company” is replaced as follows:*

Karolinska Development 10%\*\*.

*“Recent progress” is supplemented as follows:*

Forendo Pharma enters into a license and collaboration agreement with Novartis to develop new drugs for the treatment of chronic liver diseases.

**The section “OssDsign” on page 45 is supplemented as follows:**

*“Recent progress” is supplemented as follows:*

Preparations for launch in Japan of OSSDSIGN® Cranial following regulatory filing in Japan.

OssDsign reports favourable outcome data on OSSDSIGN Cranial PSI (November 2019).

**The section “Promimic” on page 46 is supplemented as follows:**

*“Expected milestones” is replaced as follows:*

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

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



## Financial information in summary

The information in the Company's interim report for January–September 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–September 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 reviewed interim report for January–September 2019 (with comparable figures for January–September 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 recom-

mendation RFR 1, "Supplementary 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 reviewed interim report for the period January–September 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

	2019	2018	2018	2017	2016
SEK 000	Jan–Sept (unaudited)	Jan–Sept (unaudited)	(audited)	(audited)	(audited)
Revenue	2,656	2,220	3,073	2,464	5,360
Change in fair value of shares in portfolio companies	32,126	22,129	58,499	252,072	-146,544
Change in fair value of other financial assets	8,808	44,654	41,481	2,483	-
Other expenses	-9,356	-10,463	-14,017	-12,996	-15,415
Personnel costs	-17,301	-12,288	-14,993	-23,513	-17,344
Depreciation of right-of-use assets	-528	-	-	-	-
Depreciation of tangible non-current assets	-	-	-	-	-106
<b>Operating profit/loss</b>	<b>16,405</b>	<b>46,252</b>	<b>74,043</b>	<b>220,510</b>	<b>-174,049</b>
Interest income	1,143	6,473	7,318	4,549	1,954
Interest expenses	-43,554	-36,841	-49,464	-43,495	-45,237
Other financial gains and losses	195	-227	-1,387	-1,969	500
<b>Financial net</b>	<b>-42,215</b>	<b>-30,596</b>	<b>-43,533</b>	<b>-40,915</b>	<b>-42,783</b>
<b>Profit/loss before tax</b>	<b>-25,810</b>	<b>15,656</b>	<b>30,510</b>	<b>179,595</b>	<b>-216,832</b>
Tax	-	-	-	-	-
<b>Net profit/loss for the period</b>	<b>-25,810</b>	<b>15,656</b>	<b>30,510</b>	<b>179,595</b>	<b>-216,832</b>

### Earnings per share

	2019	2018	2018	2017	2016
SEK 000	Jan–Sept (unaudited)	Jan–Sept (unaudited)	(audited)	(audited)	(audited)
Earnings per share, weighted average, before dilution	-0.40	0.24	0.48	2.93	-4.08
Number of shares, weighted average before dilution	64,174,452	64,136,941	64,136,941	61,243,234	53,210,223
Earnings per share, weighted average after dilution	-0.40	0.24	0.48	2.93	-4.08
Number of shares, weighted average after dilution	64,174,452	64,136,941	64,136,941	61,300,516	53,210,223

