

## **Notice of Annual 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 the Annual General Meeting, on Thursday April 26, 2018 at 5 p.m. (CET), at Tomtebodavägen 23 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 Friday April 20, 2018, and

(ii) notify Karolinska Development of his/her intention to attend the meeting, no later than on Friday April 20, 2018, by telephone +46 8 524 860 70, by e-mail to [eva.montgomerie@karolinskadevelopment.com](mailto:eva.montgomerie@karolinskadevelopment.com) or by regular mail to Karolinska Development, "AGM", Tomtebodavägen 23 A, SE-17165 Solna, Sweden.

The notification should include name, identification-/registration number, address and telephone number and, if applicable, number of advisors.

### **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 April 20, 2018 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 five 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 evidencing signatory powers 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**

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 of the Board of Directors
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 for the directors and the CEO
11. Resolution regarding the number of directors and auditors and deputy auditors to be appointed
12. Resolution in respect of the fees for the Board of Directors and for the auditors
13. Election of chairman of the Board of Directors, directors and auditors and deputy auditors
14. Principles for appointing members of the Nomination Committee
15. The Board of Directors' proposal regarding principles for remuneration to executive management
16. The Board of Directors' proposal regarding authorization for the Board of Directors to resolve on transfer of own shares
17. The Board of Directors' proposal regarding authorization for the Board of Directors to resolve on new issues of shares
18. The Board of Directors' proposal regarding approval of new issues of warrants to key persons in subsidiary
19. Closing of the meeting

**Items 2 and 11-14: The Nomination Committee's proposal regarding chairman at the meeting; number of directors, auditors and deputy auditors 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 principles for appointing members of the Nomination Committee**

The Nomination Committee, consisting of Peter Lundkvist (chairman), appointed by Tredje AP-fonden (Third Swedish National Pension Fund), Anders Flodin, appointed by Karolinska Institutet Holding AB; Theresa Tse, appointed by Sino Biopharmaceutical; Torgny Wännström, appointed by Insamlingsstiftelsen för främjande och utveckling av medicinsk forskning vid Karolinska Institutet and Todd Plutsky, appointed by Coastal Investment Management, proposes that the Annual General Meeting resolves as follows:

Johan Hessius (Advokatfirman Lindahl) is appointed to chair the Annual General Meeting.

The number of directors will be six 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. All other directors will be paid a fixed amount of SEK 200,000. The fees to the directors remain unchanged compared to previous year.

The auditors will be paid as per invoice.

Re-election of the directors Hans Wigzell, Tse Ping, Vlad Artamonov, Anders Härfstrand, Magnus Persson and Theresa Tse. Election of Hans Wigzell as chairman of the Board of Directors. It is noted that, as more than half of the members are resident outside the European Economic Area, the proposed composition requires an exemption from the residency requirements from the Swedish Companies Registration Office. The composition of the Board of Directors meets the independence requirement of the Swedish Corporate Governance Code. The Nomination Committee proposes that voting shall take place individually.

Re-election of E&Y as auditor in accordance with the audit committee's recommendation, currently with Björn Ohlsson as auditor in charge, for the time until the end of the 2019 Annual General Meeting.

The Nomination Committee shall have five members of which the five largest owners (voting power, as set forth in the share register kept by Euroclear Sweden AB as of 31 August 2018) shall appoint one member each. The chairman of the Board of Directors shall convene the first meeting. If a shareholder does not exercise its right to appoint a member, the shareholder next in order of voting power, who has not already appointed a member or has a right to appoint a member, shall have the right to appoint a member to the Nominating Committee. 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 2019. 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 proposal by the Nomination Committee corresponds to previous years principles for how the members should be appointed.

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

The Board of Directors and the CEO proposes that the amount at disposal of the Annual General Meeting, in total SEK 266,476,404 shall be allocated as follows: To be carried forward SEK 266,476,404.

**Item 15: The Board of Directors' proposal regarding principles for remuneration to executive management**

Karolinska Development shall maintain compensation levels and terms required to recruit and keep an executive management with the competence and experience necessary to meet the Company's operational goals. The total remuneration to executive management shall be competitive, reasonable and appropriate.

Fixed salaries shall be based on each individual's experience and field of responsibility. Fixed salary shall be revised annually for each calendar year.

Variable remunerations shall be formed to promote Karolinska Development's long term value creation; be based upon criteria that are predetermined, clear, measurable and that can be influenced; if in form of variable salary, have a fixed cap; not be included when calculating pension insurance premiums.

The termination period at termination by the Company shall not exceed six months for the executive management. Severance pay may be paid only to the CEO. Fixed salary during a period of notice and severance pay aggregated are not to exceed an amount equivalent to the individual's fixed salary for two years.

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

**Item 16: The Board of Directors' proposal regarding authorization for the Board of Directors to resolve on transfer of own shares**

Karolinska Development has previously, on the basis of authorizations from the Annual General Meeting, acquired own shares for the purpose of using these shares as a hedge to cover charges in the form of social security fees in the Company's Performance Share Program to employees resolved by the Annual General Meeting 2015 (PSP 2015). For this purpose, the Company holds 244,285 own shares of series B as per the date of this notice. On the basis of calculations of the Company's commitments in outstanding programs, it is currently estimated that no additional shares of series B are required to cover social security fees in the Company's outstanding share programs.

