

Item 20. Proposal from the board of directors' of Karolinska Development for approval of new issues in the subsidiaries

According to chapter 16 of the Swedish Companies Act, new issues of shares and other securities in subsidiaries shall in some cases be approved by the General Meeting of the parent company. These provisions apply to Karolinska Development AB on some share-related incentive programs for employees and directors of the boards of its portfolio companies. The companies concerned are Inhalation Sciences Sweden AB, Pergamum AB, Pharmanest AB samt Athera Biotechnologies AB, which have decided on new issue of shares, *inter alia* to board members, employees and legal entities under control of employees. It is proposed that the new issues are approved by the General Meeting. A resolution in accordance with the board's proposal requires support from shareholders with not less than 9/10 of votes cast as well as shares represented at the meeting.

Inhalation Sciences Sweden AB

Inhalation Sciences Sweden AB has decided to issue shares to a director. Date of decision: February 15, 2011. Gösta Sjöholm (who already was a shareholder in the company) was offered to subscribe for shares, as was the other owners.

| <u>Name</u> | <u>Max number</u> | <u>Subscription price per share (SEK)</u> |
|---------------|-------------------|---|
| Gösta Sjöholm | 84 | 118 |

The total number of shares in the company is 329,494. Karolinska Development owns 205.352 shares in the company. The total number of shares issued is 84. It is proposed that the General Meeting decides to approve the decision.

Pergamum AB

The subsidiary Pergamum AB has decided to issue shares to directors and employees. Date of decision: October 15, 2010. The reason for deviating from the shareholders pre-emption right was that the new issue was part of a transaction where Pergamum gained full control of three of its portfolio companies. Persons owning shares in these portfolio companies was offered to subscribe for Pergamum shares and to pay for the subscribed shares with shares in the portfolio companies.

| <u>Name</u> | <u>Max number</u> | <u>Subscription price per share (SEK)</u> |
|-----------------|-------------------|---|
| Mona Ståhle | 37,855 | 36.20 |
| Fredrik Sjövall | 34,794 | 36.20 |
| Mattias Munnich | 34,790 | 36.20 |
| Björn Olander | 470 | 36.20 |

The total number of shares in the company is 9,844,634. Karolinska Development owns 5.881.827 shares in the company. The total number of shares issued is 224.348. It is proposed that the Meeting decides to approve the decision.

Pharmanest AB

The subsidiary Pharmanest AB has decided to issue shares to a legal entity controlled by employees. Date of decision: September 16, 2010. The reason for the new issue is that KCIF Co-Investment Fund co-invests with Karolinska Development and Karolinska Development subscribed for shares in the new issue.

| <u>Name</u> | <u>Max number</u> | <u>Subscription price per share (SEK)</u> |
|----------------------------|-------------------|---|
| KCIF Co-Investment Fund KB | 17,550 | 100 |

The total number of shares in the company is 222,365. Karolinska Development owns 107.983 shares in the company. Karolinska Development also indirectly holds shares via KCIF Co-Investment Fund KB ("KCIF"), that holds 12,9 per cent of the shares in the company. The total number of shares issued is 17,550. It is proposed that the General Meeting decides to approve the decision.

KCIF is the entity for co-investments by EIF, se **Appendix**.

Athera Biotechnologies AB

The subsidiary Athera Biotechnologies AB has decided to issue shares to an employee (CEO). Date of decision: July 5, 2010. Carina Schmidt has subscribed for shares together with the other owners.

| <u>Name</u> | <u>Max number</u> | <u>Subscription price per share (SEK)</u> |
|----------------|-------------------|---|
| Carina Schmidt | 300 | 127,78 |

The total number of shares in the company is 993,768. Karolinska Development owns 686.370 shares in the company. The total number of shares issued is 300.

It is proposed that the General Meeting decides to approve the decision.

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Co-operation with the European Investment Fund

Background

Karolinska Development and the European Investment Fund ("EIF") have established a co-operation implying that EIF will invest alongside Karolinska Development in portfolio companies. EIF normally invests in traditional venture capital fund structures. Such funds typically have a limited term, are usually required to immediately distribute any proceeds to the fund investors rather than to reinvest in other portfolio companies and are, typically, controlled by the investment managers of such funds. In order to structurally correspond, as closely as possible, to the traditional venture capital fund structures and thereby fulfill the conditions provided by EIF in order to initiate the cooperation, the co-investments will be carried out through KD Co-Investment Fund KB ("KCIF"). The ownership and operations of KCIF are governed by a limited partnership agreement.

Co-investments

In November, 2009, KCIF entered into a co-investment agreement with Karolinska Development according to which KCIF shall invest alongside Karolinska Development in the proportions of 27:73 (KCIF:Karolinska Development), provided that certain specified investment criteria are fulfilled.

New investments by KCIF will be carried out during an investment period of four years from the commencement of the co-operation, after which only follow-on investments may be made. KCIF has a lifespan of 12 years.

Subject to certain conditions, EIF is entitled to terminate the co-operation and call for liquidation of KCIF in the event of a change of control in Karolinska Development or KCIF Fund Management AB ("KFMAF"), or if investment managers leave Karolinska Development and are not replaced by persons acceptable to EIF.

Ownership structure

Investors and limited partners in KCIF are EIF, committing EUR 21.4 million, and Karolinska Development, committing EUR 7.5 million. The commitments will be drawn down by KCIF on an as-needed basis in order to make investments, cover KCIF's costs and for the payment of an annual management fee to KFMAF, which is the general partner and manager of KCIF. In addition to the commitments to KCIF already made by EIF and Karolinska Development, EIF and Karolinska Development may, if requested by KFMAF during a period commencing from November 2013 and expiring on November 2017, decide to make additional contributions of approximately EUR 5.3 million and EUR 1.9 million, respectively.

KFMAF is owned to 37.5 percent by Karolinska Development, 25 percent by KIAB and to 37.5 percent by investment managers employed with Karolinska Development. The investment managers hold shares with increased voting power and jointly control a majority of the votes in KFMAF. Karolinska Development, KIAB and the investment managers have entered into a shareholders' agreement relating to KFMAF. The shareholders' agreement includes, *inter alia*, a number of provisions aiming to protect the voting minority; i.e. Karolinska Development and KIAB.

Compensation and profit sharing

During the investment period, KFMAF is entitled to an annual management fee of 2.5 percent of the total amount committed to KCIF and, during the period thereafter, 1 percent of the invested capital. In practice, KFMAF fulfills its obligations to manage the operations of KCIF through the purchase of services from Karolinska Development in accordance with a service agreement. The service agreement entitles Karolinska

Development to an annual service fee corresponding to the amount remaining of the management fee after deduction of KFMAAB's other costs and a buffer for future costs in KFMAAB.

Any distribution from KCIF will, somewhat simplified, be distributed as follows. First, EIF and Karolinska Development will receive an amount equal to their respective commitment drawn down to KCIF at the time of the distribution, plus an annual interest rate of 6 percent on such amount. Thereafter, the remaining funds will be allocated with 80 percent to EIF and Karolinska Development in proportion to their respective part of the total commitment to KCIF. The remaining 20 percent will be distributed to Karolinska Development on the condition that 25 percent of such amount shall be redistributed to KIAB in accordance with the deal flow agreement (see above) and at least 37.5 percent of such amount shall be redistributed to the investment managers through Karolinska Development's incentive scheme.