

Extraordinary 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 an Extraordinary General Meeting, on Thursday 4 December, 2014, at 4 p.m. (CET), at Tomtebodavägen 23 A in 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 Friday 28 November 2014, and

(ii) notify Karolinska Development of his/her intention to attend the meeting, no later than on Friday 28 November 2014, by telephone +46 (0)8 524 860 70, by e-mail to info@karolinskadevelopment.com or by regular mail to Karolinska Development AB, Tomtebodavägen 23 A, SE-171 65 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 Friday 28 November 2014 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 5 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 must be enclosed. Proxy forms in Swedish and English are available for download on the Company's website, 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. Resolution regarding approval of the board of directors' resolution to issue convertible bonds with pre-emption rights for the Company's shareholders
8. Resolution regarding approval of the board of directors' resolution on a directed issue of convertible bonds
9. The board of directors' proposal regarding a performance based share incentive program 2014 II (PSP 2014 II)
10. Closing of the meeting

Item 2: Proposal regarding chairman at the meeting

The board of directors proposes that the Extraordinary General Meeting resolves to appoint attorney Pontus Enquist to chair the Extraordinary General Meeting.

Item 7: Resolution regarding approval of the board of directors' resolution to issue convertible bonds with pre-emption rights for the Company's shareholders

Background

The board of directors has resolved, subject to the approval by the general meeting, that the Company raise a convertible loan with a nominal amount not exceeding SEK 227,455,941.72 through a rights issue of convertible bonds.

The funding is intended to be used for the continued development and value creation in Karolinska Development's portfolio companies. In addition, the Company's position in negotiations with potential licensees and partners will be strengthened.

In case of full conversion of the capital amount of the convertible bonds, the issue entails an increase of the share capital of not more than SEK 5,169,453, excluding conversion of accrued interest. Upon conversion of the capital amount, accrued interest will however also be converted. Provided that conversion occurs on the last day for conversion, the issue entails an increase of the share capital of not more than SEK 7,173,643.50.

Record date for establishment of which shareholders shall have pre-emptive rights to subscribe for convertibles shall be on 5 December 2014.

The subscription price is equal to the nominal amount of the convertible bonds.

One (1) share shall entitle to subscription of convertible bonds of a nominal amount of SEK 4.71.

Principal terms for the convertible bonds

The loan carries an annual interest rate of eight (8) per cent and has a term of five (5) years. The conversion rate is SEK 22.

The convertible bonds will be registered with Euroclear Sweden and the Company will apply for listing of the convertible bonds at Nasdaq Stockholm.

Holders of convertible bonds will be entitled to call for conversion from the date of registration of the terms and conditions for the convertible bonds at the Swedish Companies Registration Office until 30 June 2019.

The Company will be entitled to call for conversion of all but not less than all of the outstanding convertible bonds if, during the term of the convertible bonds, the volume-weighted average price for a period of 30 days, according to statistics of Nasdaq Stockholm, for a share of class B in the Company reaches or exceeds SEK 33.90.

Holders of warrants

In order for holders of warrants in the Company to be granted a right to participate in the pre-emption rights issue based on shares originating from subscription on the basis of warrants, such subscription shall be effected, i.e. the shares shall be recorded in the share register, no later than 5 December 2014. This means that complete and correct application for subscription must be the Company at hand no later than 21 November 2014, at 5 p.m. CET.

Item 8: Resolution regarding approval of the board of directors' resolution on a directed issue of convertible bonds

Background

The board of directors has resolved, subject to the approval by the general meeting, that the Company raise a convertible loan in a nominal amount not exceeding SEK 172,858,294.11 through a directed issue of convertible bonds to Chia Tai Resources Limited and Sino Biopharmaceuticals Limited, both of which belong the Asian CP Group.

The board believes that it is advantageous for the Company and for the Company's owners to capitalize on the ability to raise capital on favourable terms from a strong Asian specialist investor with significant experience in the life science field. The board therefore believes that the issue, which is made with deviation from the shareholders' pre-emptive rights, will promote value creation for all shareholders of Karolinska Development.

The funding is intended to be used for the continued development and value creation in Karolinska Development's portfolio companies. In addition, the Company's position in negotiations with potential licensees and partners will be strengthened.

