

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

**STOCKHOLM – April 11, 2013. The shareholders of Karolinska Development AB (publ), reg. no. 556707-5048, (“Karolinska Development” or the “Company”) are invited to the Annual General Meeting, on Tuesday 14 May, 2013, at 5 p.m. (CET), at Fogdevreten 2 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 Tuesday 7 May 2013, and

(ii) notify Karolinska Development of his/her intention to attend the meeting, no later than on Tuesday 7 May 2013, by telephone +46 (0)8 524 860 70, by e-mail [info@karolinskadevelopment.com](mailto:info@karolinskadevelopment.com) or by regular mail to Karolinska Development AB, Fogdevreten 2 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 Tuesday 7 May 2013. 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](http://www.karolinskadevelopment.com).

### **Proposal for agenda**

- Opening of the meeting
- Election of chairman of the meeting
- Preparation and approval of the voting list
- Approval of the agenda
- Election of one or two persons to verify the minutes
- Determination of whether the meeting was duly convened
- Presentation of the annual report and the auditor's report and the group annual report and the auditor's group report
- Information from the CEO
- Report on the work of the Board of Directors
- Resolutions regarding
  - adoption of the profit and loss statement and the balance sheet, and consolidated profit and loss statement and consolidated balance sheet
  - appropriation of the Company's result according to the adopted balance sheet
  - discharge from liability for the directors and the CEO
- Report on the work of the nomination committee

Resolution regarding the number of directors and auditors and deputy auditors to be appointed

Resolution in respect of the fees for the Board of Directors and for the auditor

Election of chairman of the Board of Directors, directors and auditors and deputy auditors

Procedure to appoint members of the nomination committee

The Board of Directors' proposal regarding principles for remuneration to executive management

The Board of Directors' proposal regarding a performance based share incentive program 2013 (PSP 2013)

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

The Board of Directors' proposal regarding approval of transfer of shares and of new issues in subsidiaries

Closing of the meeting

**Items 2 and 12-15: The nomination committee's proposal regarding chairman at the meeting; number of directors and deputy directors 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 instructions for appointment of members of the nomination committee**

The nomination committee, consisting of Gillis Cullin (chairman), appointed by Östersjöstiftelsen (The Baltic Foundation); Rune Fransson, appointed by Karolinska Institutet Holding AB; Peter Lundkvist, appointed by Tredje AP-fonden (Third Swedish National Pension Fund); Claes Kinell, appointed by Jarla Investment and; Todd Plutsky, appointed by Coastal Investment Management, proposes that the Annual General Meeting resolves as follows:

The chairman of the Board of Directors, Hans Wigzell, is appointed to chair the Annual General Meeting.

The number of directors will be seven 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. Each director will be paid a fixed amount of SEK 200,000. The fees are paid for the mandate period. In addition SEK 10,000 will be paid to Bo Jesper Hansen for each board meeting where the directors meet in person. The SEK 10,000 per meeting fee is new. With this exception, the fees to the directors remain unchanged. The nomination committee recommends that the directors acquire shares in the Company for approximately 50 per cent of the fee.

The auditors will be paid as per invoice.

Re-election of the directors Hans Wigzell, Per-Olof Edin, Rune Fransson, Klaus Wilgenbus, Charlotte Edenius and Vlad Artamonov; new election of Bo Jesper Hansen; election of Hans Wigzell as chairman of the Board of Directors up to 30 September 2013 and; election of Bo Jesper Hansen as Chairman from 1 October 2013. The composition of the Board of Directors meets the independence requirement of the Swedish Corporate Governance Code.

Election of Deloitte as auditor, currently with Thomas Strömberg as auditor in charge, for the time until the end of the 2014 Annual General Meeting.

The nomination committee shall have five members of which the five largest owners (as set forth in the share register kept by Euroclear Sweden AB as of 31 August 2013) 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 prior to Annual General Meeting 2014. 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 nomination committee's proposal is based on previously applied principles for the appointment of the nomination committee.

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

The Board of Directors and the managing director proposes that the amount at the disposal of the Annual General Meeting, in total SEK 1,228,273,447 be allocated as follows: To be carried forward SEK 1,228,273,447.

**Item 16: Resolution in respect of principles 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 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; (iv) not be included in calculation of pension. The notice period in case of termination by the Company shall not exceed 6 months for executive management. Severance pay shall be paid only to CEO.

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

**Item 17: Proposal regarding a performance based share program 2013 (PSP 2013)****Background**

The Board of Directors finds it essential and in all shareholders' interest that key employees in the Group have a long-term interest of a good value development of the share in the Company and therefore proposes the Annual General Meeting the below long-term incentive program for key employees.

