



*WELCOME*

KAROLINSKA  
DEVELOPMENT

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## *Förslag till dagordning*

- 1. Stämmans öppnande*
- 2. Val av ordförande vid stämman*
- 3. Upprättande och godkännande av röstlängd*
- 4. Godkännande av dagordning*
- 5. Val av en eller två personer att justera protokollet*
- 6. Prövning av om stämman blivit behörigen sammankallad*
- 7. Beslut om*
  - a) ändring av bolagsordningen (gränserna för aktiekapitalet och antalet aktier); och*
  - b) godkännande av styrelsens beslut om en riktad nyemission till konvertibelinnehavare (kvittningsemission)*
- 8. Stämmans avslutande*

## *Proposed 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 has been duly convened*
- 7. Resolution on a) amendments of the Articles of Association (share capital limits and number of shares) and b) approval of the Board of Directors' resolution on a directed new issue of shares to the convertible holders, with payment by set-off*
- 8. Closing of the meeting*





*Building a leading Nordic life science  
investment company*

KAROLINSKA  
DEVELOPMENT

## Our ambition



***Building a leading  
Nordic life science investment company  
delivering value to all stakeholders***





*Achievements to-date*

# An experienced management team with proven track record



**Jim Van heusden, PhD**

*Chief Executive Officer*

*since March 2015*



**Viktor Drvota, MD PhD**

*Chief Investment Officer  
and Deputy CEO*

*since February 2016*



**Christian Tange**

*Chief Financial Officer*

*since February 2014*

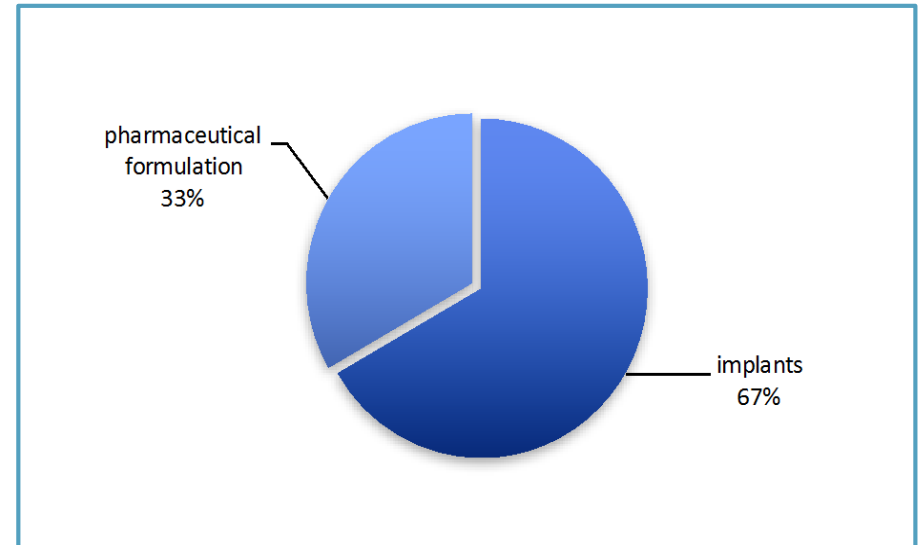
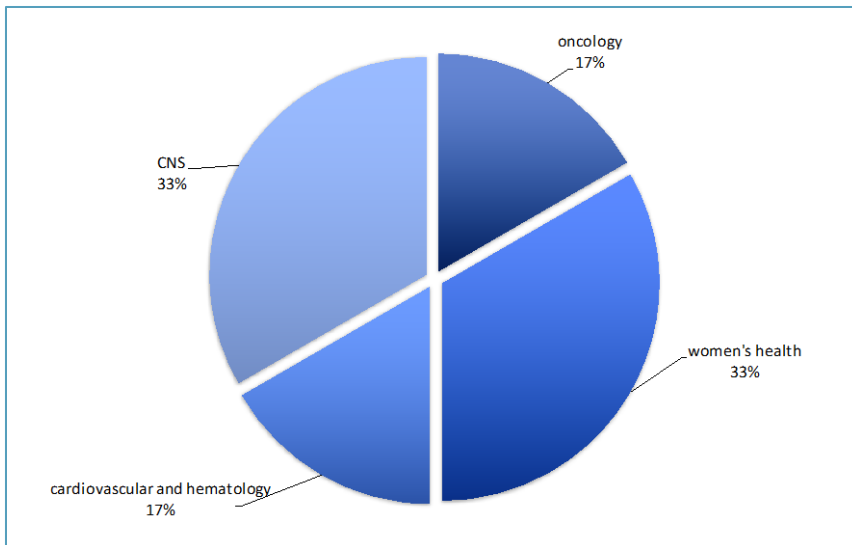