In case of full conversion of the bonds on the last day for conversion, the issue entails an increase of the share capital of not more than SEK 3,928,597.50, excluding conversion of accrued interest. Upon conversion of the capital amount, accrued interest will however also be converted. Provided that conversion occurs on the last day for conversion, the issue entails an increase of the share capital of not more than SEK 5,451,709.50.

Principal terms for the convertible bonds

The same terms and conditions as for the convertible bonds issued with pre-emption rights for the Company's shareholders shall apply on the convertible bonds in the directed issue, see item 7.

Item 9: The board of directors' proposal regarding a performance based share program 2014 II (PSP 2014 II)

Background

The Annual General Meeting 2014 approved a Performance Share Program for maximum 14 employees who no later than the day of for the Annual General Meeting had signed a contract on permanent employment. In October 2014 the Company recruited a new CEO. The Board of Directors' find it essential and in all shareholders' interest that the CEO have a long-term interest of a good value development of the share in the Company and therefore proposes the extraordinary general meeting the below long-term incentive program for the CEO. The now proposed program to a large extent corresponds to the performance related share program that was approved by the Annual General Meeting 2014 with the exception of the following:

- The maximum allotment to the CEO in the program is based on 30 percent of the annual fixed gross base salary for 2014 (maximum allotment to the management in the performance related share program approved on the Annual General Meeting was based on 20 percent of the annual fixed gross base salary for 2014).
- The allotment of Performance Share Rights is based on a share price growth of between 50 percent and 125 percent (allotment of Performance Share Rights in the performance related share program approved on the Annual General Meeting was based share price growth of between 30 percent and 75 percent).

The purpose of the long-term incentive program is to stimulate the CEO to continued and long-term good performance. Furthermore, it is the Board of Directors' view that the incentive program increases the Company's attractiveness as an employer. To participate in the program the CEO is required to invest his own money. Thereafter, the CEO will, after a three-year vesting period commencing on the day when the Performance Share Program 2014 II (PSP 2014 II) agreement is entered into and ending at the earliest three years after the PSP 2014 II agreement is entered into, will be allotted free of charge warrants, which entitles to subscription of shares in the Company at a price equal to the quota value, provided that certain conditions are fulfilled.

In order to ensure the delivery of shares under PSP 2014 II, the Board of Directors proposes that a maximum of 434 640 warrants, which entitles to 434 640 shares of series B, are issued to a wholly-owned subsidiary in the Group. In addition the Board of Directors proposes that maximum 136 560

shares of Series B will be able to be acquired and transferred on NASDAQ OMX Stockholm in order to cover social security fees under PSP 2014 II.

Proposal

The Board of Directors proposes that the extraordinary general meeting resolves on a Performance Share Program 2014 II (PSP 2014 II) which includes in total a maximum of 571 200 shares of series B according to the principal guidelines below.

1. Participant in PSP 2014 II, allotment and personal investment

PSP 2014 II comprises the CEO. To participate in PSP 2014 II, the CEO must acquire shares of series B in the Company at market price on NASDAQ OMX Stockholm ("Saving Shares"). In order to be able to receive maximum allotment, the CEO must acquire Savings Shares corresponding to 30 percent of his annual fixed gross base salary for 2014. Acquisition of Savings Shares shall take place on January 15, 2015 at the latest, with a right for the Board of Directors to extend this period if there is any impediment regarding the CEO's acquisition.

For each Saving Share that the CEO acquires and holds, the CEO 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 for conversion into shares of series B as described below. Allotment of warrants, on basis of the held Share Rights, is made at earliest three years after the PSP 2014 II agreement is entered into ("Vesting Period").

2. Matching Share Rights

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

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

3. Performance Share Rights

For each Saving Share that the CEO acquires and holds, the CEO 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 performance conditions for the Performance Share Rights are dependent on the Company 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 December 2017 ("End Price") must exceed the average price paid for a share of series B on NASDAQ OMX Stockholm during a period of ten (10) trading days immediately after the extraordinary general meeting on 4 December 2014 ("Start Price") according to the following. For maximum allotment of warrants the share must be traded at a level that corresponds to a share price growth of 125 percent from the Start Price. If the End Price is between the Start Price adjusted upwards by 50 percent and the share price that triggers maximum allotment, the participants will receive a linear allotment of warrants. If the End Price is lower than the Start Price adjusted upwards by 50 percent, no allotment will be made.

