

Karolinska Development AB, AGM 2012 / Complete proposal

Proposal from the board of directors' of Karolinska Development for approval of share transfers and of new issues in the subsidiaries

According to Chapter 16 of the Swedish Companies Act, new issues of shares and other securities in subsidiaries and other transactions shall in some cases be approved by the General Meeting of the parent company. These provisions apply i.a. to Karolinska Development AB on some share-related incentive programs for employees and directors of the boards of its portfolio companies. 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.

Karolinska Development AB plans to transfer shares of series A in its subsidiary KCIF Fund Management AB, 556777-9219 ("Company"):

Date for decision: planned for May, 2012

<i>Name</i>	<i>A-Shares</i>	<i>Price per share (SEK)</i>
Torbjörn Bjerke	6,250	SEK 1 (par value)
Terje Kalland	6,250	SEK 1 (par value)
Michael Sundström	6,250	SEK 1 (par value)

The Company manages the co-investment company *KCIF Co - Investment Fund KB* that is jointly held with Europeiska Investeringsfonden (EIF). According to the agreements signed with EIF the Company shall be held jointly by Karolinska Development AB, Karolinska Institutet Innovations AB and a number of identified KD employees that in the aforesaid agreements are defined as "Key Executives". Each Key Executive shall hold 6.250 series A shares. Since Karolinska Development invoices the Company by virtue of a service agreement, in accordance with what is described in **Appendix**, the economic value of the shares in the Company are considered negligible.

Some of the original Key Executives have left their employment with Karolinska Development and Karolinska Development has used its right and obligation to repurchase the shares from such Key Executives. The three persons listed above are planned to be appointed as new Key Executives and shall (in accordance with the above mentioned agreements) acquire the shares held by the previous Key Executives. The purchase price, which is specified in the agreement, corresponds, as it shall in all transactions, to the quote value of the shares. The holders cannot transfer the shares to anyone else than to Karolinska Development.

Karolinska Development expects to incur certain minor costs for consultants and administration in connection with the transfers.

The total number of shares issued is 100,000 whereof 37,500 series A shares and 62,500 series B shares. The number of shares to be transferred amounts to 18,750.

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

Information on the co-operation with EIF is further described in **Appendix**.

Since the transfers and issues described below occurs in subsidiaries of Karolinska Development, Karolinska Development will not incur any costs due to the transfers and issues described below. However, the subsidiaries, respectively, will incur certain [minor] costs for consultants and administration in connection with the transfers and issues.

The subsidiary **Akinion AB** (the "Company") has decided to issue shares to employees. Date of decision: March 5, 2011.

<i>Name</i>	<i>No of shares</i>	<i>Price per share (SEK)</i>
Johan Harmenberg	120	2,500

The total number of shares issued is 26,000 prior to the issue. The number of shares to be issued to the person above is not more than 120.

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

The subsidiary **Axelar AB** (the "Company") has decided to issue [preference] shares to Directors of the board and to employees. Date of decision: March 7, 2011.

<i>Name</i>	<i>No of shares</i>	<i>Price per share (SEK)</i>
Per - Olof Edin	400	1,041
Göran Pettersson via G. Pettersson & Pts.	432	1,041
Ingemar Kihlström	432	1,041

Preference shares entitles to preference payments in the event of the Company's dissolution in connection with a liquidation, corresponding to an amount of the average subscription price for preference shares in the Company. Ordinary shares and preference shares has the same right in all other respects.

The total number of shares issued today is 271,892, whereof 94,216 preference shares and 177,676 ordinary share prior to the issue. The total number of shares prior to the issue is 176,412. The number of preference shares issue to the persons listed above is not more than 1,264.

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

The subsidiary **Axelar AB** (the "Company") has decided to issue shares to an employee (CEO). Date of decision: February 20, 2012.

<i>Name</i>	<i>No of shares</i>	<i>Price per share (SEK)</i>
Johan Harmenberg	257	1,041

Preference shares entitles to preference payments in the event of the Company's dissolution in connection with a liquidation, corresponding to an amount of the average subscription price for preference shares in the Company. Ordinary shares and preference shares has the same right in all other respects.

The total number of shares issued is 271,635, whereof 93,959 preference shares and 177,676 ordinary share prior to the issue. The number of preference shares issue to the person listed above is not more than 257.

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

The subsidiary **Dilaforette Holding AB** (the "Company") has decided to issue shares to Directors of the board and to employees. Date of decision: May 9, 2011.

<i>Name</i>	<i>No of shares</i>	<i>Price per share (SEK)</i>
Mats Wahlgren	4,100	1

The total number of shares issued is 344.816 prior to the issue. The number of shares issued to the person listed above is not more than 4,100.

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

Karolinska Development plans to transfer shares in its subsidiary **Limone AB** (the "Company") to the CEO of the Company:

Date for decision: planned for April 2012

<i>Name</i>	<i>No of shares</i>	<i>Pris per share (SEK)</i>
Paul de Potocki	8,500	1.74

The total number of shares issued is 170,000. The number of shares intended to be transferred to the person above is not more than 8,500.

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

The subsidiary **Pergamum AB** (the "Company") has decided to issue shares to a Deputy Director of the board. Date of decision: March 31, 2011.

<i>Name</i>	<i>No of shares</i>	<i>Price per share (SEK)</i>
Björn Olander	235	36.20

The total number of shares issued is 13,149,405 prior to the issue. The number of shares issue to the person above is not more than 235.

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

Dilafor AB a subsidiary of Karolinska Development has sold shares in the company **Pharmanest AB** (which is also a subsidiary of Karolinska Development) to the current owners of Pharmanest AB, that was entitled to purchase in relation to their holdings. The transfer took place during April 2012. The purchase price was SEK 150 per share. The following persons (whose purchases require approval) have purchased shares in Pharmanest AB:

<i>Name</i>	<i>No of shares</i>
Gunvor Ekman-Ordeberg	22 directy and 1 through MedGun AB
Anna Vogt	1

The number of shares in Pharmanest AB is 298,562. The number of shares intended to be transferred to the persons above is not more than 24.

It is proposed that the General Meeting decides to approve the above share transfers.

The subsidiary **Pharmanest AB** (the "Company") has decided to issue shares to Directors of the board. Date of decision: September 14, 2011.

<i>Name</i>	<i>No of shares</i>	<i>Price per share (SEK)</i>
Berith Karlsson Tingåker	670	150
BKT MedRespekt AB	514	150
Arne Brodin	200	150

The total number of shares issued is 297,178 prior to the issue. The number of shares issued to the persons listed above is not more than 1,384.

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

The subsidiaries listed below have decided to issue shares to KCIF Co-Investment Fund KB a legal entity controlled by employees ("Key Executives").

<i>Name</i>	<i>No of shares</i>	<i>Price per share (SEK)</i>	<i>Date of decision</i>	<i>Total no of shares in the company</i>
Pharmanest AB	5,400	150	March 31, 2011	298,562
Pharmanest AB	12,600	150	September 4, 2011	298,562
Athera AB	25,357	127.78	May 9, 2011	1,220,276

Karolinska Development subscribed for shares in the new issues listed above on corresponding terms.

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

For further information on KCIF Co-Investment Fund KB and the co-operation with EIF, see **Appendix**.

Appendix

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 KFMAB's other costs and a buffer for future costs in KFMAB.

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 and at least 37.5 percent of such amount shall be redistributed to the investment managers through Karolinska Development's incentive scheme.