Each resolution to transfer shares for the purpose to cover charges of social security fees in the Performance Share Program has for legal reasons only been valid up to the following Annual General Meeting. Resolutions on transfer of own shares for this purpose have therefore been repeated at the subsequent Annual General Meeting.

The Board of Directors makes the assessment that it continues to be advantageous for the Company to be able to use repurchased shares as a hedge to cover social security fees in the Company's outstanding Performance Share Programs.

In view of the above, the Board of Directors proposes as follows.

The Board of Directors are proposed to be authorized to decide, on one or several occasions and until the next Annual General Meeting, to transfer earlier acquired shares of series B amounting to 244,285, to cover charges in the form of social security fees in PSP 2015. Transfer of the shares held by the Company may be executed with or without deviation from shareholders pre-emption right. Transfers shall be made on Nasdaq Stockholm. Transfers can only be made at a price within the price interval registered at each time for the share.

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 17: 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 or without deviation from the shareholders' pre-emption rights, and for payment in cash, by set-off 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 18: The Board of Directors' proposal regarding approval of new issue of warrants to key persons in subsidiary**

According to Chapter 16 of the Swedish Companies Act (the "LEO Law") new issues of warrants in subsidiaries directed to, for instance, directors or employees of the issuer or another group company, must in some cases be approved by the general meeting of the parent company.

The annual general meeting in Modus Therapeutics Holding AB (publ), a subsidiary to Karolinska Development, resolved on June 28, 2017 to issue no more than 1,662,300 warrants directed to key persons in the company. The chairman of the board subscribed for 332,460 warrants, the CEO subscribed for 415,570 warrants, and the remaining 914,270 warrants were subscribed by the subsidiary Modus Therapeutics AB, for transfer to new key executives in the company.

As consideration for the subscription of the warrants, the participants have to pay an amount corresponding to the market value as of the day of the annual general meeting in Modus Therapeutics Holding AB (publ) calculated according to Black & Scholes valuation formula. Each warrant entitles to subscription for one new share in Modus Therapeutics Holding AB (publ) at a share price of SEK 20.50 per share. The share capital of Modus Therapeutics Holding AB (publ) as of this day amounts to SEK 686,719 distributed on 13,734,380 shares. Full subscription of shares based on the warrants will increase Modus Therapeutics Holding AB (publ) share capital by SEK 83,115 through an issue of 1,662,300 new shares.

The reason for the deviation from the shareholders' pre-emption rights is that Modus Therapeutics Holding AB (publ) wishes to strengthen the retention of employees and board members and to motivate them to contribute to the creation of shareholder value.

The Board of Directors proposes that the Annual General Meeting approves the issue of warrants and transfer of warrants from the subsidiary to participants, 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 on the Company's website.*

**Miscellaneous**

The annual report, the auditor's report, the proposal by the Nomination Committee and its reasoned statement, 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 available at the Company's office at Tomtebodavägen 23 A in Solna, Sweden and on the Company's web site, [www.karolinskadevelopment.com](http://www.karolinskadevelopment.com) from April 5, 2018. 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.

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 64,361,206 shares, representing a total of 77,889,088 votes outstanding in the Company, distributed among 1 503 098 shares of series A (with 15,030,980 votes) and 62,858,108 shares of series B (with 62,858,108 votes). As per the date of this notice, the Company holds 244,285 treasury shares of series B.

**Solna in March 2018  
Karolinska Development AB (publ)  
The Board of Directors**

**For further information, please contact:**

Viktor Drvota, CEO, Karolinska Development AB

Phone: +46 73 982 52 02, e-mail: [viktor.dravota@karolinskadevelopment.com](mailto:viktor.dravota@karolinskadevelopment.com)

Ulf Richenberg, General Counsel, Karolinska Development AB

Phone: +46 70 29 860 25, e-mail: [ulf.richenberg@karolinskadevelopment.com](mailto:ulf.richenberg@karolinskadevelopment.com)

**TO THE EDITORS**

**About Karolinska Development AB**

Karolinska Development AB (Nasdaq Stockholm: KDEV) is a Nordic life sciences investment company. The company focuses on identifying breakthrough medical innovations in the Nordic region that are developed by entrepreneurs and leadership teams. The Company invests in the creation and growth of companies that advance these assets into commercial products that are designed to make a difference to patients' lives while providing an attractive return on investment to shareholders.

Karolinska Development has access to world-class medical innovations at the Karolinska Institutet and other leading universities and research institutes in the Nordic region. The Company aims to build companies around scientists who are leaders in their fields, supported by experienced management teams and advisers, and co-funded by specialist international investors, to provide the greatest chance of success.

Karolinska Development has established a portfolio of nine companies targeting opportunities in innovative treatment for life-threatening or serious debilitating diseases.

The Company is led by an entrepreneurial team of investment professionals with a proven track record as company builders and with access to a strong global network..

For more information, please visit [www.karolinskadevelopment.com](http://www.karolinskadevelopment.com)

*The information was submitted for publication, through the agency of Viktor Drvota, at 08.00 CET on March 21, 2018.*