

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

2011-04-19

The Shareholders of Karolinska Development AB (publ), reg nr 556707-5048, are invited to the Annual General Meeting to be held on Wednesday May 25, 2011, at 10.00 a.m., at the conference room "Gard-aulan" at Smittskyddsinstitutet (Swedish Institute for Communicable Disease Control), Nobels väg 18 in Solna, Sweden.

Participation and notification

A shareholder, who wishes to participate in the meeting

- must be recorded as shareholder in the share ledger held by Euroclear Sweden AB on Thursday May 19, 2011, and
- must notify Karolinska Development of his/her intention to attend the meeting, no later than Thursday May 19, 2011, by telephone +46 (0)8 524 865 91, e-mail info@karolinskadevelopment.com or regular mail to Karolinska Development AB, Fogdevreten 2A, SE-171 65 Solna Sweden.

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

Nominee registered shares

A shareholder whose shares are registered in the name of a nominee shareholder must temporarily register his/her shares in his/her own name to be allowed to participate in the meeting. The registration must be completed on Thursday May 19, 2011. Request for registration must be made well in advance.

Power of attorney

A shareholder attending the meeting by proxy, must issue a written power of attorney. The power of attorney is valid for one year from the issuance or the longer period of validity stated in the power of attorney, however not more than five years from the issuance. If issued by a legal entity, a copy of the legal entity's certificate of registration or equivalent authorization documents, evidencing the authority to issue the power of attorney, must be enclosed. Templates in Swedish and English are available for downloading 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. 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 in the Board of Directors during the past year
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 of the directors and the CEO
11. Report on the work by the nomination committee
12. Resolution regarding the number of directors of the board and auditors and deputy auditors to be appointed
13. Resolutions in respect of the fees for the board of directors and for the auditor
14. Election of chairman of the board, deputy chairman and directors and auditors and deputy auditors
15. Procedure to appoint members of the nomination committee etc
16. The Board of Directors' proposal regarding *Guidelines for the Remuneration to Executive Management*
17. The board of directors' proposal regarding new issue of compensatory warrants of the current incentive program
 - a) Compensatory warrants related to the 2008 incentive program
 - b) Compensatory warrants related to the 2009 incentive program
 - c) Compensatory warrants related to the 2010 incentive program
18. The board of directors' proposal regarding new Articles of Association
19. The board of directors' proposal regarding authorisation for the board of directors to decide on new issue of shares
20. The board of directors' proposal regarding approval of new issue in subsidiaries
21. Closing of the meeting

Item 2, 12-14: proposal regarding chairman at the meeting, the number of directors, auditors and deputy auditors to be appointed, fees for the board of directors and the auditor, and election of chairman of the board, deputy chairman and directors, auditors and deputy auditors

The members of the nomination committee are Gillis Cullin (chairman of the nomination committee), appointed by Östersjöstiftelsen (The Baltic Foundation); Rune Fransson, appointed by Karolinska Institutet Holding AB and Forskningsstiftelsen vid KI (Foundation for Medical Research) jointly; Ulrica Slåne, appointed by Tredje AP-fonden (Third Swedish National Pension Fund); and Inger Savén, appointed by Näsudden Investeringar AB. Proposal by the nomination Committee:

- The current chairman of the board (Hans Wigzell) shall chair the AGM
- The number of members of the board shall be seven
- The number of auditors shall be one with no deputy
- Compensation to the board's chairman will be 220,000 SEK. Each other board member will be paid an amount of 130,000 SEK. In addition, each board member will be entitled to compensation amounting to 10,000 SEK for each board meeting attended and 5,000 SEK for each telephone board meeting that he/she participates in. The fees are unchanged
- The Auditors will be paid as per invoice
- Re-election of the board members; Hans Wigzell, Per-Olof Edin, Inger Savén, Ulrica Slåne, Rune Fransson and Peter Sjöstrand. Election of Raymond Hill as a new director. Election of Hans Wigzell as chairman of the board. Election of Per-Olof Edin as deputy chairman of the board. The composition of the board meets the independence requirement of the Swedish Code for Corporate Governance
- Elect Deloitte as auditor, currently with Thomas Strömberg as auditor in charge, for the time until the end of the annual general meeting 2012.

