

## Notice of Annual General Meeting in Karolinska Development AB (publ)

The shareholders of Karolinska Development AB (publ), reg. no. 556707-5048, ("**Karolinska Development**" or the "**Company**") are invited to the Annual General Meeting, on Wednesday May 25, 2016 at 5 p.m. (CET), at Tomtebodavägen 23 A Solna, Sweden.

### Participation and notification of attendance

A shareholder, who wishes to participate in the meeting, must

(i) be recorded as shareholder (not nominee registered) in the share register held by Euroclear Sweden AB on Thursday May 19, 2016, and

(ii) notify Karolinska Development of his/her intention to attend the meeting, no later than on Thursday May 19, 2016, by telephone +46 8 524 860 70, by e-mail to [eva.montgomerie@karolinskadevelopment.com](mailto:eva.montgomerie@karolinskadevelopment.com) or by regular mail to Karolinska Development, "AGM", Tomtebodavägen 23 A, SE-17165 Solna, Sweden.

The notification should include name, identification-/registration number, address and telephone number and, if applicable, number of assistants.

### Nominee registered shares

Shareholders whose shares are registered in the name of a nominee shareholder must temporarily register their shares in their own name in the share register kept by Euroclear Sweden AB to be allowed to participate in the meeting. The registration must be completed on May 19, 2016 at the latest. Request for registration must be made well in advance.

### Proxy etc.

A shareholder attending the meeting by proxy, must issue a written proxy. The proxy is valid during the period set forth in the proxy, however, at most five years from the issuance. If a proxy is issued by a legal entity, a copy of the legal entity's registration certificate or similar document evidencing signatory powers must be enclosed. Proxy forms in Swedish and English are available for download on the Company's website, [www.karolinskadevelopment.com](http://www.karolinskadevelopment.com).

### Proposal for agenda

1. Opening of the meeting
2. Election of chairman of the meeting
3. Preparation and approval of the voting list
4. Approval of the agenda
5. Election of one or two persons to verify the minutes
6. Determination of whether the meeting was duly convened
7. Presentation of the annual report and the auditor's report and the group annual report and the auditor's group report
8. Information from the CEO
9. Report on the work of the Board of Directors
10. Resolutions regarding
  - a) adoption of the profit and loss statement and the balance sheet, and consolidated profit and loss statement and consolidated balance sheet
  - b) appropriation of the Company's result according to the adopted balance sheet
  - c) discharge from liability for the directors and the CEO
11. Report on the work of the Nomination Committee
12. Resolution regarding the number of directors and auditors and deputy auditors to be appointed
13. Resolution in respect of the fees for the Board of Directors and for the auditors
14. Election of chairman of the Board of Directors, directors and auditors and deputy auditors
15. Principles for appointing members of the Nomination Committee

16. The Board of Directors' proposal regarding principles for remuneration to executive management
17. The Board of Directors' proposal regarding authorization for the Board of Directors to resolve on acquisition and transfer of own shares
18. The Board of Directors' proposal regarding authorization for the Board of Directors to resolve on new issues of shares
19. The Board of Directors' proposal regarding approval of new issues of shares in subsidiaries, of new issues of warrants to employees in subsidiaries and transfer of shares
20. Closing of the meeting

**Items 2 and 12-15: The Nomination Committee's proposal regarding chairman at the meeting; number of directors, auditors and deputy auditors to be appointed; fees for the Board of Directors and auditors; election of chairman of the Board of Directors, directors, auditors and deputy auditors and principles for appointing members of the Nomination Committee**

The Nomination Committee, consisting of Niclas Adler (chairman), appointed by Sino Biopharmaceutical; Gillis Cullin, appointed by Östersjöstiftelsen (The Foundation for Baltic and East European Studies); Magnus Persson, appointed by Karolinska Institutet Holding AB; Peter Lundkvist, appointed by Tredje AP-fonden (Third Swedish National Pension Fund) and Todd Plutsky, appointed by Coastal Investment Management, proposes that the Annual General Meeting resolves as follows:

Johan Hessius (Advokatfirman Lindahl) is appointed to chair the Annual General Meeting.

The number of directors will be eight and no deputies will be appointed.

The number of auditors will be one and no deputy auditor will be appointed.

The chairman will be paid a fixed amount of SEK 400,000. All other directors will be paid a fixed amount of SEK 200,000. In addition, SEK 10,000 will be paid to the chairman for each board meeting where the directors meet in person. The fees to the directors remain unchanged compared to previous year.

The auditors will be paid as per invoice.

Re-election of the directors Bo Jesper Hansen, Tse Ping, Niclas Adler, Vlad Artamonov, Khalid Islam, Henriette Richter, Carl Johan Sundberg and Hans Wigzell. Re-election of Bo Jesper Hansen as chairman of the Board of Directors. The composition of the Board of Directors meets the independence requirement of the Swedish Corporate Governance Code. The Nomination Committee proposes that voting shall take place individually.

