

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

2019-05-29

The shareholders of Karolinska Development AB (publ), reg. no. 556707-5048, ("**Karolinska Development**" or the "**Company**") are invited to the Annual General Meeting, on Friday June 28, 2019 at 3 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 June 21, 2019 (note that as the record day occurs on Midsummer's Eve, the shareholder must be recorded in the share register already on Thursday June 20, 2019), and

(ii) notify Karolinska Development of his/her intention to attend the meeting, no later than on Monday June 24, 2019, 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 Thursday June 20, 2019 at the latest, since the record day occurs on Midsummer's Eve. 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 authorization for the Board of Directors to resolve on repurchase of convertibles
19. The Board of Directors' proposal regarding approval of issue of warrants to board member in subsidiary
20. Resolution on
  - a) (i)-(ii) amendments of the Articles of Association (share capital limits and number of shares) and
  - b) approval of the Board of Directors' resolution on a directed new issue of shares to the convertible holders
21. 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), Hans Möller, appointed by Karolinska Institutet Holding AB; Yan Cheng, appointed by Sino Biopharmaceutical; Todd Plutsky, appointed by Coastal Investment Management and; Anders Bladh, appointed by Ribbskottet AB, proposes that the Annual General Meeting resolves as follows:

Johan Hessius (Cirio Law Firm) 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 to be paid out in proportion to board meetings attended. All other directors not employed by the Company will be paid a fixed amount of SEK 200,000 to be paid out in proportion to board meetings attended. 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, Magnus Persson and Theresa Tse; new election of Viktor Drvota; 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 2020 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 2019) 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 2020. 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 296,986,457, shall be carried forward.

**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 twelve months for CEO and six months for other 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**

The Board of Directors proposes that the Annual General Meeting resolves to authorize the Board of Directors, for the period until the next Annual General Meeting, on one or more occasions, with or without deviation from the shareholders' preferential rights, to resolve on transfer of all shares of series B held by the Company at any given time. The Company holds 244 285 shares of series B at the time of the publication of this notice. Transfer may take place on Nasdaq Stockholm or otherwise. Transfer on Nasdaq Stockholm shall be made at a price per share within the registered price interval at any given time, being the interval between the highest bid and lowest ask price. Otherwise, transfer shall be made on market terms. Payment for shares shall be made in cash, in kind or by set-off.

The purpose of the authorization for transferring own shares and the reasons for potential deviation from the shareholders' preferential rights, is to give the Board of Directors the possibility to adjust the Company's capital structure, to use repurchased shares as payment for, or financing of, acquisitions or investments in order to create increased value for the shareholders.

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 until the next Annual General Meeting to resolve, on one or more occasions, with or without deviation from the shareholders' preferential 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 twenty (20) 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 authorization for the Board of Directors to resolve on repurchase of convertibles**

The Board of Directors proposes that the Annual General Meeting resolves to authorize the Board of Directors, for the period until the next Annual General Meeting, on one or more occasions, to resolve to repurchase the Company's outstanding convertibles (Karolinska Development KV1) which were issued through a resolution at a extraordinary general meeting in 2014.

The convertibles nominal amount totals approx. MSEK 329 and they expire and fall due for payment on December 31, 2019. The right to invoke conversion expires on June 30, 2019. The conversion price is SEK 22.

Acquisition of the convertibles shall be made at a price corresponding to the highest market value at the decision date.

The purpose of the authorization is to provide the Board of Directors with increased flexibility in its efforts to optimize the Company's capital structure. Repurchased convertibles must be held in the Company's custody and be annulled without being passed on.

The Board of Directors shall be authorized to resolve on the more detailed terms for the execution and the administrative measures required to implement this resolution.