The purpose of the long-term incentive program is to stimulate employees to continued and long-term good performance. Furthermore, in the Board of Directors' opinion, the incentive program increases the Group's attractiveness as an employer. To participate in the program the employees will be required to invest their own money. Thereafter, the participants will, after a three-year vesting period commencing on the day when the Performance Share Program 2013 (PSP 2013) agreement is entered into and ending at the earliest in conjunction with the publication of the Company's interim report for the first quarter 2016, will be allotted free of charge warrants, which entitles to subscription of shares of series B in the Company at a price equal to the quota value of the shares, provided that certain conditions are fulfilled.

In order to ensure the delivery of shares under PSP 2013, the Board of Directors proposes that a maximum of 480,000 warrants, which entitle the holder to subscribe for a maximum of 480,000 shares of series B in the Company, are issued to a wholly-owned subsidiary in the Group. In addition, the Board of Directors proposes that the Company shall be able to acquire and transfer a maximum of

150,800 shares of series B on NASDAQ OMX Stockholm in order to cover social security fees under PSP 2013.

## **Proposal**

The Board of Directors proposes that the Annual General Meeting resolves to implement a Performance Share Program 2013 (PSP 2013) which comprises a maximum of 630,800 shares of series B according to the principal guidelines below.

### **1. Participants in PSP 2013, allotment and personal investment**

PSP 2013 comprises a total of maximum 17 employees divided into three categories.

Category 1 consists of the CEO and can at maximum be allotted 180,000 shares of series B.

Category 2 consists of the CSO and the CFO can at maximum be allotted 120,000 shares of series B per person.

Category 3 consists of other participants and can at maximum be allotted 60,000 shares of series B per person.

To participate in PSP 2013, the participants must acquire shares of series B in the Company at market price on NASDAQ OMX Stockholm ("Saving Shares").

Participant in Category 1 must in order to be able to receive maximum allotment acquire 30,000 Savings Shares.

Participant in Category 2 must in order to be able to receive maximum allotment acquire 20,000 Savings Shares.

Participant in Category 3 must in order to be able to receive maximum allotment acquire the number of Savings Shares that corresponds to 1/6 of the maximum allotment offered to each participant.

Acquisition of Savings Shares shall take place on 14 June 2013 at the latest, with a right for the Board of Directors to extend this period if acquisition is not possible prior to that date. As an employee is considered an individual who has signed a contract on permanent employment no later than the day for the Annual General Meeting 2013.

For each Saving Share that the participant acquires and holds, the participant 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 that entitle the holder to subscribe for shares of series B as described below. Allotment of warrants, on the basis of Share Rights, is made after the publication of the Company's interim report for the first quarter 2016, however not earlier than three years after the PSP 2013 agreement is entered into ("Vesting Period").

### **2. Matching Share Rights**

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

- i. the participant remains employed within the Group during the Vesting Period; and
- ii. the participant has not disposed of its Saving Shares during the Vesting Period.

### **3. Performance Share Rights**

For each Saving Share that the participant acquires and holds, the participant is, free of charge, allotted five (5) Performance Share Rights that entitle to five (5) warrants to subscribe for shares of

series B. In order for Performance Share Rights to entitle to allotment of warrants, the conditions for the Matching Share Rights must be fulfilled. In addition, certain performance conditions must be fulfilled in order for Performance Share Rights to entitle to allotment of warrants. The Board of Directors intends to present whether the performance conditions of PSP 2013 have been fulfilled in the annual report of 2016.

The performance conditions for the Performance Share Rights are based on the Company share price development. For allotment of warrants, the average price paid for a share of series B in the Company on NASDAQ OMX Stockholm during a period of ten (10) trading days beginning 2 May 2016 ("End Price") must exceed the average price paid for a share of series B on NASDAQ OMX Stockholm after the Annual General Meeting 2013 ("Start Price"). The Start Price is determined by the Board of Directors and shall cover a continuous measure period of ten (10) trading days that shall be no later than within six (6) months after the Annual General Meeting 2013. For maximum allotment of warrants the share must be traded at a level that corresponds to an average yearly share price growth of 30 percent from the Start Price. If the End Price is between the Start Price adjusted upwards by 6 percent yearly and the share price that triggers maximum allotment, the participants will receive a linear allotment of warrants.

#### **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 participants are not entitled to transfer, pledge, or dispose of the Share Rights or exercise any shareholder's rights in respect of 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 after the publication of the Company's interim report for the first quarter 2016, however not earlier than three years after the PSP 2013 agreement is entered into.
- Each warrant entitles the holder to acquire one (1) 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 participants in PSP 2013 for dividends distributed in respect of the shares that the warrants entitle to.
- The value that a participant can receive at allotment of warrants in the program is maximized at an amount per share that corresponds to twenty (20) times the Starting Price.