**Balance sheet for the Investment Entity**

SEK 000	30 Sept 2019 (unaudited)	30 Sept 2018 (unaudited)	31 Dec 2018 (audited)	31 Dec 2017 (audited)	31 Dec 2016 (audited)
<b>ASSETS</b>					
<b>Non-current assets</b>					
Right of use assets	880	–	–	–	–
<b>Financial assets</b>					
Shares in portfolio companies at fair value through profit or loss	669,710	539,114	618,927	447,783	149,408
Loans receivable from portfolio companies	7,664	5,100	5,098	3,436	957
Other financial assets	27,928	76,587	26,970	40,596	38,113
<b>Total non-current assets</b>	<b>706,182</b>	<b>620,801</b>	<b>650,995</b>	<b>491,815</b>	<b>188,478</b>
<b>Current assets</b>					
Accounts receivable	150	–	–	–	–
Receivables from portfolio companies	258	637	473	611	229
Other financial assets	60,909	–	53,060	–	–
Other current receivables	1,291	976	3,432	531	660
Prepaid expenses and accrued income	6,134	843	632	666	806
Short-term investments, at fair value through profit or loss	17,156	70,123	69,949	150,329	237,545
Cash and cash equivalents	3,627	17,902	15,843	19,305	10,602
<b>Total current assets</b>	<b>89,525</b>	<b>90,481</b>	<b>143,389</b>	<b>171,442</b>	<b>249,842</b>
<b>TOTAL ASSETS</b>	<b>795,707</b>	<b>711,282</b>	<b>794,384</b>	<b>663,257</b>	<b>438,320</b>
<b>Equity and liabilities</b>					
<b>Equity</b>					
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	–1,701,188	–1,690,243	–1,675,389	–1,704,275	–1,871,153
<b>Total equity</b>	<b>270,208</b>	<b>281,153</b>	<b>296,007</b>	<b>267,121</b>	<b>29,815</b>
<b>Long-term liabilities</b>					
Convertible loan	–	416,023	–	379,184	394,438
Other financial liabilities	11,423	4,807	11,423	4,807	4,798
<b>Total long-term liabilities</b>	<b>11,423</b>	<b>420,830</b>	<b>11,423</b>	<b>383,991</b>	<b>399,236</b>
<b>Current liabilities</b>					
Convertible loan	469,914	–	428,303	–	–
Current interest-bearing liabilities	35,000	–	50,000	–	–
Accounts payable	1,341	1,030	1,373	1,155	1,460
Liability to make lease payment	898	–	–	–	–
Other current liabilities	2,213	1,328	831	1,627	960
Accrued expenses and prepaid income	4,710	6,941	6,447	9,363	6,849
<b>Total current liabilities</b>	<b>514,076</b>	<b>9,299</b>	<b>486,954</b>	<b>12,145</b>	<b>9,269</b>
<b>Total liabilities</b>	<b>525,499</b>	<b>430,129</b>	<b>498,377</b>	<b>396,136</b>	<b>408,505</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>795,707</b>	<b>711,282</b>	<b>794,384</b>	<b>663,257</b>	<b>438,320</b>

## Statement of cash flows for the Investment Entity

SEK 000	2019 Jan–Sept (unaudited)	2018 Jan–Sept (unaudited)	2018 (audited)	2017 (audited)	2016 (audited)
<b>Operating activities</b>					
Operating profit/loss	16,405	46,252	74,043	220,510	-174,049
<b>Adjustments for items not affecting cash</b>					
Depreciation	528	–	–	–	106
Result of fair value change	-40,934	-66,783	-99,980	-254,555	146,544
Other items	-537	-1,624	-2,134	18	-1,371
Proceeds from short-term investments	594	-595	-570	-405	-193
Interest received/paid	-1,462	–	-343	2	0
<b>Cash flow from operating activities before changes in working capital and operating investments</b>	<b>-25,406</b>	<b>-22,750</b>	<b>-28,984</b>	<b>-34,430</b>	<b>-28,963</b>
<b>Cash flow from changes in working capital</b>					
Increase (-)/Decrease (+) in operating receivables	-5,745	-1,418	-4,368	348	7,851
Increase (+)/Decrease (-) in operating liabilities	-15,387	-2,846	46,506	2,876	-2,665
<b>Cash flow from changes in working capital</b>	<b>-46,538</b>	<b>-27,014</b>	<b>13,154</b>	<b>-31,206</b>	<b>-23,777</b>
<b>Investment activities</b>					
Payment from earn-out agreement	–	8,663	8,663	–	–
Sale of shares in portfolio companies	23,444	11,911	11,911	45,565	444
Acquisitions of shares in portfolio companies	-40,958	-74,640	-117,237	-89,775	-26,987
Proceeds from sale of short-term investments <sup>1)</sup>	51,836	79,677	80,047	86,747	41,326
<b>Cash flow from operating activities</b>	<b>34,322</b>	<b>25,611</b>	<b>-16,616</b>	<b>42,537</b>	<b>14,783</b>
<b>Financing activities</b>					
Share issue	–	–	–	–	7
Convertible debenture issue	–	–	–	-2,628	–
<b>Cash flow from financing activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-2,628</b>	<b>7</b>
Cash flow for the period/ year	-12,216	-1,403	-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
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/ YEAR</b>	<b>3,627</b>	<b>17,902</b>	<b>15,843</b>	<b>19,305</b>	<b>10,602</b>
<i>Supplemental disclosure<sup>1)</sup></i>					
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/ YEAR</b>	<b>3,627</b>	<b>17,902</b>	<b>15,843</b>	<b>19,305</b>	<b>10,602</b>
Short-term investments, market value at closing date	17,156	70,123	69,949	150,329	237,545
<b>CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS AT THE END OF THE PERIOD/ YEAR</b>	<b>20,783</b>	<b>88,025</b>	<b>85,792</b>	<b>169,634</b>	<b>248,147</b>