# Generated a diversified portfolio with blockbuster potential

## Therapeutics












## Medtech














# Majority of portfolio financed to next value inflection point

 <b>Modus</b>  KDev Investments  <b>Praktikerinvest</b> <small>ÖSTERSJÖ-STIFTELSEN</small>  SEK 32m  February 2017	 <b>Umeocrine cognition</b>  Series B  Fort Knox Partnerinvest Norrlandsfonden  SEK 60m  Mar & Nov 2016	 <b>DILAFOR</b>  Series C  Lee's Healthcare Fund Rosetta Capital Pila AB  SEK 51m  September 2016	 <b>Promimic</b> <small>MAKING IMPLANTS INTEGRATE</small>  Series B  Chalmers Ventures ALMI  SEK 23.8m  September 2016	 <b>aprea therapeutics</b>  Series B     <b>HealthCap</b>  SEK 437m  March 2016
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**SEK 610 million raised in 2016 – 91% from new investors**

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## New collaboration agreements signed – *non-dilutive funding*

 <b>OSS DESIGN®</b>  Partnership  Matador Medical, Inc  January 2017	 <b>BIOARCTIC</b>  Partnership   <b>abbvie</b>  September 2016	 <b>Promimic</b> <small>MAKING IMPLANTS INTEGRATE</small>  Partnership   <b>DANCO</b>  March 2016	 <b>Modus</b>  Clinical collaboration   <b>Qatar University</b>  SEK 10m February 2016
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# Divested portfolio with retained economic interest

*Inhalation Sciences* 

divested to

Råsunda Förvaltning AB

*earn-out agreement*  
February 2017

 **Clanotech**

divested to

**rosettacapital**

*earn-out agreement*  
July 2016

 **athera**  
biotechnologies

divested to

  **Industrifonden**

SEK 24m

*earn-out agreement*  
December 2015

**xspray** 

divested to

 **Recipharm**

SEK 18m

*earn-out agreement*  
September 2015

 **PHARMANEST**

divested to

  **Praktikerinvest**

SEK 28m


*earn-out agreement*  
July 2015

**Axelar**


divested to

 **ÖSTERSJÖ-STIFTELSEN**


*earn-out agreement*  
March 2015

**onco**  **peptides**

share swap

 **aprea**  
therapeutics

with

 **Industrifonden**

June 2012

- IPO listing Feb 22<sup>nd</sup>
- 5% of any revenue Industrifonden receives from its holdings up to max of SEK 80m
- 5% share represents a market value of SEK 26.7m at IPO



# Attracting experienced entrepreneurial leaders who deliver value



## Magnus Larsson

*Chief Executive Officer of **Promimic***

*Former Director Market Development at Dentsply Sirona Implants*



## Christian Schade

*President & Chief Executive Officer of **Aprea Therapeutics***

*Former CEO of Novira Therapeutics, acquired by Johnson & Johnson*



## Tord Lendau

*Chairman of **Promimic***

*Former General Manager at Sandvik MedTech*



## Simon Cartmell

*Chairman of **OssDsign***

*Former CEO of Apatech, sold to Baxter for \$330 million*



## Bruce Scharschmidt MD

*Independent Director of **Umeocrine Cognition***

*Former SVP & Chief Medical Officer of Hyperion Therapeutics, acquired by Horizon*