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

The board of directors and the managing director recommend that the Annual General Meeting approves that the amount at the disposal of the shareholders, 1,015,404,019 SEK, is to be carried forward.

Item 15: Procedure to appoint members of the Nomination Committee etc

It is proposed that (i) the Nomination Committee shall have five members; (ii) the five largest owners (as set forth in Euroclear Sweden's register as of September 1, 2011) shall appoint one member each. 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 before to the date of the 2012 Annual General Meeting. 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 the member shall appoint a new member. If the holding of the company is materially changed, the Nomination Committee may decide to change (at the discretion of the Committee) the representation of the Committee. No fee 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 has been made official. The Nomination Committee shall pursue the tasks that, according to the Swedish Code of Corporate Governance, are the responsibility of the Nomination Committee.

Item 16: Resolution in respect of Guidelines for Remuneration to Executive Management

Main outlines of proposal: 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 object of the company's operation. The total compensation 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 (save for portions not effecting the result of the company other than as social security contribution); (iv) not be included in calculation of pension. The notice period in case of termination by the company shall not exceed 6 months. Severance pay shall be paid only to CEO. The proposal in full will be available at Karolinska Development's website, but only in Swedish.

Item 17: Resolution to issue warrants and approval of disposition of warrants (complementary)

Main outlines of proposal: The board of directors proposes that the Annual General Meeting resolves to issue so called compensatory warrants within the frame of the implemented incentive program and of disposal of the warrants in accordance with the proposal by the Board of Directors.

The warrants shall entitle the holder to subscribe for new shares of class B in the company. Right to subscribe for warrants shall only fall upon the wholly-owned subsidiary KD Incentive AB, reg nr 556745-7675, for resale at market value (Black&Scholes) to the persons (CEO, CFO and Investment Managers) participating in the incentive programs implemented 2008, 2009 and 2010.

a) Compensatory warrants related to the 2008 incentive program

The issue comprises no more than 82,767 warrants, whereupon the company's share capital may be increased by not more than SEK 41,383.50. The warrants shall be issued without consideration. Each warrant entitles to subscription of one (1) new share of series B in the company during the period October 1, 2012 – December 31, 2012. The subscription price shall be 125 per cent of the average share price (volume weighed) for the company's share of series B during the period May 2, 2011 to May 20 2011.

b) Compensatory warrants related to the 2009 incentive program

The issue comprises no more than 42,462 warrants, whereupon the company's share capital may be increased by not more than SEK 21,231. The warrants shall be issued without consideration. Each warrant entitles to subscription of one (1) new share of series B in the company during the period October 1, 2013 – December 31, 2013. The subscription price shall be 150 per cent of the average share price (volume weighed) for the company's share of series B during the period May 2, 2011 to May 20 2011.

c) Compensatory warrants related to the 2010 incentive program

The issue comprises no more than 40,022 warrants, whereupon the company's share capital may be increased by not more than SEK 20,011. The warrants shall be issued without consideration. Each warrant entitles to subscription of one (1) new share of series B in the company during the period October 1, 2014 – December 31, 2014. The subscription price shall be 175 per cent of the average share price (volume weighed) for the company's share of series B during the period May 2, 2011 to May 20 2011.

A resolution in accordance with the Board of Director's proposal requires support from shareholders with not less than 9/10 of votes cast as well as shares represented at the meeting. The board of directors or the one the board of directors appoints is authorized to make minor adjustments to this decision that may be necessary in connection with the registration. The proposal in full will be available at Karolinska Development's website.

Item 18: The board of directors' proposal regarding new Articles of Association

It is proposed that the general meeting resolves to adopt new Articles of Association for the company, whereby the voting limits and the provision regarding liquidation is deleted, due to the listing of the company. In addition there are changes due to changes in the Swedish Company's Act, notice for general meetings will be made by advertisement in Post- och Inrikes Tidningar and on the company's website. The time limits for notices are deleted from the Articles since they are set forth in the Swedish Company's Act. Besides that some minor adjustments have been made. The proposal in full will be available at Karolinska Development's website.