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–Sept (unaudited)	2018 Jan–Sept (unaudited)	2018 (audited)	2017 (audited)	2016 (audited)
<b>Income statement</b>					
Result of change in Fair Value of shares in portfolio companies	32,126	22,129	58,499	252,072	–146,544
Profit/loss after tax	–25,810	15,656	30,510	179,595	–216,832
<b>Balance sheet</b>					
Cash, cash equivalents and short-term investments	20,783	88,025	85,792	169,634	248,147
<b>Share information</b>					
Earnings per share before and after dilution (SEK)	–0.4	0.2	0.5	2.9	–4.1
Net asset value per share (SEK)	4.2	4.5	3.8	4.3	0.7
Equity per share (SEK)	4.2	4.4	4.6	4.2	0.6
Share price per share, last trading day in report period (SEK)	3.3	8.1	6.2	5.8	6.0
<b>Portfolio information</b>					
Investments in portfolio companies	42,103	81,113	124,557	91,869	28,917
Of which investments not affecting cash flow	1,143	6,474	7,321	4,561	1,892
Valuation of total portfolio holdings	669,710	539,114	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.

<b>Alternative Performance Measures</b>	<b>Description</b>	<b>Motivation for use</b>
<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 669.7 million), loans receivable from portfolio companies (SEK 7.7 million), short-term investments (SEK 17.2 million), cash and cash equivalents (SEK 3.6 million), and net of financial assets and liabilities minus interest-bearing liabilities (SEK 77.4 million minus SEK 504.9 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 September 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–September 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–September 2019 compared with January–September 2018” below.

## January–September 2019 compared with January–September 2018

### Financial development

Karolinska Development's revenues derive from services rendered to portfolio companies. The revenue during January–September 2019 amounted to SEK 2.7 million compared to SEK 2.2 million during January–September 2018.

During January–September 2019, the net result was impacted by an increase of SEK 32.1 million due to an increase in fair value of shares in portfolio companies. During January–September 2018 the net result was impacted by an increase of SEK 22.1 million due to an increase in fair value of shares in portfolio companies. Change of fair value of other financial assets amounted to SEK 8.8 million during January–September 2019, compared to SEK 44.6 million January–September 2018. The change is mainly a consequence of the change in valuation of an earn-out deal.

During January–September 2019 other expenses amounted to SEK 9.4 million compared to SEK 10.5 million during January–September 2018. Personnel costs amounted to SEK 17.3 million during January–September 2019 compared to SEK 12.3 million during January–September 2018. The difference in personnel costs compared to the first nine 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 September 2019, the number of employees was six, compared to seven as of 30 September 2018.

During January–September 2019, the financing of the portfolio companies via loans decreased, which is why interest income decreased by SEK 5.4 million to SEK 1.1 million, compared to SEK 6.5 million in January–September 2018. Interest expenses increased during January–September 2019 by SEK 6.8 million to SEK 43.6 million, compared to SEK 36.8 million during January–September 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 –25.8 million in January–September 2019, compared to SEK 15.7 million in January–September 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 Sept 2019	30 Sept 2018	30 Sept 2019 vs 30 Sept 2018
<b>SEK million</b>			
Karolinska Development Portfolio Fair Value (unlisted companies)	456.9	450.9	6.0
Karolinska Development Portfolio Fair Value (listed companies)	71.4	-	71.4
KDev Investments Portfolio Fair Value	484.2	397.8	86.4
<b>Total Portfolio Fair Value</b>	<b>1 012.5</b>	<b>848.7</b>	<b>163.8</b>
Potential distribution to Rosetta Capital of fair value of KDev Investments	342.8	309.6	33.2
<b>Net Portfolio Fair Value</b> (after potential distribution to Rosetta Capital)	<b>669.7</b>	<b>539.1</b>	<b>130.6</b>

*Net Portfolio Fair Value* 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 September 2019 the Portfolio Net Fair Value amounted to SEK 669.7 million. Compared to Portfolio Net Fair Value of SEK 539.1 million 30 September 2018, a total increase of SEK 130.6 million. Fair Value of the portfolio companies owned directly by Karolinska Development increased by SEK 77.4 million compared to 30 September 2018.