## Bernd R. Seizinger MD PhD

*Chairman of **Aprea Therapeutics***

*Former CEO of GPC Biotech, VP Oncology Drug Discovery at BMS*

## Now, we want to invest in new opportunities to build value

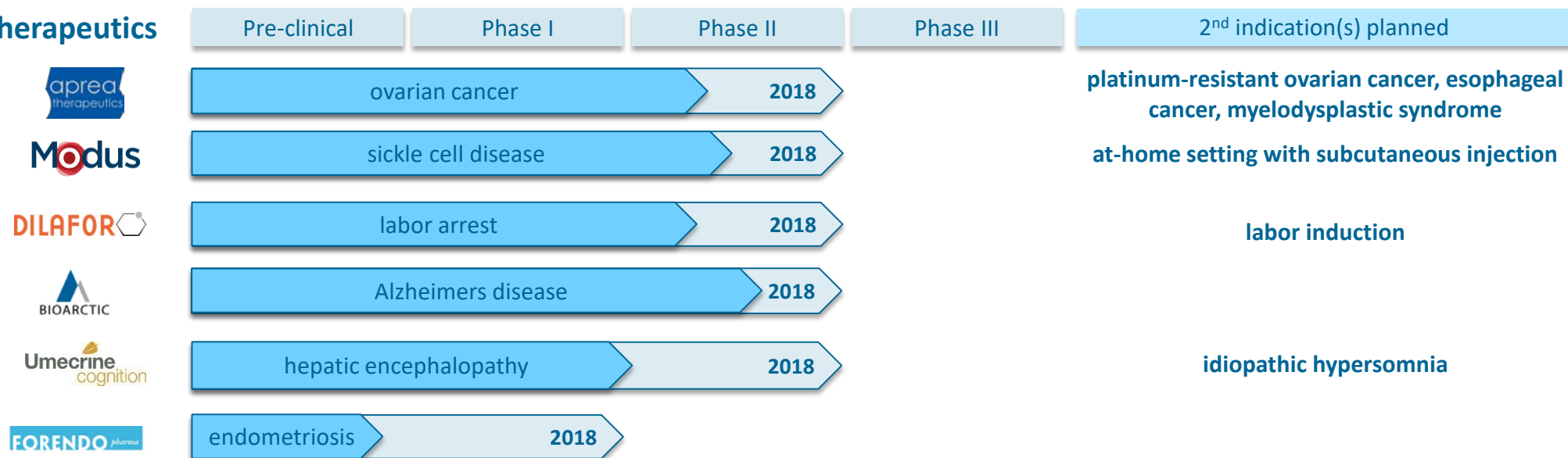
- 
- Expand portfolio in Nordic region
  - Expand portfolio in other areas of life sciences
  - Further build risk diversified portfolio
  - Focus on near-term value inflection points
  - Syndicate deals with experienced life science investors

### The Nordic countries ...

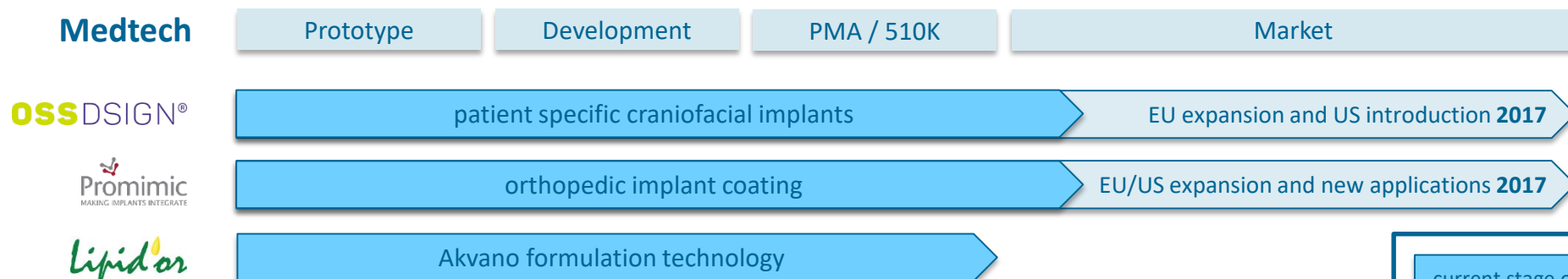
- are clear *innovation leaders* – the most innovative in Europe
- have the potential to become the *next big life science cluster*
- house a lot of *hidden value*
- represent an *under-ventured area* for life science investments

# Our current portfolio – significant value inflection in 18 – 24 months

## Therapeutics



## Medtech



current stage of development

progress and expected results



## Significant newsflow anticipated in the next 12–24 months\*

DILAFOR	H2 2016	Start Phase II - JAN 2017	✓
OSSDSIGN	H2 2016	Expand commercial infrastructure in EU - JAN 2017	✓
PROMIMIC	H1 2017	Open US operations	✓
OSSDSIGN	H1 2017	FDA 510(k) clearance obtained	✓
OSSDSIGN	H1 2017	US distribution agreement with Matador Medical	✓
UMECRINE COGNITION	H1 2017	Start Phase II	
PROMIMIC	H1 2017	S.I.N. expands sales in other regions	
DILAFOR	2018	Phase II results	
FORENDO	2018	Start Phase I	
MODUS THERAPEUTICS	2018	Phase II results	
APREA THERAPEUTICS	2018	Phase II results	
BIOARCTIC	2018	Phase II results	
UMECRINE COGNITION	2018	Phase II results	
OSSDSIGN	2018	Start Japanese operations	

