

Announcement of the final terms and conditions of Karolinska Development's directed share issue to the holders of the Company's convertible loan

STOCKHOLM, SWEDEN – 26 June 2019. Karolinska Development AB (Nasdaq Stockholm: KDEV) ("Karolinska Development" or the "Company") announced on 29 May 2019 that the Board of Directors of the Company has decided on a directed issue of series B shares to the holders of the Company's 2015/2019 convertible loan, subject to approval at the upcoming Annual General Meeting (the "Directed share issue"). The Board of Directors of the Company today announces the final terms of the Directed share issue.

Background and reasons for the Directed share issue

On 2 January 2015 the Company issued a convertible loan with a nominal amount of SEK 387 million. Including accrued interest until 30 June 2019 the total amount payable amount to SEK 466 million. As stated in the Company's interim report for the first quarter of 2019, the board works actively to resolve the Company's long-term capital requirements and a conversion of the outstanding convertible loan is required to ensure that the Company continues to operate as a going concern. A conversion would also increase the degree of strategic and operational headroom for the future.

Sino Biopharmaceutical Limited ("Sino Biopharma"), one of the leading pharmaceutical groups in China, has undertaken to participate in the issue, with the provision that Sino Biopharma's share of the votes in the Company shall not exceed 49 percent after the Directed share issue, board approval by Sino Biopharma and that a certain degree of acceptance will be achieved in the Offer. Provided that a significant proportion of the convertible debt is offset in the Directed share issue, the Company will initiate a strategic initiative together with Sino Biopharma with the purpose of opening the Asian market for Nordic innovations. The focus will be on companies that are close to market launch, with the ambition to generate a positive cash flow to Karolinska Development, which in turn can be reinvested in new innovative companies.

The Directed share issue to the holders of the convertible loan will not result in any cash proceeds being transferred to the Company, instead the issued shares will be offset against parts of or the entire convertible loan including accrued interest. The Board of Directors is of the belief that the Directed share issue constitutes an attractive way of achieving the required restructuring of the Company's capital structure to the prevailing conditions.

Terms of the Directed share issue

The Company's Board of Directors has resolved, subject to approval by the Annual General Meeting ("AGM"), on a directed issue of series B shares to the Company's convertible loan holders, with payment by set-off. The Directed share issue will be directed to all convertible loan holders, including Sino Biopharma. The offer to the convertible loan holders is subject to approval by the Company's shareholders at the AGM to be held on 28 June 2019 and will require support by shareholders holding not less than two-thirds of the votes cast and the shares represented at the AGM. Convertible holders with convertibles registered on a VPC account (VP-konto) with Euroclear Sweden AB per record date 3 July 2019 will receive information material on the Offer from the Company. If the holding is registered in the name of a nominee with a bank or brokerage firm the convertible holder will receive information from the nominee.

The subscription price amounts to SEK 3.74 for each new share of series B. The subscription price in the Directed share issue corresponds to the volume-weighted average share price ("VWAP") for the fifteen

trading days ending two days prior to the AGM, with a market discount of three percent applied to the VWAP. The maximum number of new shares of series B that may be issued in the Directed share issue amounts to 124,471,935 representing a share capital increase of SEK 1,244,719. If all convertible holders participate in the Directed share issue, a total of SEK 466 million of outstanding convertible debt is converted to B shares.

Subscription undertakings

Sino Biopharma and certain other owners, who jointly hold 84 percent of the convertible loan, have agreed to submit subscription commitments corresponding to their convertible loan holding including accrued interest. Sino Biopharma's commitment will however not result in an ownership in Karolinska Development exceeding 49 percent of the votes and 52.5 percent of the capital. Sino Biopharma's commitment is conditional of approval by Sino Biopharma's Board of Directors and that convertible loan holders representing at least 95 percent of the convertible loan have committed to set-off their holding of convertible loans in the Directed share issue. The fulfilment of these conditions is thus prerequisites for the Directed share issue. In connection with the Directed share issue, the Company will initiate a strategic initiative together with Sino Biopharma with the purpose of opening the Asian market for Nordic innovations.

Exemption from the mandatory bid obligation

The Swedish Securities Council has granted an exemption for Sino Biopharmaceutical from the mandatory bid obligation that would arise if Sino Biopharmaceutical acquired shares in the Directed share issue in accordance with the above. The exemption is conditional upon the shareholders receiving information before the AGM on the maximum amount of capital and votes respectively that Sino Biopharmaceutical may obtain by acquiring the shares, and that the resolution on the Directed share issue is supported by at least two-thirds of the votes cast as well as the shares represented at the AGM, in which the shares held by Sino Biopharmaceutical are disregarded when counting of votes.

The decision of the Swedish Securities Council (AMN 2019:24) is available in full at the website of the Swedish Securities Council (www.aktiemarknadsnamnden.se).

Indicative timetable for the Directed share issue to the convertible holders

The timetable below is preliminary and may be subject to changes.

June 28, 2019

AGM in the Company.

July 3, 2019

Record date for convertible holders in the Company to receive the prospectus and application form.

July 5, 2019

Preliminary date for publication of the prospectus. Prospectus and application form is distributed to the holders of convertibles.

July 8 – July 19, 2019

Subscription period.

July 24, 2019

Announcement of preliminary results.

For more information on the Directed share issue, please refer to the Company's press release on 29 May 2019.

Financial and legal advisers

DNB Markets is acting as financial adviser and Cirio Advokatbyrå as legal adviser to Karolinska Development in connection with the Directed share issue.

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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 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 ten 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: www.karolinskadevelopment.com