The Fair Value of the portfolio companies held indirectly via KDev Investments amounted to SEK 484.2 million 30 September 2019, compared to SEK 397.8 million 30 September 2018 an increase by SEK 86.4 million.

Total Fair Value of portfolio companies held directly by Karolinska Development and indirectly via KDev Investments increased by SEK 163.8 million from 30 September 2018 compared to 30 September 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 33.2 million, resulting in Net Portfolio Fair Value increase of SEK 130.6 million from 30 September 2018 to 30 September 2019.

During January–September 2019 Karolinska Development invested SEK 42.1 million, whereof SEK 41.0 million was cash investments and SEK 1.1 million was non-cash investments (accrued interest on loans).

Karolinska Development made investments in portfolio companies Umecrine Cognition with SEK 29.6 million, Forendo Pharma with SEK 6.6 million, OssDsign SEK 5.5 million and Dilafor SEK 0.4 million.

#### Cash flow

During January–September 2019 the cash flow from operating activities before changes in working capital and operating investments amounted to SEK –25.4 million, a decrease of Cash flow by SEK 2.6 million compared to January–September 2018.

During January–September 2019 Karolinska Development invested SEK 41.0 million in cash in its portfolio companies and together with changes in working capital, cash from operating activities amounted to SEK –12.2 million, a decrease by SEK 10.8 million compared to January–September 2018.

#### Financial position

As of 30 September 2019, cash and cash equivalents and short-term investments amounted to SEK 20.8 million, a decrease of SEK 67.2 million compared to 88.0 million 30 September 2018.

The equity amounted to SEK 270.2 million on 30 September 2019, a decrease by SEK 11 million compared to SEK 281.2 million on 30 September 2018. The increase is a consequence of the Net profit/Loss of during the period.

The equity ratio 30 September 2019 was 34 per cent compared to 40 per cent 30 September 2018.

# Equity, liabilities and other financial information

The information in the Company's interim report for January–September 2019 and the Company's press releases published on 20 November 2019, 9 December 2019, 11 December 2019 and 12 December 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 September 2019.

Capital structure	2019-09-30
<b>SEK 000</b>	
<b>Total current liabilities</b>	
Guaranteed	–
Secured <sup>1)</sup>	35,000
Unguaranteed/unsecured	469,914
<b>Total current liabilities</b>	<b>504,914</b>
<b>Non-current liabilities</b>	
Guaranteed	–
Secured	–
Unguaranteed/unsecured	–
<b>Total non-current liabilities</b>	<b>–</b>
<b>Equity</b>	
Share capital	644
Other capital contributions	1,970,752
Retained earnings	–1,701,188
<b>Equity</b>	<b>270,208</b>

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

## Net financial indebtedness

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

Net liabilities	2019-09-30
<b>SEK 000</b>	
<b>A Cash</b>	<b>–</b>
<b>B Cash equivalents (bank accounts)</b>	<b>3,627</b>
<b>C Trading securities</b>	<b>17,156</b>
<b>D Liquidity A+B+C</b>	<b>20,783</b>
<b>E Current financial receivables<sup>1)</sup></b>	<b>36,883</b>
<b>F Short-term interest-bearing liabilities</b>	<b>35,000</b>
<b>G Current convertible loan</b>	<b>469,914</b>
<b>H Other current financial debt</b>	<b>–</b>
<b>I Current financial indebt F+G+H</b>	<b>504,914</b>
<b>J Net current financial debtness I–E–D</b>	<b>447,248</b>
<b>K Non-current bank loans</b>	<b>–</b>
<b>L Convertible loan</b>	<b>–</b>
<b>M Other non-current loans</b>	<b>–</b>
<b>N Non current financial indebtness K+L+M</b>	<b>–</b>
<b>O Net financial indebtness J+N<sup>2)</sup></b>	<b>447,248</b>

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 163.5 million and consist of right to earn-out payments for transferred shares in Oncopeptides and Athera and directly owned shares in Aprea Therapeutics, OssDsign and Lipidor. Karolinska Development has contingent assets amounting to SEK 6.0 million which refers to investment commitment in portfolio companies.