\* current best estimates



## *Strengthening the Equity Position*

# Why ?

- *Strategic reorganization* of Karolinska Development over the past 24 months is in essence *now complete*
- *SEK 248.1 million* in cash and cash equivalents end December 2016
- Need to *strengthen* the *equity position* in the near term in order to meet the minimal capital requirement in the *Swedish Companies Act*
- *Improve* the overall *financial risk* profile
- Ensure that current cash resources can be used to *invest in new portfolio companies*
- Current debt *restricts* Karolinska Development's ability to execute its strategy



# Background to the Convertible

- Convertible of *SEK 387 million* was issued in 2015 and loan plus interest needs to be *repaid in December 2019* to the extent not converted
- Holders of Convertible currently have the *option to convert* at a conversion price of *SEK 22 per share*
- Outstanding convertible debt is *increasing by 8% compounded per year*
  - *SEK 451 million* at *end 2016*
  - Increasing to *SEK 568 million* by *end 2019*
- *CP Group*, which is a significant shareholder, also holds *approximately 70%* of the Convertibles

# Proposal for approval of BoD decision on a set-off share issue directed to Convertible holders

Key points of the proposal to shareholders to be voted on today March 8, 2017

- **Offer** to holders of Convertibles to subscribe for B-shares and pay by means of setting off their claims under the Convertible
- **Subscription Price set to SEK 6.17**
  - the higher of the 90-day VWAP ending
    - i. two trading days prior to announcement to convene the EGM – **SEK 6.17**
    - ii. two trading days before the EGM – **SEK 6.06**
- **Subscription period** is **March 20, 2017** to **March 31, 2017**
- Amendment of Articles of Association [bolagsordningen] to allow for increased number of shares

## Indicative Timetable

- Year-end Report 2016 published Feb 28, 2017
- Record date for participating in EGM Mar 2, 2017
- Announcement of complete terms and conditions Mar 7, 2017
- **EGM** **Mar 8, 2017**
- Record date Convertible holders Mar 15, 2017
- Preliminary date for publication of prospectus Mar 17, 2017
- **Subscription period** **Mar 20 – 31, 2017**
- Result of offer published April 5, 2017
- New shares admitted to trading on Nasdaq Stockholm April 11, 2017



## Benefits for shareholders and holders of convertible

Significantly reducing the outstanding debt would put Karolinska Development in a strong position to deliver value to all stakeholders

- *Strengthens* Karolinska Development's *equity position*
- *Greatly improves* Karolinska Development's *overall financial risk* profile
- *Strengthened balance sheet* would ensure a more robust financial structure and company's long-term future and enhance its attraction as an investment
- Ensure the current cash resources can be used to make the new investments needed to *create future shareholder value*
- *Allows Karolinska Development to meet the minimal capital requirement in the Swedish Companies Act*

## Strengthened financial structure – post conversion

- Outstanding convertible debt as reported in the Company's balance sheet 31 December 2016 would be reduced by SEK 394 million
- Repayable debt 31 December 2016 would be reduced by SEK 451 million – by 31 December 2019 it will be reduced by SEK 568 million
- Cash position of SEK 248 million 31 December 2016 would not be effected by the set-off issue – provides opportunity to make new investments
- *Strong position to achieve our Corporate Goals and to deliver value for all stakeholders*



# *Summary*



# Potential to create a **successful Nordic life science investment company**

- We have made **significant progress** in the last 24 months:
  - Created a **diversified** portfolio with **blockbuster** potential
  - Majority of portfolio **financed** to **next value inflection point**
  - Developed **close links** to the **Nordic and international life science** communities
- However, we now need to strengthen the balance sheet and equity position to **allow investments in new opportunities** and **in order to meet the minimal capital requirement in the Swedish Companies Act**
- Cash balance of **SEK 248.1 million** (end Dec 2016) would position us for future success if all of the debt is reduced via the proposed “set-off” share issue
- We need **the support of both our shareholders and our bondholders** to ensure that the debt is reduced significantly
- A successful “set-off” share issue, resulting in a significant reduction of the debt, would allow us to **create significant value** for **all stakeholders**



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