

Holders of Karolinska Development's convertible loan have agreed to set-off and repurchase 94 per cent of outstanding convertibles

STOCKHOLM, SWEDEN – 6 November 2019. Karolinska Development AB (Nasdaq Stockholm: KDEV) ("Karolinska Development" or the "Company") today announces that unconditional subscription- and repurchase commitments corresponding to set-off and repurchase of 94.2 per cent of the Company's convertible loan have been entered in the ongoing Directed Issue. This corresponds to SEK 438.4 million of the convertible loan including accrued interest at June 30, 2019. Remaining convertible loan holders that have not yet undertaken to subscribe or agreed to be redeemed, in total corresponding to SEK 19.9 million, have the option to subscribe in the Directed Issue up until December 12, 2019. The Company can now regain its focus on the value creation in the portfolio companies and on the upcoming collaboration with Sino Biopharmaceutical to commercialize Nordic innovations in Asia.

On May 29, 2019 Karolinska Development's Board of Directors decided, with the following approval from the Annual General Meeting, to complete a directed issue of series B shares to the holders of the Company's 2015/2019 convertible loan ("Directed Issue"). The Directed Issue was approved by the Annual General Meeting on June 28, 2019 and the Board of Directors has today resolved to extend the subscription period further for the Directed Share Issue. The subscription period now runs from 8 July to 12 December 2019. Announcement of the result of the first partial registration of the offer is expected on or about 20 November 2019 and the final result of offer is expected to be announced on or about 18 December 2019.

The reason for the Board of Directors decision to extend the subscription period is to enable for the remaining holders of the convertible loan to accept the offer and to enable for Sino Biopharmaceutical Limited and Chia Tai Resources Limited (together "**Sino Biopharmaceutical**") to sell a portion of their convertible loan for subscription in the Directed Issue.

"It is a significant success for Karolinska Development that the Company after an intense process has managed to secure redemption of over 94 per cent of the convertible loan. The subscription period is ongoing until December 12 and the final participation rate in the Directed Issue might become even higher. The transaction means increased possibilities to find financing to meet the Company's short-term working capital needs. Now we can once again focus on value creation in our portfolio companies. It has been a challenging period, but after today's announcement we see a clear way forward. Next in line to present important clinical research results are our portfolio companies Aprea, Umeocrine Cognition and Dilafor. We are also looking forward to the cooperation with Sino Biopharmaceutical for the purpose of opening up the Asian market for Nordic innovations, which will be initiated after completion of the Directed Issue", said Karolinska Development's CEO, Viktor Drvota.

Updates concerning participation in the Directed Issue

Sino Biopharmaceutical, Paradigm Capital Value Fund SICAV ("**Paradigm Capital SICAV**"), Paradigm Capital Value LP ("**Paradigm Capital LP**"), Europäische Marketing und Finanzmanagement AG ("**Europäische Marketing und Finanzmanagement**") and Stiftet för Främjande & Utveckling ("**Karolinska Institutet**"), which jointly own 95.7 per cent of the convertible loan, have committed to participate in the Directed Issue corresponding to 87.5 per cent of the convertible loan including accrued interest until June 30, 2019, with the reservation that Sino Biopharmaceutical's voting rights must not exceed 49 per cent after the Directed Issue. In addition 6.7 per cent of the convertible shall be repurchased by Karolinska

Development. As such, in total 94.2 per cent of the convertible loan has been committed to extinguishment through conversion or repurchase. Furthermore, Karolinska Institutet and Sino Biopharmaceutical's subscription commitment are no longer contingent upon holders of minimum 95 per cent of convertible holders subscribing in the Directed Issue.

Sino Biopharmaceutical has furthermore committed to divest no more than SEK 61.6 million of its convertible loan of which they are not eligible for conversion in the Directed Issue, as a consequence of the restriction that their voting share must not exceed 49 per cent, to a third party (the "**Remaining convertible loan**"). Sino Biopharmaceutical also commits to ensure that this third party subscribes for series B shares through conversion of the Remaining convertible loan during the subscription period of the Directed Issue. Sino Biopharmaceutical has also, within its subscription undertaking, committed to set-off at least SEK 59.2 million of the convertible loan in connection with the third party subscribing for shares, thus allowing Sino Biopharmaceutical to subscribe for additional shares without its holding of votes exceed 49 per cent of the votes in the Company. The entire convertible loan of Sino Biopharmaceutical will thus be a set-off within the Directed Issue.

Of Sino Biopharmaceutical's total subscription commitment, approx. SEK 265.1 million of the convertible loan will be set-off against series B shares in the Company, which will be part-registered with the Swedish Companies Registration Office and delivered to Sino Biopharmaceutical around November 25, 2019. Paradigm Capital SICAV, Paradigm Capital LP, Europäische Marketing und Finanzmanagement, Karolinska Institutet and other holders of the convertible loan that accepts the offer no later than November 15, 2019, will also receive the shares around November 25, 2019, through the way of partial registration with the Swedish Companies Registration Office.

Sino Biopharmaceutical, and the third party acquiring the Remaining convertible loan, will as agreed set-off the Remaining convertible loan no later than December 12, 2019 and the series B shares will be delivered by the Company around December 20, 2019. Other holders of the convertible loan who have accepted the offer after November 15, 2019 but not later than December 12, 2019, will also receive the shares around December 20, 2019 through a final partial registration of the Directed Issue at the Swedish Companies Registration Office.

Karolinska Development's repurchase and deregistration of convertibles

Karolinska Development has furthermore entered an agreement concerning repurchase ("**Repurchase**") of convertibles from Paradigm Capital SICAV, Paradigm Capital LP and Europäische Marketing und Finanzmanagement to a total amount corresponding to SEK 30.7 million, including accrued interest up until September 12, 2019.

For the Repurchase the Company renders payment in the form of:

- 1,050,000 shares in OssDsign;
- 27 per cent of a non-current claim to Stiftelsen Industrifonden which attributes to the sale of shares in Oncopeptides AB corresponding to a value of approximately SEK 15 million; and
- SEK 4.1 million referring to 27 per cent of an earnout from Stiftelsen Industrifonden due to a sale of shares in Oncopeptides AB.

Repurchased convertibles will be deregistered by the Company as soon as possible after the Company gains ownership of the repurchased convertible loan.

Remaining convertible loans

The remaining share of Paradigm Capital SICAV, Paradigm Capital LP and Europäische Marketing und Finanzmanagements's convertible loan, corresponding to SEK 8.0 million including accrued interest up until December 31, 2019, will be repaid according to the terms and conditions of the convertible on December 31, 2019.

The remaining convertible loan which is owned by the public, and which can be converted in the ongoing Directed Issue, corresponds to SEK 19.9 million including accrued interest per June 30, 2019.

Supplement to the prospectus

The Company will prepare a supplement to the prospectus regarding the agreement on unconditional subscription- and repurchase commitments corresponding to 94.2 per cent of the ongoing Directed Issue. The supplement to the prospectus will be published around November 6, 2019.

For further information about the Directed Issue, please refer to the Company's press releases issued on 29 May, 26 June, 28 June, 5 July and 27 September 2019.

The Company's capital requirements

The Directed Issue will not result in any liquidity being transferred to the Company. The Company is therefore intensely working on a number of alternatives to finance the outstanding capital requirement after the Directed share issue has been completed. The short-term financing is currently expected to be construed either as a share issue and/or as a short-term credit facility.

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 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: www.karolinskadevelopment.com.

This information is information that Karolinska Development AB (publ) (Nasdaq Stockholm: KDEV) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of Viktor Drvota, at 11.45 CET on 6 November 2019.