## Convertible loan

In January 2015 Karolinska Development issued convertible bonds at a nominal value of SEK 387 million. Due to accounting principles SEK 309 million was accounted for as a liability and SEK 78 million was amortised as a cost over the period January 2015 to December 2019. The nominal amount decreased to SEK 329 million and the amortised costs until the due date



31 December 2019 decreased to SEK 66 million after a set of issue in March 2017. On 30 September 2019 the total liability for the convertible loan amounted to SEK 470 million and the cost still not amortised amounted to SEK 5 million. After the first partial registration of the Offer the nominal amount decreased to SEK 99 million and the amortised cost until the due date 31 December decreased to SEK 24 million. The outstanding convertible loan, including any accrued interest up to and including 30 June 2019, amounts to SEK 141 million, after the first partial registration of the Directed share issue and the repurchase of shares in accordance with agreement. The remaining part of the Directed share issue that is to be offset to the convertible loan amounts to SEK 141 million.

Net financial indebtedness amounted to SEK 447 million on 30 September 2019. With the outstanding convertible loan, including accumulated interest, amounting to SEK 475 million as of 30 September 2019, the Net financial indebtedness would amount to SEK 452 million. Considering the first partial registration of the Offer the outstanding amount of the convertible loan, including accumulated interest, as of 30 September 2019, amounts to SEK 143 million.

If the convertible loan would not at all be set-off against shares the outstanding amount that must be repaid on 31 December 2019 amounts to SEK 146 million, including accumulated interests.

### Credit facilities

Karolinska Development has signed an agreement with DNB Bank ASA, branch Sweden on a credit facility totalling SEK 24 million which falls due on 27 December. 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 nine companies. Eight out of nine of the portfolio companies have projects in clinical development or early launch phase. Several of the portfolio companies are expected to present clinical phase ii project during 2019 and 2020, offering the potential for substantially increased opportunities for attractive divestments or licensing deals.

Investments during the period from 1 October 2019 to the day of the Supplement are SEK 6 million and was made in Umechrine Cognition with SEK 4 million and Modus Therapeutics with SEK 2 million.

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 September 2019	Ownership – After full dilution
<b>Karolinska Development</b>		
Aprea Therapeutics (KD)	2%	2%
Forendo	10%	10%
Lipidor	1%	1%
OssDsign	18%	18%
Umechrine Cognition	74%	72%
<b>Kdev Investments</b>		
Aprea Therapeutics	14%	10%
Asarina Pharma	1%	1%
Biosergen	4%	4%
Dilafor	34%	30%
Modus Therapeutics	63%	60%
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 September 2019, there are currently no portfolio companies valued by DCF.

On 30 September 2019, the total Fair Value of the portfolio amounted to SEK 1,012 million. Adjusted for potential distribution of SEK 343 million to Rosetta Capital, the Net Fair Value of the portfolio amounted to SEK 670 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 27 December 2019 for payment of the final balance of the credit facility of maximum SEK 24 million, and on 31 December 2019 for repayment of the remaining convertible loan of SEK 141 million after the first set-off and repurchase. 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 197 million. The Company is dependent on the fact that as large part of the convertible loan as possible is set-off in the Offer and as of the date of the Supplement there are binding subscription commitments of SEK 121 million from Worldwide International Investments Limited ("**Worldwide**").

*The first and second 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 24 million amounts to about SEK 56 million. The Company is working with a number of options to finance the remaining capital need after the completion of the Directed share issue. The short-term financing is projected to be covered by a share issue and/or a short-term credit facility.

### Significant events after 30 September 2019

Karolinska Development announced during October, November and December 2019 that:

The subscription period in the Directed share issue to the holders of the Company's convertible loan was extended several times and now ends on 16 December 2019.

Apra Therapeutics announced that the price range was set to USD 15 for its IPO and was listed on Nasdaq Global Select Market, USA.

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.

Karolinska Development divested its indirect holding, through KDev Investments and KCIF CoInvestment Fund, of 1 per cent in the portfolio company Asarina Pharma. The divestment will have only a limited impact on Karolinska Development's net earnings.