Re-election of E&Y as auditor, currently with Björn Ohlsson as auditor in charge, for the time until the end of the 2017 Annual General Meeting.

The Nomination Committee shall have five members of which the five largest owners (voting power, as set forth in the share register kept by Euroclear Sweden AB as of 31 August 2016) shall appoint one member each. The chairman of the Board of Directors shall convene the first meeting. If a shareholder does not exercise its right to appoint a member, the shareholder next in order of voting power, who has not already appointed a member or has a right to appoint a member, shall have the right to appoint a member to the Nominating Committee. The members of the Nomination Committee shall be made public as soon as the members have been appointed, and in no case later than six months prior to Annual General Meeting 2017. The members shall among themselves appoint the chairman of the committee. If a member resigns or is prevented from pursuing his/her assignment, the shareholder that has appointed such member shall appoint a new member. In the event that the shareholding in the Company is materially changed, before the Nomination Committee has completed its assignment, the Nomination Committee may decide to change the composition of the Nomination Committee, as determined by the Nomination Committee (considering the principles applicable for the appointment of the Nomination Committee). Any

change in the composition of the Nomination Committee shall be announced as soon as possible. No fees shall be paid to the members of the Nomination Committee. Out of pocket expenses shall be reimbursed by the Company. The mandate of the committee shall be until the members of the succeeding committee have been announced. The Nomination Committee shall carry out the tasks that, according to the Swedish Corporate Governance Code, are the responsibility of the Nomination Committee. The proposal by the Nomination Committee corresponds to previous years principles for how the members should be appointed.

**Item 10 b: Appropriation of the Company's result according to the adopted balance sheet**

The Board of Directors and the CEO proposes that the amount at disposal of the Annual General Meeting, in total SEK 207,761,598 shall be allocated as follows: To be carried forward SEK 207,761,598.

**Item 16: The Board of Directors' proposal regarding principles for remuneration to executive management**

Karolinska Development shall maintain compensation levels and terms required to attract and keep an executive management with the competence and experience needed to achieve the objects of the Company's operations. 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 compensation 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 and (iv) not be included in calculation of pension. The notice period in case of termination by the Company is six months for executive management. Severance pay can be applied only for the CEO.

*The proposal in full will be available at Karolinska Development's website.*

**Item 17 The Board of Directors' proposal regarding authorization for the Board of Directors to resolve on acquisition and transfer of own shares**

Karolinska Development has previously, on the basis of authorizations from the Annual General Meeting, acquired own shares for the purpose of using these shares as a hedge to cover charges in the form of social security fees in the Company's Performance Share Program to employees resolved by the Annual General Meeting 2013, 2014 and 2015 (PSP 2013, PSP 2014 and PSP 2015). For this purpose the Company holds 244,285 own shares of series B as per the date of this notice. On the basis of calculations of the Company's commitments in outstanding programs, it is currently estimated that an additional 45,164 shares of series B may be required to cover social security fees in the Company's outstanding share programs. The total number of shares of series B that is calculated to be required to cover social security fees will thereby amount to in total 289,449, which corresponds to approx. 0.5 per cent of outstanding shares and approx. 0.4 per cent of the votes in the Company.

Each resolution to acquire and transfer shares for the purpose to cover charges of social security fees in the Performance Share Program has for legal reasons only been valid up to the following Annual General Meeting. Resolutions on acquisitions and transfer of own shares for this purpose have therefore been repeated at the subsequent Annual General Meeting.

The Board of Directors makes the assessment that it continues to be advantageous for the Company to be able to use repurchased shares as a hedge to cover social security fees in the Company's outstanding Performance Share Programs.

In view of the above, the Board of Directors proposes as follows.

The Board of Directors are proposed to be authorized to decide, on one or several occasions and until the next Annual General Meeting, to acquire a maximum of 45,164 shares of series B and

transfer these and earlier acquired shares of series B amounting to 244,285, i.e. in total a maximum of 289,449 shares of series B to cover charges in the form of social security fees in PSP 2013, PSP 2014 and PSP 2015. Transfer of the Company's shares may be carried out with or without deviation from the shareholders' preferential rights. Acquisitions and transfers shall be made on Nasdaq Stockholm. Acquisitions and transfers can only be made at a price within the price interval registered at each time for the share.

A resolution in accordance with the Board of Directors' proposal requires support from shareholders with not less than 2/3 of votes cast as well as shares represented at the meeting.

**Item 18: The Board of Directors' proposal regarding authorization for the Board of Directors to resolve on new issues of shares**

The Board of Directors proposes that the Annual General Meeting resolves to authorize the Board of Directors, for the period up to the next Annual General Meeting to resolve, whether on one or several occasions, with or without deviation from the shareholders' preferential rights, and for payment in cash, by set-off or in kind, to issue new shares of series B up to a number that, at the time of the first resolution under this authorization, corresponds to ten (10) per cent of the total share capital; provided however that any such issue must not result in the Company's share capital exceeding the Company's maximum allowed share capital as set out in the articles of association.

