

The board of director's report April 2013 regarding evaluation of variable remuneration and application of the guidelines for remuneration

1 Background

This report is prepared in accordance with the provisions of sections 9.1 and 10.3 of the Swedish Code of Corporate Governance and includes an evaluation of (i) programs for variable remuneration for executive management, both ongoing and those that have ended during the year, (ii) the application of the guidelines for remuneration to executive management that the AGM is required by law to establish and (iii) the current remuneration structure and remuneration levels in the company.

2 Evaluation

(i) Program for variable remuneration

Programs for variable remuneration for executive management, both ongoing and those that have ended during the year

Incentive program 2008-2010

Karolinska Development's incentive program for the executive management is a combined warrant and profit sharing program, comprising three parts which have been implemented by resolutions by the annual general meetings in 2008, 2009 and 2010, respectively.

Each launched program consists of two parts; one conventional *warrant program* based on warrants issued by Karolinska Development and one profit sharing plan related to the value of the portfolio companies.

The warrant program: During 2008-2010 the participants were entitled to subscribe for warrants once a year corresponding (if fully subscribed for) to 0.5 per cent of the shares in Karolinska Development. Thus, the total dilution for the three years could have been maximum 1.5 per cent. Based on the actual participation in the warrant programs the real maximum dilution amounts to 0.98 per cent. Warrants in the first program were issued in 2008 and entitle the participants to subscribe for new shares in 2012. Warrants in the second program were issued in 2009 and entitle participants to subscribe for new shares in 2013. Warrants in the third program were issued in 2010 and entitle the participants to subscribe for new shares in 2014. The warrants were issued at market value set by an independent valuation expert.

Profit sharing plan: Each warrant program during the years 2008 to 2010 is related to a profit sharing plan for the years 2008 to 2010 respectively. The profit sharing plan for the year 2008 relates to the investment portfolio of Karolinska Development as of December 31, 2007. The other plans relate to investments carried out during the calendar year preceding the year of issuance of the plan.

Each annual plan entitles the participants to a cash payment corresponding to, in aggregate, five percentage units of the part of the return from the investments to which the annual plan relates, that exceeds a "threshold" ("Surplus Return"). At settlement the threshold shall consist of the initial value of the investments to which the annual plan relates to the extent that such investments have been exited, adjusted by an annual threshold interest of 6 per cent for the years 2008-2012 and 8 per cent for the year 2013 and onwards. On the "credit side" there will be proceeds received from exits after tax, if any, relating to the exit.

To the extent the Surplus Return exceeds an annual return of 35 per cent, the part of the Surplus Return exceeding 35 per cent, to which the participants in the profit sharing plan are entitled, shall be reduced by half. To the extent that the Surplus Return exceeds 50 per cent, another reduction by half shall apply to the Surplus Return which exceeds 50 per cent. Surplus Return exceeding 60 per cent shall not increase the entitlement of participants in the profit sharing plan.

In addition, the 2010 plan shall entitle the participants to an aggregate of 37.5 per cent of the so called "KDAB Carried Interest" in accordance with the limited Partner Agreement signed with the European Investment Fund ("EIF") regarding KCIF Co-Investment Fund KB ("KCIF"). KDAB Carried Interest can briefly be described as 20 per cent of the return exceeding a threshold interest of 6 per cent calculated on – and after repayment of – EIF's investments in KCIF. According to the agreement with EIF, Karolinska Development is entitled to that part of the KDAB Carried Interest only if it is included in the company's profit sharing program. Thus, the company does not, in respect of this part of the profit sharing program, actually abstain from any amount it otherwise would have been entitled to, with the exception of social security contributions incurred due to the payout.

Participation in each profit sharing program is conditioned upon participation in the warrant program for the corresponding year.

The three parts for 2008-2010 were part of an incentive program which was planned to last for five years, but no new programs were decided after the three initial ones.

Incentive program for 2012-2014 (PSP 2012)

The 2012 Annual General Meeting resolved on a Performance Share Program 2012 (PSP 2012) comprising in total a maximum of 630,800 shares of series B according to the principal guidelines set out below:

1. Participants in PSP 2012, allotment and personal investment

PSP 2012 comprises a total of maximum 10 employees divided into three categories. Category 1 consists of the CEO and can at maximum be allotted 180,000 shares of series B. Category 2 consists of the CSO and CFO and can at maximum be allotted 120,000 shares of series B per person. Category 3 consists of other participants and can at maximum be allotted 36,000 shares of series B per person.

To participate in PSP 2012, the participants must acquire shares of series B in the Company at market price on NASDAQ OMX Stockholm ("Saving Shares"). Participant in Category 1 must acquire 30,000 Saving Shares in order to be able to receive maximum allotment. Participant in Category 2 must

acquire 20,000 Saving Shares in order to be able to receive maximum allotment. Participant in Category 3 must acquire 6,000 Saving Shares in order to be able to receive maximum allotment.