In November, it was announced that unconditional subscription- and repurchase commitments corresponding to set-off and repurchase of 94 per cent of the Company's convertible loan have been entered in the ongoing directed new share issue. The result of the first partial registration in the directed new share issue shows that holders of the convertible have subscribed for shares corresponding to an amount of SEK 208 million of the convertible loan in nominal terms. Considering the remaining subscription commitments and a repurchase of 6.5 per cent of the convertible, only 4.3 per cent of the convertible loan is outstanding. The subscription period in the directed new share issue was at the same time extended to 12 December 2019. The directed new share Issue will not result in any liquidity being transferred to the Company. The Company is therefore intensely working on a number of alternatives to finance the outstanding capital requirement after the directed new share issue has been completed. The short-term financing is currently expected to be construed either as a share issue and/or as a short-term credit facility.

Karolinska Development published a prospectus supplement for the directed new share issue to the holders of the Company's convertible loan.

OssDsign reported favourable outcome data on OSSDSIGN Cranial PSI.

Forendo Pharma announced that the company has entered a license and collaboration agreement with the global pharmaceutical company Novartis to develop new drugs for the treatment of chronic liver diseases. Forendo is entitled to an upfront payment, milestone payments and sales-based royalties on products emanating from the research collaboration, which is to be entirely funded by Novartis. In conjunction with the initiation of the collaboration, Novartis will make an equity investment in Forendo.

Aprea Therapeutics presented results from two Phase Ib/II clinical trials at the 2019 American Society of Hematology (ASH) Annual Meeting in Orlando, on 9 December 2019. Both trials evaluated the safety and efficacy of APR-246 in combination with azacitidine for the treatment of TP53 mutated Myelodysplastic Syndrome (MDS) and Acute Myeloid Leukemia (AML).

Sino Biopharma has divested its convertibles in Karolinska Development of SEK 85 million in nominal terms, corresponding to its remaining convertible loan of in total SEK 121 million, including accrued interest until 30 June 2019, of which they are not eligible for conversion in the Directed Issue, as a consequence of the restriction that their voting share must not exceed 49 per cent in the Company. Sino Biopharma have divested their remaining convertibles to Worldwide. Worldwide has committed to set-off its convertibles in Karolinska Development by subscribing for shares in the ongoing Directed Issue.

As of 12 December, the share price in Aprea Therapeutics was USD 39.37 which would mean a net profit effect for Karolinska Development of approx. SEK 422 million in the fourth quarter.

# Share capital and ownership structure

The information in the Company's interim report for January – September 2019 and the Company's press releases published on 20 November 2019 and 12 December 2019 causes parts of the section "Share capital and ownership structure" on page 74–77 in the Prospectus to be replaced as below.

## Share capital and ownership structure

First and second sentence of the first paragraph is replaced as follows:

As the date of the Supplement, Karolinska Development's share capital amounts to SEK 1,431,893.23, divided into 1,503,098 shares of series A and 141,686,225 shares of series B. The quota value of the shares is SEK 0.01. Full payment has been made for all the shares.

Third and fourth sentence of the third paragraph is replaced as follows:

After the first partial registration of the Directed share issue and the repurchase of shares in accordance with agreement, SEK 141 million, including any accrued interest up to an includ-

ing 30 June 2019, of the Company's convertible loan remains. The maximum number of new shares of series B that may be issued in the Directed share issue amounts to 37,612,670. This represents a share capital increase of SEK 376,126.7. The dilutive effect corresponds to approximately 20.8 per cent of the Company's outstanding shares and 19.4 per cent of the votes in the Company, provided that the Offer is fully subscribed for.

## Share capital development

The third sentence is replaced as follows:

On 30 November 2019, Karolinska Development had a share capital of SEK 1,431,893.23 divided into 1,503,098 shares of series A and 141,686,225 shares of series B.

## Changes in share capital

Year	Change	Changes in		Changes in		Change in share capital (SEK)	Total share capital	Quota value
		number of shares of series A	Total number of shares of series A	number of shares of series B	Total number of shares of series B			
2014	Issue of new shares	–	1,503,098	4,853,141	51,881,460	2,426,570.50	26,692,279.00	0.50
2015	Issue of warrants	–	1,503,098	65,082	51,946,542	32,541.00	26,724,820.00	0.50
2016	Issue of warrants <sup>1)</sup>	–	1,503,098	15,358	51,961,900	7,679.00	26,732,499.00	0.50
2017	Set-off issue <sup>2)</sup>	–	1,503,098	10,871,698	62,833,598	5,435,849.00	32,168,348.00	0.50
2017	Reduction <sup>3)</sup>	–	1,503,098	–	62,833,598	31,524,981.04	643,366.96	0.01
2017	Conversion <sup>4)</sup>	–	1,503,098	564	62,834,162	5.64	643,372.60	0.01
2017	Issue of warrants <sup>5)</sup>	–	1,503,098	23,840	62,858,002	238.40	643,611.00	0.01
2017	Conversion <sup>6)</sup>	–	1,503,098	106	62,858,108	1.06	643,612.06	0.01
2018	Issue of warrants <sup>7)</sup>	–	1,503,098	57,531	62,915,639	575.31	644,187.37	0.01
2019	Partial registration 1 of the Directed share issue <sup>8)</sup>	–	1,503,098	78,770,586	141,686,225	787,705.86	1,431,893.23	0.01
2019	Partial registration 2 of the Directed share issue <sup>9)</sup>	–	1,503,098	37,612,670	179,298,895	376,126.7	1,808,019.93	0.01