**Item 19: The Board of Directors' proposal regarding approval of issue of warrants to board member in subsidiary**

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

A general meeting of Umecrine Cognition AB ("**Umecrine**"), which is a subsidiary of Karolinska Development, decided on June 30, 2017, to issue 88,495 warrants to director Thomas O Blackburn of Umecrine. The purpose of the issuance and the implementation of the incentive program was to create a common interest for the company's shareholders and key individuals to work for and aim at the company achieving the best development possible with respect to its business and value. The warrants are issued at price of SEK 0.35 per warrant. Each warrant entitles to subscription for one new share in Umecrine at a price of SEK 40, during a period as from March 8, 2022 up to and including April 8, 2022.

The Board of Directors proposes that the Annual General Meeting approves the issue of shares and warrants, 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.*

**Item 20**

**a) Proposal on amendments of the Articles of Association (share capital limits and number of shares)**

To enable the issue of new shares under item b) below, the limits for the share capital and the number of shares in the Articles of Association must be amended. The Board of Directors has herein drawn up two different proposals on amendments to the Articles of Association regarding the limits of the share capital and the number of shares. The Board of Directors, the CEO, or anyone appointed by the Board of Directors, shall, after the directed issue under item b) is completed and the outcome is known, be authorised to submit the Articles of Association to the Swedish Companies Registration Office required for the directed issue under item b) to be registered with the Swedish Companies Registration Office.

*a) (i) Proposal on amendments of the Articles of Association (share capital limits and number of shares)*

The Board of Directors proposes that the Annual General Meeting resolves to amend the limits of the share capital from minimum SEK 500,000 and maximum SEK 2,000,000 to minimum SEK 625,000 and maximum SEK 2,500,000.

The Board of Directors also proposes that the Annual General Meeting resolves to amend the limits of the number of shares in the Articles of Association from minimum 50,000,000 and maximum 200,000,000 to minimum 62,500,000 and maximum 250,000,000.

If the Annual General Meeting resolves in accordance with the proposal, item 4, first paragraph, in the Articles of Association will have the following wording:

*“The company’s share capital shall be not less than SEK 625,000 and not more than SEK 2,500,000. The company shall have not less than 62,500,000 shares and not more than 250,000,000 shares”.*

*a) (ii) Proposal on amendments of the Articles of Association (share capital limits and number of shares)*

The Board of Directors proposes that the Annual General Meeting resolves to amend the limits of the share capital from minimum SEK 500,000 and maximum SEK 2,000,000 to minimum SEK 2,500,000 and maximum SEK 3,000,000.

The Board of Directors also proposes that the Annual General Meeting resolves to amend the limits of the number of shares in the Articles of Association from minimum 50,000,000 and maximum 200,000,000 to minimum 250,000,000 and maximum 300,000,000.

If the Annual General Meeting resolves in accordance with the proposal, item 4, first paragraph, in the Articles of Association will have the following wording:

*“The company’s share capital shall be not less than SEK 2,500,000 and not more than SEK 3,000,000. The company shall have not less than 250,000,000 shares and not more than 300,000,000 shares”.*

**b) Resolution on approval of the Board of Directors’ resolution on a directed new issue of shares to the convertible holders**

The Board of Directors proposes that the Annual General Meeting resolves upon approval of the Board of Directors’ resolution of 29 May 2019 on a directed new issue of B-shares to the holders of the Company’s outstanding convertibles 2015/2019 on principally the following terms and conditions.

The right to subscribe for new B-shares shall, with deviation from the shareholders pre-emption rights, belong to the persons recorded as convertible holders, in the register held by Euroclear Sweden AB of the Company’s outstanding convertibles 2015/2019 (the “Convertible Holders”). The purpose of the new issue of shares is to reduce the outstanding convertible debt, which would strengthen the Company’s equity position compared to its share capital, thereby reducing the Company’s overall financial risk profile. The reason for the deviation from the shareholders’ pre-emption rights is that the new issue of shares by set off is a necessary part of the refinancing of the Company.