A resolution in accordance with the Board of Director's proposal requires support from shareholders with not less than 2/3 of votes cast as well as shares represented at the meeting. The board of directors or the one the board of directors appoints is authorized to make such minor adjustments to this decision that may be necessary in connection with the registration.

Item 19: The board of directors' proposal regarding authorisation for the Board of Directors to decide on new issue of shares

The board of directors proposes that the shareholders' meeting resolves to authorise the Board of Directors for the period up to the next annual shareholders' meeting to adopt decisions, whether on one or several occasions without pre-emption rights for the shareholders, with or without payment in form of contribution in kind, to issue new shares of series B up to a number that, at the time of the first decision under this authorisation, 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. The shares are intended for consideration in commercial transactions.

The board of directors or the one the board of directors appoints is authorized to make such minor adjustments to this decision that may be necessary in connection with the registration.

Item 20: Approval of new issues in subsidiaries

According to chapter 16 of the Swedish Companies Act, new issues in subsidiaries must in some cases be approved by the General Meeting of the parent company. These provisions apply to Karolinska Development AB on some share-related incentive programs for employees and directors of the boards of its portfolio companies. The companies concerned are är Inhalation Sciences Sweden AB, Pergamum AB, Pharmanest AB samt Athera Biotechnologies AB, which have decide on new issue of shares inter alia to board members, employees and legal entities under such persons influence. It is proposed that the new issues are approved by the general meeting. The proposal in full will be available at Karolinska Development's website.

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

The annual report, the auditor's report, proposal by the Nomination Committee, the auditor's statement regarding compliance with the Guidelines for Remuneration to the Executive management and complete proposals for decisions by the Annual General Meeting will be sent to shareholders (giving their address) on request and will be available on the company's web site, www.karolinskadevelopment.com and at the office at Fogdevreten 2 in Solna, Sweden, during a period of not less than three weeks prior to the date of the general meeting. The board of directors' complete proposal regarding item 17 and 20 will automatically be sent to all shareholders that have notified the company of their participation in the Annual General Meeting and have informed the company of their postal address.

As per the date of this notice, there are 37,271,878 shares, representing a total of 50,799,760 votes outstanding in the company, distributed among 1,503,098 shares of Series A (15,030,980 votes) and 35,768,780 shares of series B (35,768,780 votes). As per the record date of the Annual General Meeting no less than 11,259,539 shares are expected to be outstanding. The Company holds no treasury shares.

A shareholder is entitled to require that the board of directors and the CEO (if possible without causing material damage to the company) provides information regarding (i) circumstances that may have an effect on 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.

Solna April 2011

Board of Directors

Karolinska Development AB (publ)

TO THE EDITORS

About Karolinska Development

Karolinska Development aims to create value for investors, patients, and researchers by developing innovations from world class research into products that can be sold or out-licensed with high returns. The business model is to: **SELECT** the most commercially attractive medical innovations; **DEVELOP** these to the stage where the greatest return on investment can be achieved; and **COMMERCIALIZE** the innovations through the sale of companies or out licensing of products. This will result in upfront payments, milestone payments and royalties.

An exclusive deal flow agreement with Karolinska Institutet Innovations AB, along with other cooperation agreements with leading Nordic universities, delivers a continuous flow of innovations.

Karolinska Development's flexible exit strategy enables projects to be exited at whichever stage of development offers the greatest return on investment, usually after Phase II clinical trials have indicated the desired pharmaceutical effect on patients - this being an important value enhancing step.

Today, the portfolio consists of over 40 projects at various stages, from concept development to Phase II clinical trials, twelve projects are in clinical trials with six in Phase II. The portfolio is particularly strong in the areas of cancer, dermatology, inflammation, cardiovascular disease, women's health and diseases that affect the central nervous system. www.karolinskadevelopment.com