1) Subscription of the shares by exercise of warrants issued in incentive program (PSP 2013) resolved on the annual general meeting 2013. The subscription price was SEK 0.50 per share.

2) Set-off issue directed to the Company's convertible holders. The subscription price was SEK 6.17 per share.

3) Reduction without cancellation of shares to transfer to non-restricted equity.

4) Conversion of part of convertible loan. The subscription price was SEK 6.17 per share.

5) Subscription of shares by exercise of warrants issued in incentive program (PSP 2014) resolved on the annual general meeting 2014. The subscription price was SEK 0.01 per share.

6) Conversion of part of convertible loan. The subscription price was SEK 6.17 per share.

7) Subscription of shares by exercise of warrants issued in incentive program (PSP 2014) resolved on the annual general meeting 2014. The subscription price was SEK 0.01 per share.

8) The first partial registration of the Directed Share issue.

9) Requires full subscription of the remaining number of shares in the Directed share issue. Paradigm Capital's remaining convertible loan totalling approx. SEK 8 million including interest until 31 December 2019 will, however, under an agreement be repaid in accordance with the terms of the convertible loan.

### Convertible

The third and fourth sentence are replaced as follows:

The nominal value was reduced by SEK 99,494,452.65 after the first partial registration of the Directed share issue and repurchase of shares in accordance with agreement. The convertible mature on 31 December 2019 and the nominal value, including accrued interest, will amount to SEK 146,189,992.76 (given the accrued interest is interest-bearing). The convertible could until 30 June 2019 be converted into shares upon request of the convertible holder to a price of SEK 22 per share of series B.

### Ownership dilution effects of outstanding incentive programs

The second and third sentence are replaced as follows:

If all warrants issued in this incentive program are utilised, the number of shares of series B in the Company will increase from 143,189,323 shares to 146,325,739 shares. The dilution effect at full utilisation of the warrants amounts to approximately 2.1 per cent of the Company's outstanding shares and approximately 2.0 per cent of the votes in the Company.

### Ownership structure after the first partial registration of the Directed share issue

#### Ownership structure\*

Shareholder	Shares				Convertible loan
	Shares of series A	Shares of series B	Capital %	Votes %	Amount (SEK)
Sino Biopharmaceutical Limited**	0	75,727,285	52.89%	48.32%	0
Karolinska Institutet Holding AB	1,503,098	2,126,902	2.54%	10.95%	0
Tredje AP-Fonden	0	6,370,600	4.45%	4.07%	0
Paradigm Capital***		4,480,683	3.13%	2.86%	5,755,804.00
Östersjöstiftelsen	0	3,889,166	2.72%	2.48%	0
Costal Investment Management LLC	0	3,470,541	2.42%	2.21%	0
Stift För Främjande&Utveckling	0	2,641,389	1.84%	1.69%	0
OTK Holding A/S	0	2,300,000	1.61%	1.47%	0
Ribbskottet AB	0	2,000,000	1.40%	1.28%	0
Försäkringsaktiebolaget Avanza Pension	0	1,015,156	0.71%	0.65%	0
<b>Total ten largest shareholders</b>	<b>1,503,098</b>	<b>104,021,722</b>	<b>73.70%</b>	<b>75.97%</b>	<b>5,755,804.00</b>
Other shareholders	0	37,420,218	26.13%	23.88%	Unknown
The Company's holding of own shares	0	244,285	0.17%	0.16%	0
<b>Total</b>	<b>1,503,098</b>	<b>141,686,225</b>	<b>100.00%</b>	<b>100.00%</b>	<b>Unknown</b>

\* Holdings obtained from Euroclear 30 September 2019 and adjusted for the participation in the first partial registration in the Directed share issue and repurchase of shares in accordance with agreement.