Acquisition of Savings Shares took place December 27 2012, since acquisition by participants was not possible prior to that date. As an employee is considered an individual who has signed a contract on permanent employment no later than on the day for the Annual General Meeting 2012.

For each Saving Share that the participant acquires and holds, the participant will, free of charge, be allotted one (1) matching share right ("Matching Share Right") and five (5) performance share rights ("Performance Share Rights") (together referred to as "Share Rights"). Provided that the conditions set out below in item 2) and item 3) respectively, are fulfilled, the Share Rights entitle to allotment of warrants in the Company which entitle the holder to subscribe for shares of series B in the company as described below. Allotment of warrants, on basis of the held Share Rights, is made after the publication of the Company's interim report for the first quarter 2015, however not earlier than three years after the PSP 2012 agreement is entered into ("Vesting Period").

2. Matching Share Rights

For each Saving Share that the participant acquires and holds, the participant is, free of charge, allotted one (1) Matching Share Right, which entitles the participant to, free of charge, receive one (1) warrant, based on the conditions set out below:

- (i) that the participant remain employed within the Group during the Vesting Period; and
- (ii) that the participant has not disposed of the Saving Shares held during the Vesting Period.

3. Performance Share Rights

For each Saving Share that the participant acquires and holds, the participant is, free of charge, allotted five (5) Performance Share Rights that give right to five (5) warrants. In order for Performance Share Rights to entitle to allotment of warrants, it is required that the conditions for the Matching Share Rights are fulfilled. In addition, fulfillment of certain performance conditions is required in order for Performance Share Rights respectively to entitle to allotment of warrants. The board of directors intends to present whether the performance conditions have been fulfilled in the annual report of 2015.

The performance conditions for the Performance Share Rights are dependent on the company's share price development. For allotment of warrants the average price paid for a share of series B on NASDAQ OMX Stockholm during a period of ten (10) trading days beginning 2 May 2015 ("End Price") must exceed the average price paid for a share of series B on NASDAQ OMX Stockholm after the Annual General Meeting 2012 ("Start Price"). The Start Price was determined by the board of directors to be 15.70 SEK. For maximum allotment of warrants the share must be traded at a level that corresponds to an average yearly share price growth of 30 percent from the Start Price. If the End Price is between the Start Price adjusted upwards by 6 percent yearly and the share price that triggers maximum allotment, the participants will receive a linear allotment of warrants.

Shared terms and conditions for Share Rights

In addition to what has been stated above, the following terms and conditions apply for both the Share Matching Rights and the Performance Share Rights: The Share Rights are allotted free of charge. The participants are not entitled to transfer, pledge, or dispose the Share Rights or exercise any shareholder's rights regarding the Share Rights during the Vesting Period. Allotment, free of charge, of warrants in the Company on the basis of held Share Rights will take place after the publication of the Company's interim report for the first quarter 2015, however not earlier than

three years after the PSP 2012 agreement is entered into. Each warrant entitles the holder to acquire one (1) share of series B in the Company for a subscription price corresponding to the quota value of the share and requires that the option is exercised as soon as possible after receipt of warrant. The Company will, through a cash payment, compensate the participants in PSP 2012 for dividends distributed in respect of the shares that the respective warrants entitle to. The maximum value that a participant can receive at allotment of warrants in the program is limited to an amount per share that corresponds to ten (10) times the Starting Price.

Incentive program for 2013-2015 (PSP 2013)

The board of directors will propose a new three year share based incentive program spanning 2013-2015, to the annual general meeting 2013. The program is based on the same principles as the PSP 2012 program, with two exceptions. The number of participants has been increased from 10 to a maximum of 17. The cap has been increased from 10 to 20 times the Starting Price.

(ii) Application of Guidelines

The board of directors provides the following evaluation of the application of the Guidelines for remuneration to executive management that the AGM is required by law to establish.

No deviations from previously established guidelines have been made.

(iii) Remuneration structure and levels

The current remuneration structure and levels in the company.

Karolinska Development shall maintain remuneration levels and terms required to attract and keep an executive management with the competence and experience needed to achieve the objectives of the company's operation. The total remuneration to an executive management employee shall be competitive, reasonable and appropriate. Fixed salary shall be based on responsibility and experience of the individual.

Variable remuneration shall (i) be construed in order to support Karolinska Development's long-term value creation; (ii), have governing elements that are clear, measurable and that can be influenced; (iii) regarding variable salary, have a pre-determined maximum outcome; (iv) not be included in calculation of pension.

Solna April 10, 2013

The Board of Directors