The number of B-shares that each Convertible Holder shall be entitled to subscribe for shall correspond to the number of B-shares that would be issued by off-setting the Convertible Holder’s claim under the Convertibles, including accrued interest until 30 June 2019, for new B-shares in the Company.

The Board of Directors is, pursuant to Chapter 13, section 5, first paragraph, item 8 of the Swedish Companies Act, authorized to, before the Annual General Meeting 28 June 2019, resolve the maximum amount by which the share capital shall increase, the maximum number of B-shares to be issued and the subscription price per each new B-share. The subscription price will be based on the volume-weighted average share price (VWAP) of the Company’s shares as quoted on Nasdaq Stockholm for the fifteen (15) trading days ending two (2) trading days prior to the Annual General Meeting, with a discount of three (3) per cent on such VWAP.

Subscription and payment shall be made during the period 8 July 2019 to 19 July 2019 by using an application form provided by the Company. Over-subscription is not allowed. The Board of Directors has the right to extend the period of subscription. Payment for new B-shares shall be made in cash in connection with subscription. It is noted that the Board of Directors has the possibility to allow set-off under Chapter 13, section 41 of the Swedish Companies Act in order for subscribed shares to be paid by set-off of the Convertible Holder’s claims under the convertible, including accrued interest until 30 June 2019. The Board of Directors has the right to extend the

period for payment. The new B-shares entitle to dividends for the first time on the first record date for dividend that take place after the issue of new B-shares has been registered with the Swedish Companies Registration Office and been recorded in the share register kept by Euroclear Sweden AB.

#### *Other information*

By participating in the issue, as described in this item 20, the total holdings of two of the shareholders of the Company, Sino Biopharmaceutical Limited and Chia Tai Resource Limited (a wholly-owned subsidiary to Sino Biopharmaceutical Limited) (together referred to as "Sino Biopharmaceutical"), may amount to a maximum of 49 per cent of the votes in the Company, which means that Sino Biopharmaceutical's total holding will exceed 30 per cent of the votes in the Company, and will consequently trigger a mandatory bid obligation under Chapter 3, Section 1 of Swedish Takeover Act. By reason of this, Sino Biopharmaceutical intends to apply to the Swedish Securities Council (Sw. Aktiemarknadsnämnden) for an exemption from the mandatory bid obligation, that would be triggered by participating in the issue. Sino Biopharmaceutical currently holds 4,853,141 shares of series B in the Company, which corresponds to 6.23 percent of the total number of votes in the Company. A separate press release regarding the outcome of the Swedish Securities Council's decision will be published by the Company before the Annual General Meeting as soon as the decision has been received. The Swedish Securities Council's decision will also be available in its entirety on the Swedish Securities Council's website ([www.aktiemarknadsnamnden.se](http://www.aktiemarknadsnamnden.se)).

#### *Majority requirements and conditions*

Resolution under item a)–b) above shall be resolved upon as one decision. Such resolution requires, for its validity, support by a minimum of two-thirds of the votes cast and the shares represented.

*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 June 7, 2019. 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 64,418,737 shares, representing a total of 77,946,619 votes outstanding in the Company, distributed among 1,503,098 shares of series A (with 15,030,980 votes) and 62,915,639 shares of series B (with 62,915,639 votes). As per the date of this notice, the Company holds 244,285 treasury shares of series B.

#### **Processing of personal data**

For information on how your personal data is processed in connection to the Annual General Meeting see the privacy policy available on Euroclear Sweden AB's website: <https://www.euroclear.com/dam/ESw/Legal/Privacy-notice-bolagsstammor-engelska.pdf>

**Solna in May 2019**  
**Karolinska Development AB (publ)**  
***The Board of Directors***

#### **For further information, please contact:**

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#### **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.

*This information is information that Karolinska Development AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. This notice has been published in a Swedish and an English version. The information was submitted for publication, through the agency of the contact person set out above, at 29 May 2019, 1:45 PM CET.*

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