\*\* Includes shares held by Sino Biopharmaceutical's subsidiary Chia Tai Resources.

\*\*\* Includes shares and convertibles held by Paradigm Capital Value Fund SICAV, Paradigm Capital Value LP and Europäische Marketing und Finanzmanagement AG.

# Legal issues and supplementary information

The information in the Company's interim report for January – September 2019 and the Company's press release published on 12 December 2019 causes parts of the section "Legal issues and supplementary information" on page 84 and 85 in the Prospectus to be replaced as below.

## Subscription undertakings and repurchases of convertibles

This section is supplemented with the following paragraph and the table is replaced as follows:

Sino Biopharma has divested its convertibles in Karolinska Development of SEK 85 million in nominal terms, corresponding to its remaining convertible loan of in total SEK 121 million, including accrued interest until 30 June 2019, of its convertible

loan of which they are not eligible for conversion in the Directed Issue, as a consequence of the restriction that their voting share must not exceed 49 per cent in the Company. Sino Biopharma have divested their remaining convertibles to Worldwide. Worldwide has furthermore committed to subscribe for series B shares through the set-off of the remaining convertible loan during the subscription period in the Directed Issue.

Name	Subscription undertaking (SEK)	% of the Directed share issue	Address
Sino Biopharmaceutical Limited	203,504,872	43.72 <sup>1)</sup>	Flat/Room 4109, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.
Stift För Främjande & Utveckling	4,652,692	1.00	Humlegårdsgatan 11, 114 46 Stockholm
Paradigm Capital Value Fund SICAV	5,227,727	1.12	20, rue de la poste, L-2346 Luxembourg
Europäische Marketing Und Finanzmanagement Ag	8,165,072	1.75	Valentinskamp 47, D-20355 Hamburg
Worldwide International Investments Limited	120,714,562	25.93	Flat B,9/F., Kwok Cheung Building, 637 Shanghai Street, Kowloon.

1) Sino Biopharma has further committed to divest SEK 61,6 million of its convertible loan to a third party for subscription in the Offer.

## Note from auditor

The auditor's report in the interim report for January–September 2019 deviates from the standard wording. The auditor has made the following note under section "Considerable uncertainty relating to the going concern assumption".

We want to draw attention to the board's information in the interim report on page 18 and 26, which states that due to the financial conditions, the Company is working intensely on a number of alternatives to finance the remaining capital requirement. Should the Company not succeed with its plans to secure the financing there is a risk that conditions for going concern would not apply. These conditions indicate that there is significant uncertainty that can lead to considerable doubt regarding the Company's ability to continue its operations. We have not modified our opinion because of this.

## Documents incorporated by reference

Karolinska Development's interim reports for the periods January–March, January–June and January–September 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–September 2019; Financial development (pages 14–16), income statement (page 21), balance sheet and statement of changes in equity (page 22), statement of cash flow (page 23), and notes (pages 26–30),
- 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),

- The interim report for the period January–March 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 reports for the periods January–March, January–June and January–September 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,
- Supplement 1, 2 and 3 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 reports for the periods January–March, January–June and January–September 2019.

The documents are also available on the Company’s web page <http://www.karolinskadevelopment.com>.

# Addresses

## **The Company**

### **Karolinska Development AB**

Tomtebodavägen 23 A

171 65 Solna

08-524 860 70

[www.karolinskadevelopment.com](http://www.karolinskadevelopment.com)

## **Financial adviser**

### **DNB Markets, en del av DNB Bank ASA, filial Sverige**

Regeringsgatan 59

105 88 Stockholm

[www.dnb.se](http://www.dnb.se)

## **Legal adviser**

### **Cirio Advokatbyrå AB**

Mäster Samuelsgatan 20

Box 3294

103 65 Stockholm

08-527 916 00

[www.cirio.se](http://www.cirio.se)

## **Auditor**

### **Ernst & Young AB**

Jakobsbergsgatan 24

Box 7850

103 99 Stockholm

08-520 590 00

[www.ey.com](http://www.ey.com)





**Karolinska Development AB**

Tomtebodavägen 23 A  
171 65 Solna  
08 524 860 70  
info@karolinskadevelopment.com  
www.karolinskadevelopment.com