4. 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 CEO is not entitled to transfer, pledge, or dispose the Share Rights or perform 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 at earliest three years after the PSP 2014 agreement is entered into.
- Each warrant entitled the holder to acquire a 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 CEO in PSP 2014 II for dividends distributed in respect of the shares that the respective warrants entitle to.
- The value that the CEO can receive at allotment of warrants in the program is maximized at an amount per share that corresponds to thirty-five (35) times the Starting Price.

5. Detailed terms and administration

The Board of Directors, or a certain committee appointed by the Board of Directors, shall be responsible for the determining the detailed terms and the administration of PSP 2014 II, within the scope of the given terms and guidelines. If delivery of warrants/shares cannot be accomplished at reasonable costs and with reasonable administrative effort, the Board of Directors shall be entitled to decide that the participating individual may instead be offered a cash-based settlement. The Board of Directors shall also be entitled to decide on other adjustments in the event that major changes in the Group, the market or otherwise in the industry would occur, which would entail that resolved conditions for allotment and the possibility to use the Share Rights under PSP 2014 II would no longer be appropriate.

6. Hedging of commitments according to PSP 2014 II

Issue of warrants and approval of transfer of warrants

In order to secure delivery of shares at exercise of Share Rights, an issue of warrants ("Warrants") to a wholly owned subsidiary in the Group is proposed to be made. The subsidiary shall be authorized to dispose over and without consideration transfer the warrants with the purpose to fulfill commitments according to PSP 2014 II.

No more than 434 640 Warrants shall be issued. Each Warrant shall entitle to subscription of one share of series B in the Company during the period from 15 December 2014 up to and including 31 March 2018 at a subscription price corresponding to the quota value of the share.

The share capital can increase at maximum SEK 217 320, with reservation for the increase that can be caused by a re-calculation following new share issues etc.

Acquisition and transfer of own shares

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 maximum 136 560 shares of series B and transfer these to cover charges in the form of social security fees in PSP 2014 II. Acquisitions and transfer shall be made on NASDAQ OMX Stockholm. Acquisitions and transfer can only be made at a price within the price interval registered at each time for the share.

7. Dilution effects and costs for the program

At exercise of the proposed Share Rights the number of shares increases. These new shares will constitute, at full exercise, approximately 0.9 percent of the outstanding shares and approximately 0.7 percent of the votes. At full exercise of the now proposed Share Rights and outstanding warrants in outstanding incentive programs, the number of new shares constitutes approximately 2,9 percent of outstanding shares and approximately 2,3 percent of the votes calculated after full exercise of outstanding warrants and proposed Share Rights. In addition 136 560 shares of series B are required

to cover social security fees, which corresponds to approximately 0.3 percent of the outstanding shares and approximately 0.2 percent of the votes. The Share Rights can cause costs for the Group in the form of social security fees at exercise as well as accounting costs during the term of the Share Rights.

8. The objectives of the proposal and reasons for deviations from the shareholders' preferential rights

The Board of Directors considers the existence of effective share-related incentive programs for senior executives of the Company to be of material importance for the development of the Company. The proposed program creates a common group focus for the CEO in the different parts of the Group. By linking the CEO's remuneration to the Company's earnings and value trend, the long-term increase in value is rewarded and thus an alignment of interest of CEO and shareholders.

In light of these circumstances, the Board of Directors consider, that the proposed incentive program, with regard to the terms and conditions, the size of the allotment, the existence of other incentive programs and other circumstances, is reasonable and advantageous for the Company and its shareholders.

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.

Miscellaneous

Complete resolutions and proposals for resolutions and other documentation regarding all matters on the agenda will be available on the Company's web site, www.karolinskadevelopment.com and at the Company's office at Tomtebodavägen 23 A in Solna, Sweden, from 13 November 2014. 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 documentation will further automatically be sent to all shareholders that have notified the Company of their participation in the Extraordinary General Meeting.

As per the date of this notice, there are 48,531,417 shares, representing a total of 62,059,299 votes outstanding in the Company, distributed among 1,503,098 shares of Series A (with 15,030,980 votes) and 47,028,319 shares of series B (with 47,028,319 votes). As per the date of this notice, the Company holds 239,285 treasury shares of Series B.

Solna in November 2014
Karolinska Development AB (publ)
The Board of Directors