A resolution in accordance with the Board of Directors' proposal requires support from shareholders with not less than 2/3 of votes cast as well as shares represented at the meeting.

**Item 19: The Board of Directors' proposal regarding approval of new issues of shares in subsidiaries, of new issues of warrants to employees in subsidiaries and of transfer of shares**

According to Chapter 16 of the Swedish Companies Act ("LEO Law") transfer of shares to inter alia directors or employees of the issuing company or another group company, and new issues of shares in subsidiaries directed to directors or employees of the issuer or another group company, must in some cases be approved by the general meeting of the parent company.

On March 8, 2016 Aprea AB issued 24,732 shares to KCIF Co-Investment Fund KB. KCIF Co-Investment Fund KB ("**KCIF**") is the vehicle for co-investments by the European Investment Fund ("**EIF**") in Karolinska Development's portfolio. KCIF is managed by KCIF Fund Management AB ("**FMAB**"), a company which is partly held by Karolinska Development's management. The holding is a formal solution tied to the employment in Karolinska Development, is set forth in Karolinska Development's agreement with the EIF and with no possibilities for the holder to transfer the shares. Due to the construction, co-investments by KCIF or transfer of shares from Karolinska Development to KCIF require approval under the LEO Law, by the general meeting of Karolinska Development.

On October 16, 2015, Aprea AB decided to transfer 49,163 warrants to its wholly owned subsidiary Aprea Personal AB for the purpose of securing allotment of shares for the 20,076 share rights (plus protection against dilution) that free of charge has been allotted to Berndt Seizinger, Executive Chairman in the company, within the frames of an adopted incentive program.

Akinion Pharmaceuticals AB ("**Akinion**") is a subsidiary of KDev Investments AB ("**KDevI**"). KDevI is held jointly by Karolinska Development and Rosetta Capital. The board of KDevI has on April 7, 2016 decided to divest all of its holdings in Akinion to Accelerated Innovations AB ("**IAB**"). The decision has been approved by the general meeting in KDevI on April 7, 2016. Niclas Adler, who is a director of the Karolinska Development AB board, exercises a controlling influence over IAB, and the transfer of shares in Akinion to IAB must therefore be approved by the general meeting in Karolinska Development.

Akinion has halted further development of its lead product candidate AKN-028, which was being evaluated in a Phase I/II clinical study for acute myeloid leukemia (AML), due to a small number of patients experiencing severe liver toxicity. Further, the board of Akinion has decided to close down its operations, a decision supported by the board of KDevI as well as of Karolinska Development.

Following this decision, Akinion has commenced the wind down of its operations with the intention to liquidate the company. An orderly wind down of Akinion requires in the range of another MSEK 1 to be invested by KDevI. As an alternative to this, IAB has instead offered to acquire all shares in Akinion for SEK 1 and provide funding to the company.

The Board of Directors proposes that the Annual General Meeting approves the issues of shares and transfers described above.

A resolution in accordance with the Board of Directors' proposal requires support from shareholders with not less than 9/10 of votes cast as well as shares represented at the meeting.

*The proposal in full will be available on the Company's website.*

#### **Miscellaneous**

The annual report, the auditor's report, the proposal by the Nomination Committee, the auditor's statement regarding compliance with the Guidelines for Remuneration to Executive Management and complete proposals for decisions in all matters on the agenda will be available at the Company's office at Tomtebodavägen 23 A in Solna, Sweden and on the Company's web site, [www.karolinskadevelopment.com](http://www.karolinskadevelopment.com) from May 4, 2016. Copies of the above mentioned documents will, upon request, be sent to shareholders who have provided their postal address. A request for such documents may be made in the way set forth above for notification of attendance. The Board of Directors' complete proposal regarding item 19 will automatically be sent to all shareholders that have notified the Company of their participation in the Annual General Meeting and who have informed the Company of their postal address.

A shareholder is entitled to require that the Board of Directors and the CEO (when possible without causing material damage to the Company) provides information regarding (i) circumstances that may have an effect on the assessment of an item on the agenda or on the economic situation of the Company or a subsidiary within the Group; (ii) the Company's relation to another Company within the Group; (iii) the consolidated Group report.

As per the date of this notice, there are 53,449,640 shares, representing a total of 66,977,522 votes outstanding in the Company, distributed among 1,503,098 shares of series A (with 15,030,980 votes) and 51,946,542 shares of series B (with 51,946,542 votes). As per the date of this notice, the Company holds 244,285 treasury shares of series B.

**Solna in April 2016**  
**Karolinska Development AB (publ)**  
***The Board of Directors***