Appendix

Karolinska Development AB (publ)

Item 19 The Board of Directors' proposal for an incentive program for the company's employees by way of a (A) directed issue of warrants and (B) approval of transfer of warrants

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A. Directed issue of warrants

The Board of Directors of Karolinska Development AB (the "Company") proposes that the Annual General Meeting resolves on an incentive program for the company's employees (the "Warrant Program" 2017/2020") on the following terms and conditions.

1. Warrants shall be issued in series 2017/2020.

2. Warrants of series 2017/2020 contains a maximum of 3,216,836 warrants, of which each warrant entitles to subscription for one (1) share of series B in the Company.

3. The wholly owned subsidiary KD Incentive AB is – with deviation from the shareholders' pre-emption right – entitled to subscribe, with the right and obligation of the subsidiary to transfer the warrants to employees of the Company. The subsidiary shall not have the right to dispose of the warrants otherwise than as described in this resolution (B) below.

4. The warrants are issued to the subsidiary without consideration. Subscription for the warrants shall be made on 4 June 2017 at the latest. The Board of Directors has the right to extend this time limit. There shall be no over-subscription.

5. The Subscription Price shall at the time of subscription correspond to 250 per cent of the volume weighted mean value according to Nasdaq Stockholm's official price list for share of series B in the company during ten (10) trading days immediately following the Annual General Meeting 2017. The subscription price so calculated shall be rounded to the nearest ten öre, whereas five öre shall be rounded up.

6. The share capital may be increased by a maximum of SEK 32,168.36, provided that the reduction of share capital is decided upon under item 20 of the Annual General Meeting 2017, or increased by SEK 1,608,418 if the reduction under item 20 Annual General Meeting 2017 is not executed, at the time of subscription for new shares, which corresponds to a dilution effect of approx. 4.8 per cent of outstanding shares and approx. 4.0 per cent of the votes. If all outstanding incentive program to employees in the company are included in the calculation the corresponding dilution amounts to approx. 5.7 per cent of the outstanding shares and approx. 4.7 per cent of the votes. The dilution has been calculated as the number of new shares in proportion to the number of existing and new shares.

7. Subscription for shares by the exercise of warrants can take place during the period from 30 June 2020 up to and including 31 August 2020.

8. The complete terms and conditions for the warrants are set out in "Terms and conditions for Karolinska Development AB's warrants series 2017/2020" Appendix A.

9. Shares which are issued after subscription will entitle to dividends for the first time at the record date for dividends occurring immediately thereafter.

10. The warrants that are issued in accordance with this item and that the Board of Directors deems not necessary may be cancelled after decision by the Board of Directors.

11. The Board of Directors or other person appointed by the Board of Directors is authorized to make such minor changes that are found necessary in connection with the registration of the above resolutions with the Swedish Companies Registration Office and Euroclear.

The reason for the deviation from the shareholders' pre-emption right is that the Board of Directors wishes to create an incentive program for employees in the Company. The Board of Directors is of the opinion that an option program which offers the employees the opportunity to share in the value of the company will enhance the commitment and responsibility, and results in an increased motivation to work for a favorable financial development of the company. An incentive program is also expected to improve the possibilities to recruit and retain competent, motivated and committed employees.

B. Transfer of warrants

The Board of Directors proposes that the Meeting approves of the transfer of warrants to employees of the Company on the following terms and conditions.

1. Transfer of warrants can take place to employees of the Company and to any future employees during the term of the program.

2. Allotment shall be made in accordance with the following guidelines:

   Category A (CEO) is allowed to acquire a maximum of 1,608,418 warrants.
   Category B (Other members of Executive Management) is allowed to acquire a maximum of 402,105 warrants respectively, in total a maximum of 804,210 warrants.
   Category C (Other personnel) is allowed to acquire a maximum of 107,228 warrants respectively, in total a maximum of 321,684 warrants.

   First allocation is expected to be made in June 2017. The warrants remaining after the first allotment may be allotted to current and future employees at market value, applicable from time to time, in accordance with the allotment principles stated above. The participants may choose to subscribe for a lower number of warrants than stated above. If the total number of warrants the participants' wishes to acquire would exceed the maximum number of warrants that can be issued in accordance with the incentive program, taking into consideration warrants that shall be reserved in accordance with below, a proportional reduction shall be made of the number of warrants allotted to each person in accordance with above guidelines. Guaranteed allotment will not occur. Participants have the right to subscribe for a larger number of warrants than stated by the guidelines above and may, taking into consideration warrants that shall be reserved in accordance with below, be allotted additional warrants if full subscription is not reached in the program. If such over-subscription occurs, allotment shall be made to the participants that wishes to subscribe for such additional warrants, pro-rated in relation to the number of warrants each participant have been allotted in the first allotment.

482,524 warrants and any warrants that have not been allocated in accordance with the above shall be reserved for future recruitments of employees in each category above of the group companies, whereby above stated guidelines for allotment shall be applicable.

3. Transfer of warrants will be made at market value calculated in accordance with an established valuation method (Black & Scholes) at the time of transfer.

4. The Company shall in connection with the transfer of warrants to the participant, reserve a pre-emption right regarding the warrants if the participant’s employment with the company is terminated or if the participant wishes to transfer the warrants.

By way of the current proposal, the employees in the Company will have the opportunity to obtain a remuneration which is related to and dependent on the increase in value which they contribute to. The Board of Directors is of the opinion that it is to the benefit of the benefit of the Company and the shareholders, that the employees, in this way, are given a personal incentive through ownership.

Costs and impact on key ratios
Considering that the warrants will be acquired by the employees at a calculated market price, the warrant program is deemed not to entail other costs than costs for establishment and administration. The dilution effect of the warrants can however impact the earnings per share in accordance with the accounting standard IAS 33.

Outstanding incentive program
The Company’s on-going share-related incentive programs are described in the Company’s Annual Report for 2016 in note 5.

Preparation of proposal
The proposal has been prepared by the Remuneration Committee and resolved on by the Board of Directors.

Majority vote requirement
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.

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