#### **5. Detailed terms and administration**

The Board of Directors, or a committee appointed by the Board of Directors, shall be responsible for determining the detailed terms and the administration of PSP 2013, within the scope of the terms and guidelines set out in this proposal. The Board of Directors shall be authorized to make adjustments to fulfill certain rules or market pre-requisites in other jurisdictions. If delivery of warrants/shares cannot be accomplished at reasonable costs and with reasonable administrative effort to individuals outside Sweden, 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 the conditions for allotment and use of the Share Rights under PSP 2013 would no longer be appropriate

#### **6. Hedging of commitments according to PSP 2012 and PSP 2013**

##### *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 to a wholly owned subsidiary in the Group is proposed to be carried out. The subsidiary shall be authorized to

dispose of and without consideration transfer the warrants for the purpose of fulfilling commitments according to PSP 2013.

No more than 480,000 warrants shall be issued. Each warrant shall entitle to subscription of one (1) share of series B in the Company during the period from 15 June 2013 up to and including 31 August 2016 at a subscription price corresponding to the quota value of the share.

The share capital can increase with a maximum of SEK 240,000 as a consequence of subscription for shares by exercise of warrants, with reservation for the increase that can be caused by a re-calculation following new share issues etc.

*Acquisition and transfer of own shares*

It is proposed that the Board of Directors be authorized to resolve, on one or several occasions during the period up until the next Annual General Meeting, to acquire a maximum of 150,800 shares of series B in the Company and to transfer these and the 150,600 earlier acquired shares of series B in the Company, i.e. in total a maximum of 301,400 shares of series B to cover social security fees in PSP 2012 (the corresponding program for the previous year) and PSP 2013. Acquisition and transfer by the Company shall be made on NASDAQ OMX Stockholm. Acquisition 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 in the Company will increase. The new shares will constitute, at full exercise, approximately 1 percent of the outstanding shares and approximately 0.8 percent of the votes. At full exercise of the now proposed Share Rights and outstanding warrants the number of new shares constitutes approximately 2.3 percent of outstanding shares and approximately 1.8 percent of the votes calculated after full exercise of outstanding warrants and proposed Share Rights. In addition 150,800 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 deviation 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 involved employees in different parts of the Group. By linking the employees' remuneration to the Company's earnings and value trend, the long-term increase in value is rewarded and thus an alignment of interests of involved employees and shareholders is achieved.

Incentive programs are also considered to facilitate recruitment and retention of key employees in the Group who are considered important for the Company's continued development.

In light of these circumstances, the Board of Directors considers 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 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 at Karolinska Development's website.*



**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 deviation from the shareholders' priority rights and for payment in cash 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: Approval of transfer of shares and of new issues of shares in subsidiaries**

According to Chapter 16 of the Swedish Companies Act ("LEO Law") transfer of shares to inter alia directors or employees of the 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.

One of Karolinska Development's subsidiaries, Pharmanest AB, has issued shares to two persons that are founders and previous owners of the company. These persons participated to a limited extent in a financial round on the same conditions as the other investors.

KCIF Fund Management 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 require approval under the LEO Law, which means that any new share issue in a portfolio company directed to KCIF must be approved by the general meeting of Karolinska Development. The now concerned companies due to new issues directed to KCIF are Athera AB, Pharmanest AB and XSpray Microparticles AB.

There have been changes of personnel in Karolinska Development, with the effect that previous employees have transferred their holding in FMAB to new employees. One transfer was executed via Karolinska Development, thereby triggering approval under the LEO Law.

The Board of Directors proposes that the Annual General Meeting approves the share issues and share transfer 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 at Karolinska Development'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 sent to shareholders (who have provided their address) on request and will be available on the Company's web site, [www.karolinskadevelopment.com](http://www.karolinskadevelopment.com) and at the office at Fogdevreten 2 in Solna, Sweden, from 23 April 2013. 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 items 17 and 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 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 150,600 treasury shares.

**For further information, please contact:**

Torbjörn Bjerke, CEO, Karolinska Development AB

Phone: +46 (0)72 744 41 23, e-mail: [torbjorn.bjerke@karolinskadevelopment.com](mailto:torbjorn.bjerke@karolinskadevelopment.com)

**TO THE EDITORS**

**About Karolinska Development AB**

Karolinska Development aims to create value for patients, researchers, and investors by developing innovations from world class science 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 innovations 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. An exclusive deal flow agreement with Karolinska Institutet Innovations AB, along with other cooperation agreements with leading universities, delivers a continuous flow of innovations. Today, the portfolio consists of 34 projects, of which 15 are in clinical development. For more information, please visit [www.karolinskadevelopment.com](http://www.karolinskadevelopment.com).

*Karolinska Development is listed on NASDAQ OMX. Karolinska Development may be required to disclose the information provided herein pursuant to the Securities Markets Act.*